IDC

Industrial Development Corporation

Your partner in development finance

INTEGRATED ANNUAL REPORT **2012**

For the year ended 31 March 2012

Innovation, Growth ... Sustainability

IDC Integrated Annual Report 2012

Contents

Navigation

Read more: *This refers to information found in other sources*

More information: *This guides you to find more information on the IDC website – www.idc.co.za/IR2012*

Financial statements: *This refers to additional details contained in the annual financial statements*

LA ***Assurance:*** *This refers to information that has been externally assured (limited assurance)*

Vision and mission

Vision

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

Mission

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

Innovation, Growth ... Sustainability

This theme captures the IDC's focus in the year under review and provides an indication of the Corporation's future focus. It is in line with the move towards more sustainable (greener) ways of doing business, both internally and externally. Sustainable growth will therefore be the golden thread that runs throughout the IDC's first integrated report. In addition, the 2012 report will focus on innovation within IDC and in its relationship with clients and other stakeholders.

Key achievements and challenges for the year under review

Key achievements

- Record levels of funding activity:
  - Value of funding approved increased to R13.5 billion from R8.7 billion
  - 293 funding approvals in 2012 compared to 221 in the previous year
- Increasing impact on employment:
  - 45 900 jobs expected to be created and saved in South Africa through funding approvals, compared to 39 400 in the previous financial year
  - 48% of these jobs based in rural areas
- Emerging as a leader in the development of green industries:
  - Establishment of the Green Industries Strategic Business Unit
  - Participation in funding for 12 of the projects that received preferred bidder status during the first round of the Renewable Energy Procurement Programme (REPP)
  - Launched the Green Energy Efficiency Fund (GEEF) to provide low-cost funding to businesses to implement energy-saving technologies
- Lowering the cost of funding for businesses:
  - Sourcing of an additional R2 billion from the Unemployment Insurance Fund (UIF) to use for funding more labour-intensive businesses
- Addressing stakeholder needs:
  - Initiatives implemented to reduce turnaround times to improve customer satisfaction
  - Maintained high levels of customer service satisfaction (89% customer satisfaction score for financial year 2012)
  - Increased consultation and interaction with internal and external stakeholders resulting in improved stakeholder perceptions
- Financial sustainability underpinned by profits of R3.3 billion, a 22% increase from previous financial year
- Completed process to establish Small Enterprise Finance Agency (sefa) as a wholly-owned subsidiary of IDC. This will improve service delivery to small, medium and micro enterprises (SMMEs)

Challenges

- Infrastructure constraints adding to the cost of projects
- IDC has been investing in the development of large projects reducing the direct job creation efficiency of our funding
- Slower economic recovery resulting in lower levels of business confidence
- More proactive project development approach results in increased costs and risk profile in the short term, but will result in higher development impact over time
- Attracting and retaining skills
- Higher incidence of applicants misleading the Corporation

About this report

This integrated annual report covers our financial and non-financial strategy and performance for the financial year 1 April 2011 to 31 March 2012 and prospects going forward. When we refer to "IDC", "we" or "our", we mean the Industrial Development Corporation and its financing subsidiaries. The non-financial part of the report excludes IDC's operating subsidiaries, joint ventures, leased facilities and outsourced operations. In areas where the boundary is different it has been identified in the report.

In preparing the report, management considered the guidelines on integrated reporting as provided by the International Integrated Reporting Committee (IIRC). Financial information was prepared in accordance with the IFRS while our sustainability-related information has been compiled following the guidelines of the Global Reporting Initiative (GRI G3.1), supported by internally developed guidelines. Our GRI index is available at the end of the report.

IDC has declared a B+ application level in terms of the GRI G3.1 guidelines.

External Assurance providers were engaged to provide assurance on selected sustainability information in this report using the International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements other than Audits and Reviews of Historical Financial Information. Their report is on pages 85 and 86.

This year we have set out to identify and define our material issues through stakeholder engagement. As this is our first integrated annual report, there are no applicable re-statements from previous years and the structure has changed significantly. Recognising that integrated reporting is a journey, we plan to improve the materiality of the content in future years and align our reporting structure with our business strategy.

We appreciate your feedback. Any queries or comments can be sent to irreport@idc.co.za

Corporate profile

Our mandate

The Industrial Development Corporation of South Africa Limited (IDC) was established in 1940 by an Act of Parliament (Industrial Development Corporation Act, No. 22 of 1940).

We were established to spearhead the development of domestic industrial capacity, especially in light of the shortages of manufactured goods experienced as a result of the disruption of trade between Europe and South Africa during the Second World War.

For more than 70 years, we have been instrumental in implementing South Africa's industrial policy, establishing some of the industries that have since become cornerstones of the country's manufacturing sector. These include the petro-chemicals and minerals beneficiation industries. Apart from large industrial projects in these industries, we have also been instrumental in the establishment of other industries such as fabricated metals, agro-industries, clothing and textiles.

In the 1990s, our mandate was expanded to allow investment in the rest of Africa. Our first such venture was an aluminium smelter in Mozambique, bringing together investors from around the globe to establish a major industrial operation in a country plagued by decades of civil war. The venture illustrated the viability of large projects on a continent that was often shunned by investors. Other current investments in the rest of the continent include mining, agriculture, manufacturing, tourism and telecommunications.

We rely on funds generated from our loan and equity investments, exits from mature investments as well as borrowings from commercial banks, other development finance institutions (DFIs) and other lenders, to fund our activities.

Although our priorities evolved in line with policy direction over the years, we remain committed to our objective of developing the country's industrial capacity and, in doing so, play a major role in creating jobs.

Our values

Our industrial development role

We are a key implementing agency of industrial policy. Currently this centres on the New Growth Path (NGP) and its manufacturing driver, the Industrial Policy Action Plan (IPAP). We identify opportunities for sector development in line with policy objectives and play a catalytic role by developing projects in partnership with our various stakeholders. Our funding activities are mainly to the private sector, but we also work closely with different levels of government, government agencies and sector organisations to ensure a co-ordinated approach. In addition, we support government in other areas related to its development objectives such as research and fund management.

IDC's role in the rest of Africa is to proactively develop and implement strategies that create and integrate value chains across the continent. By taking advantage of each individual country's strengths, a more competitive industrial base throughout the region can be ensured.

Our B-BBEE score

We are a Level 2 B-BBEE contributor. During the year under review our score was 89.7.

As a State-owned development financier, the IDC believes it is our obligation to ensure economic transformation in the economy and, as such, we will continue to explore ways through which to improve our score.

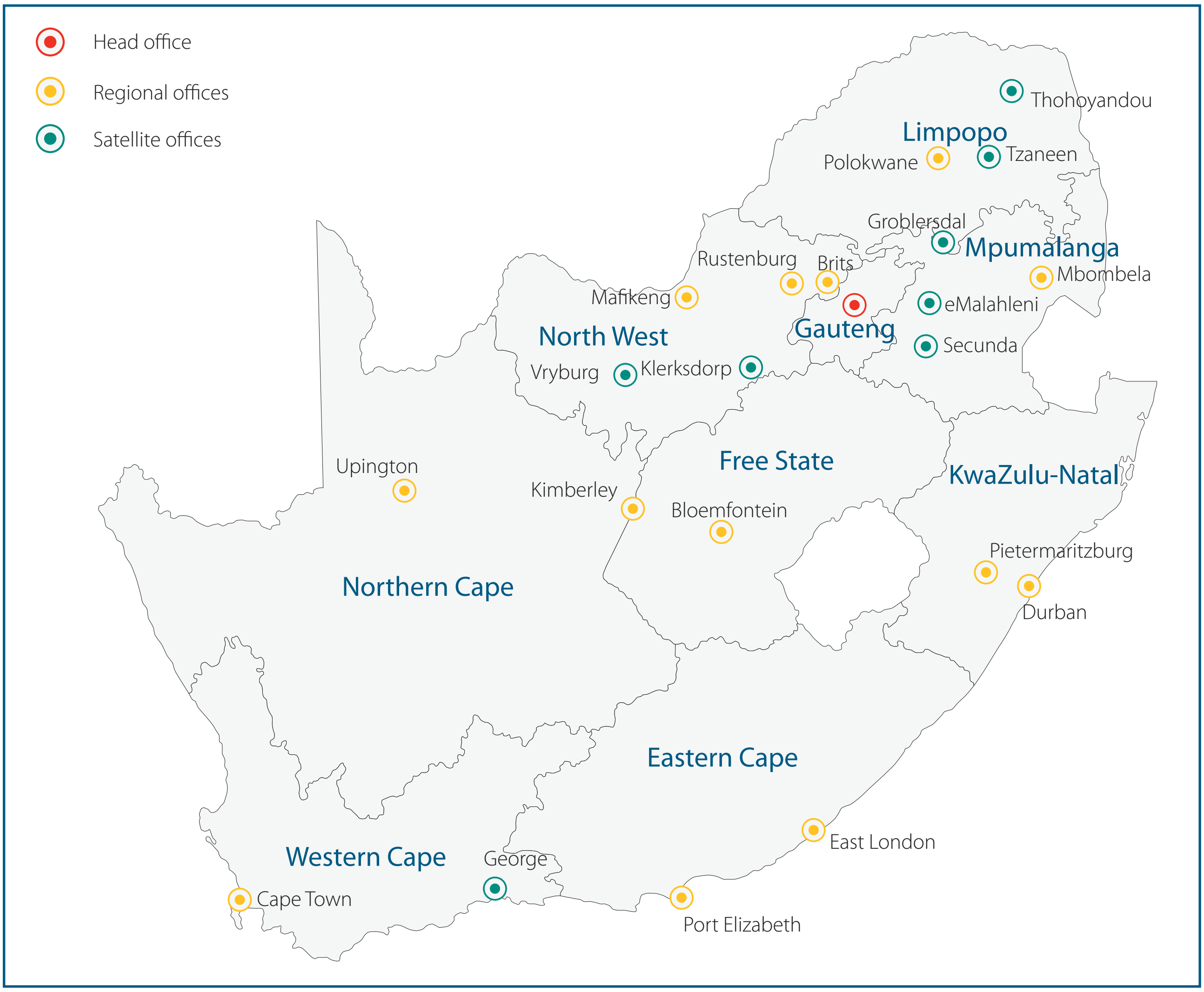
B-BBEE SCORE			
Management and Control	16/15	Employment Equity	13.6/15
Skills Development	13.5/20	Preferential Procurement	16.5/20
Enterprise Development	15/15	Socio-Economic Development	15/15

Corporate profile *(continued)*

Our main business and funding activities

Activities	Customers	Business lifecycle	Sectoral involvement	Funding products	Regional involvement
• Provision of development finance • Project development • Research and policy inputs • Fund management • Non-financial forms of business support • Capacity building	• Business • Government • Other DFIs	• Conceptual • Pre-feasibility • Feasibility • Establishment • Product commercialisation • Expansion • Mature	• Agricultural value-add • Mining and mineral beneficiation • Manufacturing • Green industries • Industrial infrastructure • Tourism • ICT • Media and motion pictures • Healthcare	• General debt • *Quasi*-equity • Equity • Export/import finance • Short-term trade finance • Bridging finance • Guarantees • Venture capital • Wholesale funding through intermediaries	• South Africa • Rest of Africa • Global imports of South African equipment

IDC offices in South Africa



Group five-year review

Figures in Rand million	2012	2011	2010	2009	2008
Statement of financial position					
Cash and cash equivalents*	7 825	5 828	2 866	5 607	5 370
Loans, advances and investments	96 209	94 024	79 265	61 879	78 931
Property, plant and equipment	4 772	4 587	4 136	3 038	3 002
Other assets	3 424	2 367	2 364	2 853	3 130
Total assets	112 230	106 806	88 631	73 377	90 433
Capital and reserves	91 862	92 726	79 189	64 687	75 803
Non-controlling interest	331	342	366	358	45
Other financial liabilities	9 923	6 677	3 527	5 165	5 825
Other liabilities	10 114	7 061	5 549	3 167	8 760
Total equity and liabilities	112 230	106 806	88 631	73 377	90 433
Statement of comprehensive income					
Operating profit	3 412	2 285	2 008	5 314	2 155
Income from equity-accounted investments	(2)	633	40	1 132	1 950
Profit before taxation	3 410	2 918	2 048	6 446	4 105
Taxation	(107)	(206)	181	(825)	(154)
Profit for the year	3 303	2 712	2 229	5 621	3 951

** To be utilised to fund commitments of R34,36 billion.*

IDC value-added statement LA

Figures in Rand million	2012	2011
Value created		
Net interest income	1 225	1 014
Impairment losses on loans, advances and investments	(1 616)	(1 026)
Other income from lending activities	413	293
Other investment income	3 541	2 248
Operating expenditure	(511)	(436)
	3 052	2 093
Value allocated		
Benefits to employees	750	610
Social spending in communities	59	65
To government as taxation and dividends	79	133
Taxation (including deferred tax)	29	83
Dividends to shareholders	50	50
Value reinvested in operations	2 164	1 285
Transfer to reserves (retained earnings)	2 143	1 248
Depreciation and amortisation	21	37
	3 052	2 093

Corporate profile *(continued)*

Flow of funding and development impact

Five-year period 2008 – 2012

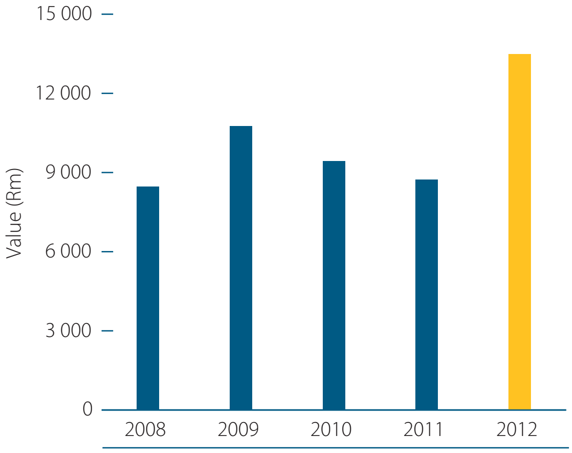
Cash inflows

R18.3 bn Borrowings raised
R15.8 bn Income after tax payments
R12.6 bn Repayments received from clients
R3.1 bn Sale of shares

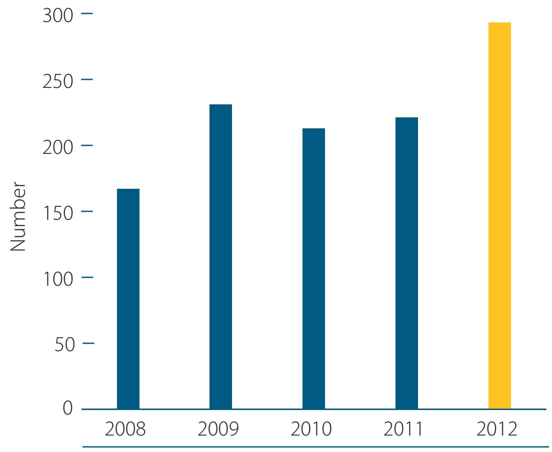
Cash outflows

R25.2 bn Advances to clients in the form of loans
R13 bn Borrowings repaid
R7.6 bn Advances to clients in the form of equity
R0.4 bn Dividends paid

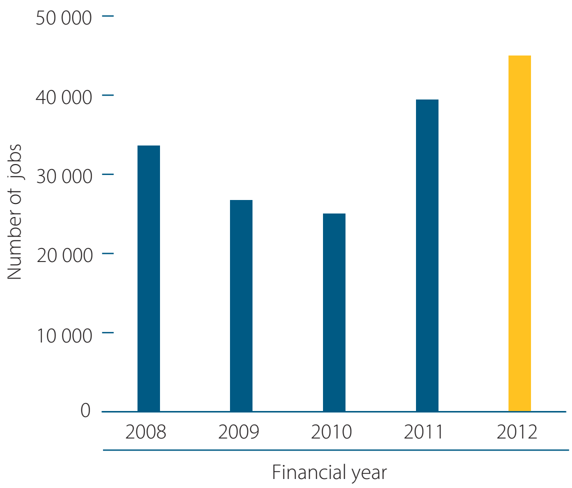
Value of approvals per year



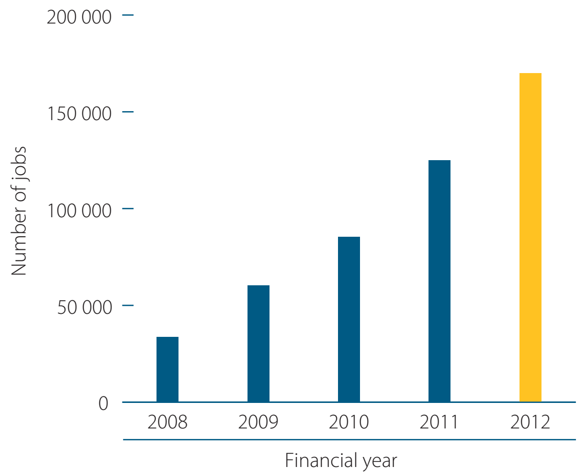
Number of approvals per year



Number of new and saved jobs facilitated per year

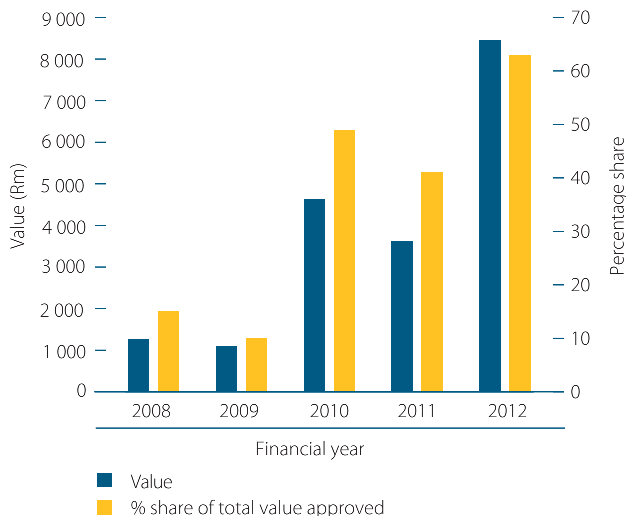


Cumulative number of new and saved jobs facilitated

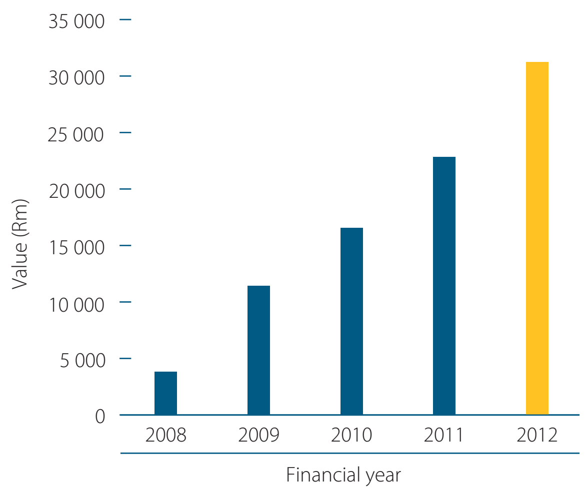


Flow of funding and development impact *(continued)*

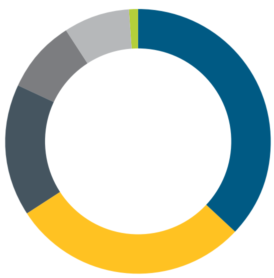
Approvals to rural companies (value) per year



Cumulative disbursements



Utilisation of IDC financing over five years (2008 – 2012)



37%		Projects and new start-ups
29%		Capacity expansions
16%		Investments outside South Africa
9%		Distressed businesses
8%		Expansionary ownership changes
1%		Other

Financing approved per region over five years (2008 – 2012)

23%	Gauteng	8%	Eastern Cape
16%	Outside SA	8%	KwaZulu-Natal
14%	Northern Cape	7%	Limpopo
11%	North West	4%	Mpumalanga
8%	Western Cape	1%	Free State

Corporate profile *(continued)*

Board of directors

MW HLAHLA (49) (6)
Chairman
(Non-executive)

BA (Hons) (Economics) (Pomona College – California); Masters in Urban and Regional Planning (University of California, Los Angeles)

Directorships
- Findevco (Pty) Limited
- Royal Bafokeng Holdings Limited
- Praxley Consortium (Pty) Limited

MG QHENA (46)
Chief Executive Officer
(Executive)

BCompt (Hons) (Unisa); CA(SA); SEP (Wits and Harvard); Advanced Tax Certificate (Unisa)

Directorships
- Findevco (Pty) Limited
- Foskor (Pty) Limited (Chairman)
- Acerinox SA

LI BETHLEHEM (44) (5, 9)
(Non-executive)

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

Directorships
- Findevco (Pty) Limited
- Holds 13 other directorships, details available upon request from the Company Secretary

PM BUTHELEZI (48) (10)
(Non-executive)

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

Directorships
- Findevco (Pty) Limited
- Group Five Limited
- Mervana (10 Beneficiary Family Trust)
- Sanlam Limited
- Sanlam Life Insurance Limited

JA COPELYN (61) (7, 9)
(Non-executive)

BA (Hons) African Governments (Wits); BProc (Unisa)

Directorships
- Findevco (Pty) Limited
- Holds 112 other directorships. details available upon request from the Company Secretary

BA DAMES (46) (6, 9)
(Non-executive)

BSc (Hons) (University of Western Cape); MBA (Stanford University)

Directorships
- Findevco (Pty) Limited
- EPRI – USA
- World Association of Nuclear Editors (WANO)
- World Business Council for Sustainability Development (WBCSD)
- VGB (Electricity Utility Industry Association)

LL DHLAMINI (38) (6, 7, 8)
(Non-executive)

BSc (Computer Science) (UCT); BCom (Conversion) (UCT); CA(SA); Post-graduate Diploma in Accounting (UCT)

Directorships
- Findevco (Pty) Limited
- Xabiso Consulting
- Nkwenkwezi Investment
- Xabiso CA Inc

RM GODSELL (59) (6, 7)
(Non-executive)

BA (Sociology and Philosophy) (University of Natal); MA (Liberal Ethics) (University of Cape Town), Post-graduate Studies (Sociology and Philosophy) (Leiden University)

Directorships
- Findevco (Pty) Limited
- Holds seven other directorships, details available upon request from the Company Secretary

Legend

(1) Chairman of the Board Human Capital and Nominations Committee
(2) Chairman of Board Audit Committee
(3) Chairman of Governance and Ethics Committee
(4) Chairman of Board Risk and Sustainability Committee
(5) Chairman of Board Investment Committee
(6) Member of Board Human Capital and Nominations Committee
(7) Member of Board Audit Committee
(8) Member of Governance and Ethics Committee
(9) Member of Board Risk and Sustainability Committee
(10) Member of Board Investment Committee

BA MABUZA (48) (4, 10) (Non-executive)

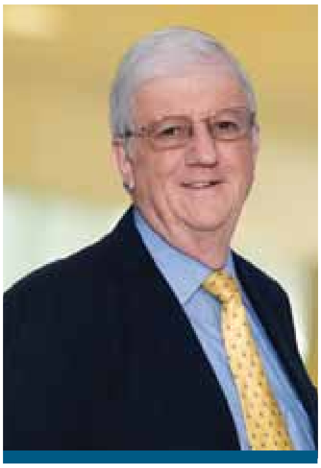
BA (Mathematics and Computer Science) (Hunter College, City University of NY); MBA (Finance and Information Systems) (Leonard Stern School of Business, NYU)

Directorships
– Findevco (Pty) Limited
– Afgri Limited
– Africa Business News (Pty) Limited
– Development Bank of Southern Africa
– Airports Company South Africa SOC Limited
– Lehumo Women's Investment Holdings

SK MAPETLA (61) (1, 10) (Non-executive)

BSc Chemistry (Lesotho); MSc Analytical Chemistry (USA); Business Management Diploma (Dublin); EDP (Wits); Certificate in Financial Analysis (Wits)

Directorships
– Findevco (Pty) Limited
– Afrika Biopharma Investment (Pty) Limited (Chairman)
– Biotech Labs (Pty) Limited



LR PITOT (65) (2, 3, 9, 10) (Non-executive)

CA(SA)

Directorships
– Findevco (Pty) Limited

SM RENSBURG (53) (7, 10) (Non-executive)

BA (Management – Accounting and Business Administration) (Webster University, Vienna); MBA (Webster University, London)

Directorships
– Findevco (Pty) Limited

ZJ VAVI (49) (6, 8, 9) (Non-executive)

General Secretary COSATU

Directorships
– Findevco (Pty) Limited

NE ZALK (43) (10) (Non-executive)

BA (English and Private Law) (Unisa); Post-grad Diploma in Economics (Development) (School of Oriental and African Studies, London University); MSc Economics (School of Oriental and African Studies, London University)

Directorships
– Findevco (Pty) Limited

GS GOUWS (53) Chief Financial Officer (Alternate)

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

Directorships
– Kumba Iron Ore Limited
– Pebble Bed Modular Reactor (PBMR)
– Atlantis Business Park (Pty) Limited
– The Export-Import Finance Corporation of South Africa (Pty) Limited
– Herdmans (Pty) Limited
– Impofin (Pty) Limited
– Konbel (Pty) Limited
– Konoil (Pty) Limited
– Kindoc Nominees (Pty) Limited
– Findevco (Pty) Limited

During the period under review, the following directors retired:

JR Barton
SM Moloko
JC Mtshali
NG Nika
MC Nkuhlu
NN Nokwe

Executive management

MG QHENA (46)
Chief Executive Officer

BCompt (Hons) (Unisa); CA(SA), Advanced Taxation Certificate (Unisa); SEP (Harvard, Wits)

GS GOUWS (53)
Chief Financial Officer

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

JM MODISE (49)
Divisional Executive:
Human Capital and Support Services

Diploma in General Nursing; BCom (Unisa); Management Development Programme; Senior Executive Programme; Master in Business Leadership (Unisa)

PB MAKWANE (46)
General Counsel and Divisional Executive:
Legal Services

BJuris, LLB (Western Cape)

AP MALINGA (47)
Divisional Executive:
Mining and Manufacturing Industries

BSc (Geology) (UCT); MBL (Unisa)

K SCHUMANN (43)
Divisional Executive:
Services Industries and Regions

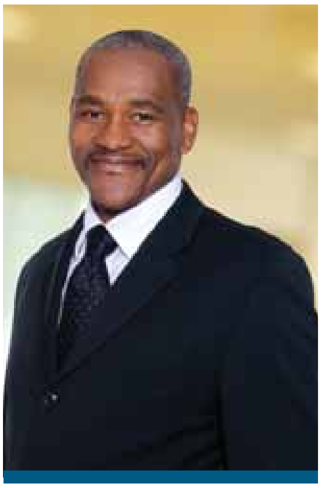
BHome Economics, MBA (Stellenbosch); Advanced Management Programme (Insead)

U KHUMALO (46)
Divisional Executive:
Agro and New Industries

BSc Engineering (Electrical and Electronic) (UCT); MSc Engineering (Electrical Engineering) (UCT); Management Advancement Programme (MAP) (Wits); SEP (Harvard), Advanced Management Programme (Insead)

NV MOKHESI (51)
Divisional Executive:
Marketing and Corporate Affairs

BCom (Lesotho); Management Advancement Programme (MAP) (Wits); Advanced Management Programme (Insead)



LP MONDI (49)
Chief Economist and Divisional Executive:
Professional Services

BCom (Hons) (Wits); MA Economics (Illinois University); Management Advancement Programme (MAP); Advanced Management Programme (Insead)

SAU MEER (49)
Divisional Executive:
Corporate Strategy

BSc (Mechanical Engineering) (University of Natal); MBL (Unisa); Advanced Management Programme (Insead)

G VAN WYK (52)
Chief Risk Officer

BCom (Hons); MCom; MBL (Unisa); Advanced Management Programme (Insead)

Leadership commentary

Chairman's statement

Notwithstanding a challenging operating environment, **the IDC recorded an unprecedented level of funding activity.**

The IDC has taken the first step in the journey towards integrated reporting. The issues deemed material through stakeholder engagement are articulated in this report and we also set out salient elements of our business strategy, both financial and non-financial. Beyond the traditional performance review, we share our medium- to long-term plans with our stakeholders.

The South African economy, like many others, continued to recover from the after-shocks of the global economic and financial crises during the course of calendar year 2011. However, its goods-producing sectors reported lower output growth as global demand conditions deteriorated gradually.

The intensifying sovereign debt crisis and austerity measures in a number of countries on the Eurozone's periphery, coupled with the natural disasters in Japan early in the year, had a profound impact on economic growth in major parts of the advanced world. Emerging and developing economies were adversely impacted by falling or subdued export demand, a situation often exacerbated by weakening domestic consumption. Consequently, the rate of increase in global export trade slowed sharply, commodity prices either moderated or declined and industrial production was severely constrained in the latter part of the year.

South Africa's manufacturing sector saw its output growth more than halved as key sub-sectors found it increasingly challenging to maintain higher production activity. In turn, the mining sector's output was only marginally higher than in 2010, with industrial action in the platinum industry over the final quarter of the year having had a considerable impact on overall production.

Domestic fixed investment activity rebounded after two consecutive years of contraction although still falling short of pre-crisis levels. South Africa also managed to attract a substantial inflow of foreign direct investment. Business confidence remained relatively weak throughout calendar year 2011, experiencing a sharp decline in the second half of the year but recovering in the first quarter of 2012. The low levels of confidence prevailing among manufacturers were clearly reflective of difficult trading conditions in both local and export markets. On the labour front, some encouraging signs of improvement were visible during the year, although there is still hesitant demand for higher employment in many sectors of the economy.

IDC has earmarked R25 billion over five years towards the development of green industries within South Africa.

Notwithstanding a challenging operating environment, the IDC recorded an unprecedented level of funding activity, having approved R13.5 billion in 293 transactions over the course of the financial year. A significantly larger entrepreneurial base was served, many of whom are new clients. Our proactive efforts in support of the economic recovery and the development of industrial capacity include the offer of special schemes, catalytic financial support for participants in the nascent renewable energy segment, increased project development and the continued provision of funding to companies in distress. These efforts have come at a cost to investment performance as reflected by the steady increase in impairment ratios. This underlines the importance of our solid due diligence and risk management practices so as to ensure the financial viability of investments and the long-term sustainability of the IDC.

Financial year 2012 was the first year we implemented our Leadership in Industrial Development strategy. This required an alignment of our operational activities with the priority sectors and respective objectives as set out in Government's New Growth Path (NGP) and Industrial Policy Action Plan (IPAP). We reviewed and restructured our funding divisions and established a business unit dedicated to the development of green industries. The IDC has earmarked R25 billion over five years towards the development of green industries in South Africa, demonstrating our resolve to contribute catalytically to our economy's transition to a greener growth path. The Green Industries SBU has already made significant investments in one year of existence.

We concluded the process of merging Khula, the South African Micro Finance Apex Fund (SAMAF) and the IDC's small business funding into a single unit. As a result, in April 2012 we launched sefa, a wholly-owned subsidiary of the IDC focused on the financing of survivalist, small, micro- and medium-sized enterprises.

The important role of the State in economic development is being increasingly recognised. Considering the societal risks of allowing unregulated market forces to guide a country's economic trajectory, industrial policy is re-emerging as a key policy tool both in developing and developed economies. The IDC's continued existence and impact over more than 70 years is, in itself, a manifestation of State intervention and a sustained recognition of its relevance. The Corporation continued to shape and influence national policy during the year by providing advisory and research support specifically oriented towards securing an enabling environment for industrial development and funding, as well as identifying factors impeding industry development.

Backed by our research skills and the expertise accumulated over the years in numerous industries, we have been developing and implementing, in collaboration with other stakeholders, specific development strategies in priority sectors to which IDC provides funding. In addition to the abovementioned emphasis on green industries, further examples include: expanding the fabricated metals, capital and transport equipment industries on the back of the capital expenditure programmes of State-owned companies and other public sector entities; the development of the anti-retroviral (ARV) pharmaceuticals industry; the expansion of the motor vehicles and components industry; and value addition in the agricultural and mineral value chains. Some of these sector development strategies transcend national borders so as to leverage our continent's enviable natural and human resource base and maximise the benefits associated with regional integration.

Adverse global developments, particularly the sovereign debt and banking sector crises in several industrialised economies, are constraining public sector spending and leading to a renewed liquidity squeeze in many countries, whilst impacting negatively on consumer and business sentiment. A more moderate pace of growth is expected in the United States, unless a further quantitative stimulus is forthcoming, while the anticipated slowdown in the Chinese economy is starting to materialise. Both international investment and trading activity are being detrimentally affected in the process, with the outlook for economic growth and employment creation deteriorating in many parts of the world.

Downside risks thus abound for the domestic economy. Signs of weakness are already emerging and rather modest growth is anticipated for calendar year 2012. Strong counter-cyclical action is therefore warranted.

The revised IPAP for the period 2012/13 to 2014/15 scales up interventions to retain, grow and diversify South Africa's industrial base. The wide range of complementary and integrated measures should assist the IDC in fulfilling its

The IDC has been gearing itself to amplify its effectiveness as a contributor to industrial capacity development with the creation of sustainable employment opportunities as a critical outcome.

mandate. These include further industry designations for local procurement; the Manufacturing Competitiveness Enhancement Programme, which will complement and leverage off the industrial financing packages made available by IDC; the impetus provided by Special Economic Zones to the clustering and competitiveness enhancement of value-adding and labour-absorbing manufacturing operations; and, from the broader regional perspective, a range of programmes that will assist us in promoting economic development and integration in southern Africa and further afield.

The massive infrastructure investment programme being rolled out by South Africa's public sector will improve the competitiveness of local industry through enhanced service provision and cost effectiveness. It will also unlock the economic potential of several regions, some of which have a wealth of resources, and create numerous opportunities for localisation. The IDC is contributing considerably to the work of the Presidential Infrastructure Co-ordinating Commission (PICC) as well as to the development of the respective Strategic Integrated Projects (SIPs).

South Africa is also building strong ties with a grouping of dynamic, rapidly growing and populous emerging economies that are flexing their muscles and altering the balance of economic power globally. The IDC has been engaging constructively with key stakeholders within the BRICS, aiming to develop strong partnerships on the financing, investment and technological fronts. Closer to home, the IDC is actively pursuing its Africa-wide mandate, contributing to the development of competitive value chains, the regional integration drive, and expanding markets for local goods and services.

The IDC has been gearing itself to amplify its effectiveness as a contributor to industrial capacity development with the creation of sustainable employment opportunities as a critical outcome. We have already substantially increased the range and levels of our funding and investment activities in financial year 2012. The road ahead may be fraught with challenges and threats, but our human capital wealth, solid financial position and undeniable resolve will make an increasingly visible mark on our country's and continent's sustainable development trajectories.

Acknowledgements

The achievements of the past year would not have materialised without the commitment and efforts of the IDC management and staff, who are shaping the Corporation into an indispensable agent for industrial capacity development in South Africa and the continent at large. I express my gratitude for their vital contributions, congratulating the Chief Executive Officer and his executive team for their leadership and for living up to the significant challenges faced during the year in a most effective manner.

The strategic stewardship provided by the IDC Board has been invaluable and for this I thank my fellow directors. During the year, we welcomed Ms Buthelezi, Mr Copelyn, Mr Dames, Mr Godsell, Ms Mabuza, Ms Rensburg and Mr Vavi as new members of the Board. Their wisdom and insights have already strengthened the collective depth and breadth of our Board. We also bid farewell to Mr Barton, Mr Moloko, Mr Mtshali, Mr Nika, Mr Nkuhlu and Ms Nokwe, who diligently served the Board for several years and contributed to making the IDC the remarkable institution that it is.

Our utmost appreciation is extended to Minister Ebrahim Patel for his invaluable guidance, confidence in and high regard for IDC as a key contributor to placing South Africa on a New Growth Path, and to Minister Rob Davies for making the Corporation a true partner of his department in the implementation of the Industrial Policy Action Plan.

Ms MW Hlahla
26 June 2012

Chief Executive's review

Our proactive pursuit of strategic investments in 2012 resulted in a marked increase in our approvals to R13.5 billion.

Introduction

Post-recession, the global economy remains fragile. Forecasts indicate that the economic recovery continues to be burdened by the persistent Eurozone debt crisis. In turn, this has impacted significantly on the local economy.

The Eurozone remains one of South Africa's principal trading partners and, therefore, reduced demand in this monetary union has been affecting our export-oriented sectors, particularly manufacturing. The Asian region, in turn, has been experiencing a slowdown in growth, with adverse implications for our exports of minerals as well as other value-added products.

Naturally, such prevailing conditions would impact on IDC's business and its clients. Against the backdrop of such persistent economic uncertainty, especially in markets that are critical to South Africa's economic growth prospects, the 2011/12 financial year proved challenging.

As a result, the period under review was characterised by immense resilience as we consolidated our efforts to implement IDC's short- to long-term developmental goals aligned to those of the shareholder, the South African Government. Our steely resolve to further strengthen investment in the economy despite persistent challenges demonstrates our commitment to growing South Africa's industrial capacity. This report acknowledges our achievements and challenges. It also reflects on the environment in which the IDC operated in the period under review.

Implementing the Leadership in Industrial Development Strategy

The Leadership in Development strategy implemented in the period under review is beginning to impact on the Corporation's activities. It has already led to an increased number of funding approvals with a large portion of our funding going towards green-related industries. As part of our objective to establish the IDC as a driver of a thriving local green industry, our Green Industries SBU proactively sought and identified projects that required both development and growth assistance in this sector.

We remain focused on developing a pipeline of projects in this sector so that we can build on this momentum. Despite the challenging economic environment, the IDC continued to play a counter-cyclical role by further

Ensuring that cost-effective funding for businesses remains our priority, **we continue to seek alternative, cheaper sources of funding**.

strengthening its investment in the economy as shown in the increase in funding approvals. Given the competing interest for highly specialised skills required to drive the Corporation's development goals, the IDC recognises the need for a strong human capital base as shown in initiatives such as its talent management, succession planning, employee wellness and management skills training programmes. In addition, the Innovation Department continues to formulate ideas to improve client experience. Our relationship with the Economic Development Department (EDD) has enabled us to identify bottlenecks affecting the implementation of specific projects hampering economic and industrial growth. Consequently, we have experienced an improvement in a number of areas, notably on the issuance of water licences for projects. This has resulted in improved turnaround times for project implementation and development.

To further stimulate industrial development, our focus has been on capacitating other financial institutions. One such example is the establishment of Small Enterprise Finance Agency (sefa) – a wholly-owned subsidiary of the IDC primarily focused on developing Small, Medium and Micro Enterprises (SMMEs).

Going forward, the focus will be on ensuring that sefa remains effective, efficient and relevant to the needs of SMMEs. Through the introduction of direct lending and planned improvements in its product offering, we expect that sefa will play a critical part in supporting the small business environment – a segment that has the potential to alleviate the country's high levels of unemployment.

Ensuring that cost-effective funding for businesses remains our priority, we continue to seek alternative, cheaper sources of funding. In the year under review, we concluded a R2 billion agreement with the Department of Labour aimed at both creating and saving jobs. We also secured R500 million low-cost funding from KfW, a German development bank, to encourage and promote investments in both energy efficiency and renewable energy in South Africa.

These funding initiatives complement our ring-fenced funds such as the Gro-e scheme, which was structured to create jobs.

To better understand our client needs, we embarked on a series of roadshows where we engaged with entrepreneurs and other stakeholders across the country. One of the major concerns that emerged out of the exercise was the need for the IDC to improve on its response times, particularly to requests for funding. We have since reviewed our processes and identified key areas where we could improve without impeding on our risk assessment capabilities. The results of our interventions are indicative of much improved efficiencies including reduced turnaround times.

We have also implemented tools such as an internet-based application tool, making it easier for businesses to access funding. Face-to-face assistance to prospective clients has been improved through the establishment of a pre-investment business centre at our head office as well as setting up additional satellite offices in the different provinces (see map on page 4).

While we affirm our commitment to improve on our service levels, we have noted with great concern a worrying trend in incidences of misrepresentation by some businesses seeking funding. Such practices only serve to stifle lending even to genuine businesses. The IDC won't condone such practices.

Although there has been an improvement in our electricity and water consumption (see page 71), we are implementing a project that will further reduce our operation's impact on the environment. By utilising the Green Energy Efficiency Fund (GEEF), we will assist other businesses to also reduce their impact on the environment thereby making a real difference in lowering the local economy's carbon footprint.

Investment performance

The developmental needs of the country and the direction taken by our government's policies provide us with the challenge to take the lead in industrial capacity development. In this regard, our in-depth industry knowledge and interaction with key stakeholders has enabled us to play a significant role in contributing to policy development. We continue to align our activities with objectives of the New Growth Path and the Industrial Policy Action Plan.

Our proactive pursuit of strategic investments in 2011/12 resulted in a marked increase in our approvals to R13.5 billion, from R8.7 billion recorded in the previous year, made up of 293 transactions compared to 221 in the previous year. Critically, this enabled us to continue enhancing our impact on employment with approved financing expected to result in the creation and saving of 45 900 jobs compared to 39 400 in 2011.

It is particularly notable that in the year under review, 48% of our employment impact is mainly concentrated in rural areas. This relatively disproportionate impact on rural areas emanated largely from our investments in the mining and renewable energy sectors, while we also saved jobs in the agricultural sector hard hit by floods. A number of the IDC's initiatives and projects have been aimed at improving backward and forward linkages within or between industries, as well as the formation of higher value-added opportunities.

It is particularly notable that in the year under review, **48% of our employment impact is mainly concentrated in rural areas.**

Financial performance

In the year under review, the Group's profitability increased by 22% to R3.3 billion. This is largely as a result of increased dividend income and increased gains from the disposal of investments, offset to an extent by reduced profitability from our subsidiaries, mainly Foskor, and losses from equity-accounted investments.

The fair value of investments decreased by R902 million in the 2011/12 financial year compared to an increase of R12.6 billion in the previous year, largely due to a decline in the value of listed investments during the year. The total assets of the Group have increased from R106.8 billion to R112.2 billion, mainly as a result of an increase in loans and advances of 33% to R15.9 billion. This has been funded mainly by borrowings, which increased by 49% to R9.9 billion. Our balance sheet remains strong and provides a suitable base from which to deliver on our future objectives.

Future prospects

Moving forward, we will continue to deepen our commitment to developing South Africa's industrial capacity. It is also encouraging that economic infrastructure and public investment remains at the core of government's economic growth priorities.

Our participation in various strategic infrastructure projects (SIPs), spearheaded by the Presidential Infrastructure Co-ordinating Commission (PICC), creates the opportunity for us not only to rejuvenate South Africa's industrial base but to also promote localisation.

Acknowledgements

This is the first time that we have produced an integrated annual report – a significant milestone in over 70 years of our existence. This achievement, including the establishment of our new subsidiary sefa, would not have been possible without commitment from IDC management and our talented staff that continue to live up to our core values of Passion, Professionalism and Partnership.

I am encouraged by our contribution to improving the socio-economic conditions of marginalised communities through our CSI initiatives. These CSI initiatives demonstrate our commitment to ideals that seek to promote good corporate citizenship.

I am enormously appreciative of the generous support provided by the IDC Board of Directors through the leadership of Ms Monhla Hlahla. Their unwavering support is best demonstrated by the performance of the IDC in the period under review. In welcoming new Board members, I also extend my best wishes and gratitude to all Board members who retired during the year under review. Their contributions largely helped to develop and strengthen the growth of the IDC.

I am grateful to the Honourable Minister Ebrahim Patel for his leadership, guidance and wisdom. Accolades also go to the Honourable Minister Rob Davies and to honourable members of the Economic Development Portfolio Committee under the guidance of the Chairman, Honourable Ms Elsie Coleman, and other portfolio and select committees that we engaged with during the year under review. Your generous support and interest in the activities of the IDC is greatly appreciated.

Mr MG Qhena
26 June 2012

Stakeholder engagement

Every two years we measure our **corporate reputation** using the proprietary Global REPTRACK tool of the Reputation Institute. The most recent study, completed in 2011, revealed that the IDC's emotional connection amongst its key stakeholders is considered strong at 73 index points, above the global mean for financial services. Further, the IDC has a strong following with 87% of stakeholders trusting the organisation to "do the right thing".

Stakeholders defined the most important of the IDC's attributes as "offering high-quality products and services", "being financially sustainable" and "having a clear vision for the future". To improve reputation and mitigate risks, the IDC needs to focus on "having excellent managers", "being a well-organised organisation", "employee wellbeing", "offering value for money products and services", "meeting customer needs" and "having a positive influence on society".

Broader society, as well as applicants for funding, often have difficulty in understanding the role of the IDC and its mandate for adding value in the economy.

Indeed, less than two-thirds of our stakeholders are aware that the IDC's purpose is to provide funding and to support business development.

Considering this challenge, we embarked on a campaign to proactively engage our stakeholders, establish their concerns and expectations, and put forward a clear and feasible strategy for achieving our organisation's mandate.

In addition to various direct stakeholder engagement events during this financial year, we contracted a third party to conduct various surveys, including customer satisfaction, stakeholder and employee engagement surveys.

We plan to continue building our understanding of the key concerns of our stakeholders and ensure that we maintain a high level of transparency and accountability in our reporting. This will enable us to not only become more effective in managing stakeholder expectations, but also maximise the development impact we can deliver.

The criteria for identifying the IDC stakeholders listed in this report was based on three factors, namely:

- Their power to influence perceptions about the IDC
- The legitimacy of their engagement with the IDC
- The urgency with which the IDC needs to engage them

The following table provides a brief overview of our stakeholders, their expectations and concerns:

Stakeholder category	How we engage with our stakeholders	Expectations and concerns
Shareholder • Economic Development Department (EDD) • Parliamentary portfolio committees • Three spheres of government (national, provincial and local)	• Board meetings • Meetings between government ministries and IDC executive and senior managers • Presentations to parliamentary portfolio committee: economic cluster • Presentations to provincial executive committees	• Increase impact on job creation • Increase impact of levels of industrial financing • Be more proactive in identifying opportunities • Finding ways to lower cost of funding • Need to provide a quick service to customers • Investment has to contribute to industrial development • Need to assist in moving South Africa to a less carbon-intensive economy and maximise job creation in green industries • Need to incorporate black economic empowerment and SMME development into industrial development activities • Co-operate with other spheres of government including government agencies and enterprises to stimulate economic activity in under-developed regions • Need to consider the impact on women and youth in our development activities
Employees	• Board feedback and CEO updates • Meetings hosted by divisional executives or heads of strategic business units (SBUs) and departments • Internal newsletter • Internal events and activities • Corporate strategy presentations • e-mail • Performance reviews • Targeted presentations on various initiatives	• Quality of leadership • Communication of strategy • Work satisfaction and working environment • Career development, training and advancement • Reward and recognition • Fair labour practice • Open communication and a positive corporate culture

Customers
• Existing IDC clients
• New applicants
• Potential clients
	• Website
	• Brochures
	• Research publications
	• Hospitality events
	• Annual report
	• Existing clients:
	  ◦ Client visits by SBUs, regional offices and Post Investment Monitoring Department
	  ◦ Stakeholder newsletter
	  ◦ Direct communication with, and face-to-face visits by SBUs and departments representatives
	  ◦ Regional roadshows and site visits
	• Potential clients:
	  ◦ Walk-ins, call centre
	  ◦ Advertising, media releases
	  ◦ Sector workshops
	  ◦ CEO roadshows
	  ◦ Presentations by regional managers to business associations/chambers
	  ◦ Exhibitions/conferences
		• Relevant products and services
		• Competitive pricing
		• Quality of after-care services
		• Expertise in all areas where IDC operates
		• Excellent customer service:
		  ◦ Simplicity of application processes
		  ◦ Speed of approval process
		  ◦ Responsiveness
		  ◦ Legal agreements
		• Credibility and sound reputation in the market
		• Open communication
		• Good governance and leadership

Stakeholder engagement *(continued)*

Stakeholder category	How we engage with our stakeholders	Expectations and concerns
Influencers • Regulators • Media • Unions and activist bodies	• Media statements • Annual report • Presentations by IDC Executive and senior management	• Developmental impact • Long-term financial viability • Meet IDC's mandate • Adherence to good corporate governance • Transparency towards all stakeholders • Ability to innovate
Partners • Commercial banks • Co-funders • DFIs • State-owned enterprises • Corporates • Project developers • Government agencies • Rating agencies • Suppliers • Researchers	• Media statements • Annual report • Direct communication • Engagement sessions with IDC executive and management • Presentations on specific issues	• Relevance of products and services • Sharing expertise in key areas • Financial performance • Good governance and leadership • Positive impact on the economy and society
Business • Business associations (local and international) • Chambers of commerce	• Media statements • Annual report • Direct communication • Engagement sessions with IDC executive and management • Presentations on specific issues	• Relevance of products and services • Positive impact on society • IDC's influence on government policy • Have experts in the business sector • Ability to innovate • Governance and leadership
Communities • Workers • NGOs • Beneficiaries of IDC activities (e.g. CSI) • Higher education institutions • General public	• Media statements • Annual report • Engagement through projects	• IDC to be a good corporate citizen • Expect IDC to be innovative • Leadership and governance • Impact on society • A good employer

Our material issues

This year, we set out to identify and select our financial and non-financial material issues through stakeholder engagement. In addition, we consulted the IDC Corporate Plan and the Risk Universe documents. These documents outline the Corporation's mandate and main risks, respectively. From this process we identified those issues that are material to the Corporation’s sustainability, and were approved by the Board. We plan to review our identification and prioritisation process over time.

Material issues	Section	Page
Align our activities with government’s industrial development mandate	Strategy	24–26
Improve the socio-economic impact of our activities	Client monitoring Responsible funding	62–63 71
Strengthen our engagement with stakeholders	Stakeholder engagement	20–22
Maintain our long-term financial viability	Directors’ report	92–97
Identify suitable development opportunities that require investment	Investing in the economy	27–60
Mitigate the risk associated with investments	Enterprise risk management	76–79
Play a proactive role in easing bottlenecks and barriers to development	Strategy	24–26
Maintain robust governance to safeguard against fraud and inappropriate investment	Governance Fraud prevention	72–76 75
Streamline our organisation to ensure efficient customer service	Strategic business units	27
Ensure that we posses the right skills and human resource capacity	Investing in our people	64–68
Entrench innovation in all aspects of the organisation	Investing in our customers Innovation	61–63 61

More information *is available on the web at www.idc.co.za/IR2012*

Our strategy

Objective

Support industrial capacity development

Outcomes that will be achieved

Facilitate sustainable direct and indirect employment

- Regional equity (including development of the rest of Africa)
- Growing the entrepreneurial and SME segments
- Expansionary and/or broad-based black economic empowerment
- Environmentally sustainable growth
- Grow sectoral diversity and increase localisation

Four strategic pillars and initiatives

Industrial development

- Sector focus in line with NGP and IPAP
- Project development
- Industrial finance
- Sector development strategies
- Regional industrial integration

Contributing to an enabling environment

- Proactive role in shaping and influencing policy
- Address factors impeding industry development
- Role clarification, partnership with and support for other DFIs

Leveraging IDC's portfolio for maximum impact

- Segmenting IDC's portfolio and designing customised funding schemes as an enabler for development
- IDC's funding model

Customer service and environmental impact

- Improved customer service
- Improved efficiencies
- Reducing IDC's impact on the environment
- Reducing industries/ IDC client impact on environment

More information *is available on the web at www.idc.co.za/ IR2012*

IDC's Leadership in Industrial Development strategy is designed to allow it to achieve its objective of industrial capacity development and the outcomes that we want to achieve.

The strategy was developed during the previous year and is built on the following four pillars:

- Industrial development
- Contributing to an enabling environment
- Leveraging IDC's portfolio for maximum impact
- Customer service and environmental impact

Industrial Development

To achieve our vision of being the primary driving force of commercially sustainable industrial development, both locally and in the rest of the continent, we have to increase the role that we play in industrial development. To this end we have the following key focus areas:

- Sector focus in line with the NGP and IPAP – By focusing our operational activities on the sectors prioritised by these policy documents, IDC can utilise its resources more effectively. As a result of this initiative, IDC phased out funding towards certain industries during the year while increasing its focus on others
- Project development – One of our key strengths is the skills and experience within IDC to develop and implement industrial projects. We aim to increase IDC's early-stage project development activities. This takes place particularly in those areas where opportunities exist, but remains under-utilised for various reasons. Increased assistance to project promoters during early project development is also envisaged
- Industrial finance – The strength of our balance sheet enables us to fund activities that expand industrial capacity in the country and beyond. We aim to grow the level of funding towards those areas where opportunities exist, but do not readily attract funding from commercial banks
- Sector development strategies – Sector-specific strategies are being developed to channel funding and activity towards the most appropriate areas. These strategies are based on thorough analyses of each industry to ensure that opportunities and constraints are well understood. Strategies are broken down into action plans with clear milestones and responsibilities
- Regional industrial integration – For South Africa to achieve its full economic potential, it will have to intensify co-operation and integration with the rest of the continent. IDC's role in this will be to proactively develop and implement strategies that develop value chains across the continent by taking advantage of individual country's strengths. This will ensure a more competitive industrial base throughout the region

Contributing to an Enabling Environment

Whereas the first pillar of our strategy talks primarily to how we envisage implementing policies, the second pillar addresses the role that we play in assisting government to strengthen policies and other agencies that will improve the region's ability to develop. Three areas are addressed:

- Proactive role in shaping and influencing policy – We have significant industry expertise and insight into the productive side of the economy built on our research activities and constant engagement with government and the private sector. This expertise is being utilised to inform policy makers on potential changes across a wide range of policies and policy instruments that are needed to increase industrial development
- Factors impeding industry development – Through our involvement in project development and implementation, as well as through our interactions with entrepreneurs, we identify obstacles that hinder industry development. These include disruptive policies and bureaucratic inefficiencies. In partnership with the Economic Development Department (EDD), we are bringing these obstacles to the attention of the relevant government departments, with EDD monitoring progress on the removal of these impediments
- Role clarification, partnership with and support for other DFIs – As we bring our investment focus in line with our strategy, the risk exists that certain market segments will lose vital support. To counter this, we embarked on a process to assist other DFIs to successfully service these segments, with the priority given to those tasked with developing the small business sector

Leveraging IDC's Portfolio for Maximum Impact

Our third pillar relates to the effective utilisation of our balance sheet to realise our development mandate:

- Segmenting IDC's portfolio and designing customised funding schemes as an enabler for development – Our balance sheet not only allows us to increase the levels of our funding, but the income generated from legacy investments also permits us to re-invest in targeted projects with a higher development impact. This initiative allows for the Corporation to design customised funding schemes to act as very specific interventions aimed at achieving pre-determined objectives. These schemes will typically provide funding at terms that are more favourable than our normal funding
- IDC's funding model – In order to meet the development goals of the NGP and IPAP, we have to raise our investment activities substantially over the next few years. This requires us to secure alternative sources of funding at competitive rates beyond what we can draw from our existing sources. This initiative is aimed at reviewing IDC's sources of funding and exploring alternatives, especially those where funding can be sourced at more competitive rates

Our strategy *(continued)*

Customer Service and Environmental Impact

The fourth pillar is concerned with improving our customer service delivery and reducing our impact, as well as the impact of our investments, on the environment:

- **Improved customer service and efficiencies** – A notable area of improvement in terms of customer service is turnaround times. This initiative aims to reduce turnaround times and increase our efficiencies through innovative processes to improve service delivery
- **Reducing our impact on the environment** – This initiative focuses on reducing IDC's carbon and water footprints
- **Reducing industries/IDC clients' impact on environment** – The focus of this initiative is to assist companies to reduce their environmental impact. Our initial focus will be to provide funding to companies that are implementing plans to improve energy efficiency

Supporting Factors

The implementation of the strategy relies on several other factors in the Corporation being in place, including:

- Cementing good governance and risk management structures
- Continually assessing and optimising our risk appetite
- Being prudent in the management of our finances
- Maintaining a motivated, diversified and skilled team of employees

Corporate targets 2012/13

		2012/13	
Perspective	**Indicator**	**Target**	**Stretch target**
Industrial capacity development	Implementing projects	70% of projects start production	100% of projects start production
	Value of transactions signed	R15 billion (disburse at least R8 billion)	R22 billion
Development impact	Jobs expected to be created/saved in South Africa	30 000 (at least 7 000 in rural areas)	41 000
	Actual jobs expected to be created/saved in South Africa	20 000	25 000
Financial efficiency	Cost to net financing income (excluding impact of mature listed investments)	61%	54%
Stakeholder relations and customer satisfaction	Turnaround time on non-complex transactions	17 working days	15 working days
Industrial capacity development	Achievement of industry development milestones	Milestones for 80% of initiatives achieved	Milestones for 90% of initiatives achieved
Financial sustainability	Five-year growth in reserves	CPI + 2%	CPI + 4%
	Level of impairments	<18%	16%
Human capital	Employee Engagement Survey Index against High Performance Norm	+1 above high performance norm	+3 above high performance norm
Stakeholder relations and customer satisfaction	IDC reputation (measured through survey)	Measured every second year	
Innovation	Entrenchment of an innovative culture across IDC (measured through survey)	Measured every second year	

Investing in the economy

Strategic business units (SBUs)

The core developmental funding interventions of IDC are carried out by 13 SBUs, each focused towards the various sectors as identified in the NGP and IPAP.

During the year under review, we successfully restructured our SBUs and, where required, re-organised their areas of focus. This ensures better alignment with our industrial development mandate. The following structural changes were made:

- SBUs renamed:
  - Techno Industries to Information and Communication Technologies (ICT)
  - Wood, Paper and Other to Forestry and Wood Products
  - Food, Beverage and Agro-Industries to Agro-Industries
- SBUs dissolved:
  - Transport, Financial and Other Services
  - Public and Private Partnerships
  - Construction
  - Franchising
- New SBU introduced:
  - Green Industries

The activities of the Public Private Partnerships SBU and some of the activities of the Transport, Financial and Other Services SBU were incorporated into the Strategic High Impact Projects (SHIP) SBU and we phased out our involvement in the Franchising and Construction sectors. The new Green Industries SBU was established to develop and fund projects related to green energy and the move towards a low-carbon economy.

Our operational divisions and respective SBUs

Agro and New Industries	Mining and Manufacturing Industries	Services Industries
• Agro-Industries • Green Industries • Strategic High Impact Projects • Venture Capital	• Chemicals and Allied Industries • Forestry and Wood Products • Metals, Transportation and Machinery • Mining and Mineral Beneficiation • Textiles and Clothing	• Information and Communication Technologies • Healthcare • Media and Motion Pictures • Tourism

Investing in the economy *(continued)*

Agro-Industries SBU

Performance	2012	2011	2010
Total value of financing approved (Rm)	765*	937	770
Total number of jobs expected to be created or saved	5 057	4 198	3 133
Impairments as % of outstanding book (at cost excluding undrawn commitments)	17%	20%	26%

** Approvals of R68 million utilising the Agro-Processing Competitiveness Fund are excluded.*

Focus areas

Internationalisation – Globalising SA brands and incorporation of SA companies into global supply chains

Value addition – Horticultural and grain surplus value addition

Import replacement – Seed oils and oil cake; malt production

Emerging industries – Marine aquaculture

Rural/poor linkages – Rural agricultural linkage scheme; one-stop, agri-business support initiative

Green Industries SBU

Performance*	2012
Total value of financing approved (Rm)	5 485
Total number of jobs expected to be created or saved	2 689
Impairments as % of outstanding book (at cost excluding undrawn commitments)	4%

** The Green Industries SBU was established on 1 April 2011.*

Focus areas

Non-fuel power generation – Wind, concentrated solar and photo-voltaic solar power generation

Energy efficiency – Heat, electricity and buildings; cleaner production/industrial processes

Fuel-based energy – Waste-to-energy; co-generation

Bio-fuels – Bio-ethanol

Emission and pollution mitigation – Waste management/recycling; clean stoves

Related services – Energy servicing companies (ESCOs)

Strategic High Impact Projects (SHIP) SBU

Performance*	2012
Total value of financing approved (Rm)	1 561
Total number of jobs expected to be created or saved	2 670
Impairments as % of outstanding book (at cost excluding undrawn commitments)	5%

** SHIP did not have an investment mandate prior to 2012.*

Focus areas

Cross-sectoral/new sectors – Localisation project; bamboo; sisal; green transport; gypsum; battery; titanium; rolling stock; theme park

Industrial infrastructure – Power generation; toll roads in rest of Africa

High impact logistics – Railways; maritime

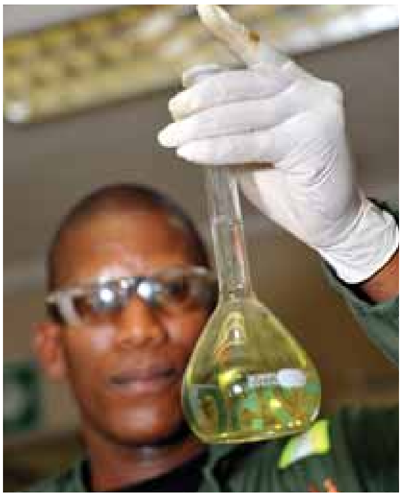
Venture Capital SBU

Performance	2012	2011	2010
Total value of financing approved (Rm)	187	51	68
Total number of jobs expected to be created or saved	697	267	104
Impairments as % of outstanding book (at cost excluding undrawn commitments)	35%	41%	40%

Focus areas

Provision of funding and post-investment advice, support and guidance to enable the completion of the development of globally unique South African intellectual property into market-ready products, followed by the commercialisation thereof in any industry or sector, locally and/or internationally.

Chemicals and Allied Industries SBU



Performance	2012	2011	2010
Total value of financing approved (Rm)	714	541	1 555
Total number of jobs expected to be created or saved	3 283	1 703	1 059
Impairments as % of outstanding book (at cost excluding undrawn commitments)	14%	20%	38%

Focus areas

Establish clusters of production for local beneficiation – Titanium, zirconium, hydrogen fluoride production, plastics, petro-chemicals

Address market imbalances – Glass, import substitution opportunities

Security of supply for key inputs into infrastructure, food and energy needs – Fertiliser and fertiliser inputs, gas, building products

Forestry and Wood Products SBU

Performance	2012	2011	2010
Total value of financing approved (Rm)	363	273	279
Total number of jobs expected to be created or saved	6 551	889	2 662
Impairments as % of outstanding book (at cost excluding undrawn commitments)	33%	34%	35%

Focus areas

Forestry value chain – Forestry, sawmilling, pulp and paper, packaging, furniture and other value-added products

Investing in the economy *(continued)*

Metal, Transport and Machinery Products SBU

Performance	2012	2011	2010
Total value of financing approved (Rm)	1 700	2 104	714
Total number of jobs expected to be created or saved	6 861	6 050	2 690
Impairments as % of outstanding book (at cost excluding undrawn commitments)	18%	23%	24%

Focus areas

Fabricated metal, capital and transport equipment – SOC capex programmes; tooling, die and mould industry; foundries; medium and heavy commercial vehicles (MHCV)

Automotive and MHCV – Assembly; EV; components; MHCV, buses and taxis

Components for green industries – Energy-saving technologies; wind; solar components

Advanced manufacturing – Aerospace

Mining and Mineral Beneficiation SBU

Performance	2012	2011	2010
Total value of financing approved (Rm)	3 551	737	3 143
Total number of jobs expected to be created or saved	12 110	3 613	8 744
Impairments as % of outstanding book (at cost excluding undrawn commitments)	17%	14%	14%

Focus areas

Steel prices – Provide competitively priced steel

Early stage projects – Support to junior mining companies from project initiation to implementation

"New age" minerals – Rare earth elements

Rest of Africa – Development of mineral resources

Textiles and Clothing SBU

Performance	2012	2011	2010
Total value of financing approved (Rm)	501	539	292
Total number of jobs expected to be created or saved	2 420	10 158	2 187
Impairments as % of outstanding book (at cost excluding undrawn commitments)	59%	44%	53%

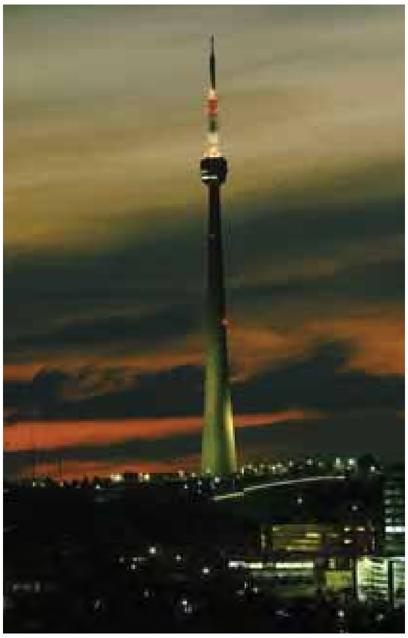
Focus areas

Building a conducive environment – Leading role in development of national strategy including refinement of incentives for the sector

Competitive local/regional value chain – Regional projects; linkages between manufacturing and retail; value chain projects; wool and mohair cluster; leather and footwear cluster

Stabilise major investments in the portfolio

Information and Communication Technologies (ICT) SBU



Performance	2012	2011	2010
Total value of financing approved (Rm)	532	410	183
Total number of jobs expected to be created or saved	1766	2 131	3 000
Impairments as % of outstanding book (at cost excluding undrawn commitments)	30%	35%	45%

Focus areas

Telecommunication – Undersea; national backhaul; metro; last mile; focus on under-serviced areas and rest of Africa

Shared services – Value-added components of Business Process Outsourcing

Digital migration – Local manufacture of set-top boxes

e-waste – Recycling of electronic waste

Electronics – Niche low-volume electronic manufacture; demand-side management including smart meters

Information technology – Contract-based software and hardware

Electrical services – Contract based

Healthcare SBU

Performance	2012	2011	2010
Total value of financing approved (Rm)	170	264	178
Total number of jobs expected to be created or saved	1 626	1 606	(160)*
Impairments as % of outstanding book (at cost excluding undrawn commitments)	5%	6%	9%

** Negative job numbers reflect the impact of cancellations of previous year's approvals.*

Focus areas

Pharmaceuticals – Anti-retrovirals (ARVs) pharmaceuticals; anti-diabetic extract; codeine from medicinal poppies

Malaria – Artemisinin Combination Therapy (ACT) extract and pharmaceuticals, impregnated bed nets; sterile insect technology

Medical devices – Surgical instruments; HIV test kits, etc.

Hospitals – Hospital PPPs; private wards in public hospitals; private hospitals (acute and sub-acute); day clinics; PHC centres focusing on maternal health

Investing in the economy *(continued)*

Media and Motion Pictures SBU

Performance	2012	2011	2010
Total value of financing approved (Rm)	429	164	296
Total number of jobs expected to be created or saved	1 400	898	(141)*
Impairments as % of outstanding book (at cost excluding undrawn commitments)	34%	26%	37%

** Negative job numbers reflect the impact of cancellations of previous year's approvals.*

Focus areas

Motion picture value chain – Film production (low, medium and high budget); production facilities (Johannesburg studios, post-production); audience development (digital cinema, rural and township cinemas, channel aggregation for export); animation hub

Music value chain – Production and distribution of SA music

Broadcasting – Pan African television broadcasters (expansion of SA broadcasters); regional and community radio stations; community television stations

Tourism SBU

Performance	2012	2011	2010
Total value of financing approved (Rm)	233	134	324
Total number of jobs expected to be created or saved	447	276	489
Impairments as % of outstanding book (at cost excluding undrawn commitments)	12%	9%	5%

Focus areas

Properties in distress and consolidation of the industry – Assist select establishments until economic conditions improve

Underdeveloped tourism nodes in SA – Backpackers; adventure and sports tourism; natural attractions; heritage attractions; avitourism; beach tourism; arts and crafts; enabling tools, e.g. tourist routes, transportation

Rest of Africa – Refurbishment of existing properties; new properties; business hotels

Job creation
is a critical
outcome of our
funding activity.

Green Industries

Overview

South Africa has one of the most carbon-intensive economies in the world due to its heavy reliance on coal for energy generation. This makes the greening of its energy mix a national imperative.

According to the Integrated Resource Plan (IRP2010), the South African government envisages that renewable energy will contribute 42% of the total generation capacity of the country by 2030. The New Growth Path contributes to this goal by endorsing a considerable amount of clean energy infrastructural investment.

According to research conducted in 2011 by the IDC's Research and Information Department, the Development Bank of Southern Africa and research group TIPS, greening the local economy could potentially create more than 460 000 direct jobs by 2025.

Read more
Green Jobs Report
www.idc.co.za

Strategy

As South Africa transitions to a low-carbon economy, IDC has earmarked R25 billion over the five years to 2015/16 for the development of green industries within the country. The bulk of this funding will be disbursed by the Green Industries SBU.

The objective of the newly created Green Industries SBU is to develop, grow and invest in green industries by focusing on investments that enhance environmental protection and support the reduction of carbon emissions. Investments will further aim to establish and build a local green industry value chain.

Ensuring an enabling regulatory environment is key to meeting the objectives of the Green Industries SBU. The Department of Energy's (DoE) Renewable Energy Procurement Programme (REPP) was launched in August 2011 to administer five procurement rounds which aim to see a total of 3 625 MW of generation capacity being created by 2013. The Green Industries SBU has played an active role in the REPP process as a development partner and financier.

The SBU has committed R5.2 billion to REPP's first round of bidding towards 12 of the successful REPP projects in round one.

Performance

The SBU has committed R5.2 billion to REPP's first round of bidding. This represents two concentrated solar projects, four wind projects and six photovoltaic projects. The target date for starting construction on these projects is late 2012. In the second bidding round, after year-end, seven projects with a total capacity of 380 MW and funded by the IDC were awarded preferred bidder status. This represents an additional R2.3 billion investment. In total, the Green Industries SBU has committed R7.5 billion worth of investments in green industries, of which R1.5 billion goes directly to local B-BBEE communities. LA

In partnership with KfW, a German development bank, the Green Industries SBU launched the R500 million Green Energy Efficiency Fund (GEEF) to stimulate investments by local entrepreneurs focusing on energy efficiency of at least 20%, as well as self-use renewable energy projects. During the period under review, R96 million (19%) of the R500 million fund has been allocated, representing eight projects ranging from co-generation to waste-to-energy (bio-gas from abattoir waste), solar water heating and rooftop photovoltaic. Demand-side energy management and energy usage concerns will be addressed by funding energy servicing companies (ESCOs) responsible for the mass roll out of energy efficiency technologies. LA

An impact assessment and monitoring tool will be developed to monitor the energy efficiency and carbon saving on an annual basis.

This is part of technical assistance from KfW and will be executed by the Post Investment Monitoring Department.

The SBU continued to chart new frontiers in the area of solar water heaters (SWH) through innovative funding structures. These combine carbon finance and rebates offered under Eskom's Integrated Demand Management (IDM) programme. As an example, the IDC provided finance to the Solar Academy of Sub-Saharan Africa (SASSA), a local solar water heater company. SASSA has since rolled out more than 80 000 Low Pressure Solar Water Heaters (LPSWH) and 2 500 High Pressure systems nationally. In total, 200 000 solar water heaters will be installed covering nine sites and creating over 800 jobs.

Solar water heater roll outs of this kind, both small and large scale, have great potential as carbon trading projects either under the Clean Development Mechanism (CDM) – formulated as part of the Kyoto Protocol in 1997 – or through voluntary markets. The CDM allows developed nations to purchase carbon credits through approved renewable energy projects in developing countries to offset their own emissions. The SASSA project will sell carbon credits on the voluntary market through Verified Emission Reductions (VER). To date, SASSA has the only registered CDM project for Low Pressure Solar Water Heaters (LPSWH) in the world. This makes SASSA's LPSWHs eligible for an additional revenue stream from the carbon credits, thus improving the sustainability of the SASSA business model.

Future focus

The SBU continues to engage government and other key stakeholders in support of the development of a sustainable market for bio-ethanol. Following the approval of the emission and pollution mitigation strategy by IDC's Executive Committee in early 2012, the SBU will develop funding options for waste management and recycling technologies.

The SBU will continue exploring opportunities to expand South Africa's capacity in the green energy arena with projects including renewable energy capacity, fuel-based green energy, energy efficiency, waste management, waste recycling and the expansion of bio-fuels. Recent budgetary announcements in support of the roll-out of SWHs are a positive market signal for energy efficiency and demand-side management interventions. In evaluating future prospects, increased focus will be on the contribution to local production, broad-based BEE participation and job creation.

Read more
Status and scope for energy efficiency measures in SA

More information
is available on the web at www.idc.co.za/IR2012

Case study

South African Calcium Carbide

South African Calcium Carbide (Pty) Limited (SACC) is Africa's only producer of calcium carbide, which is a product used in the desulphurisation of steel and in the production of Acetylene. Acetylene is mainly used in the welding industry. SACC is an energy intensive company that has opted for cheaper energy alternatives to counter rising electricity tariffs. This will, in the long term, enable the company to sustain the revenue momentum.

SACC will use funding from the IDC to develop an 8 MW co-generation facility. The co-generation facility will serve as both a cost saving initiative and a security of supply measure, the latter being a pre-requisite to maintaining production levels, thus boosting the company's organic growth plans.

SACC currently accounts for approximately 50% of the electricity that Eskom supplies to the Newcastle region. Energy currently accounts for about 21% of SACC's operational costs and that is set to rise to 34% following adoption of recent tariff increases. This facility will therefore help the company to mitigate effects of Eskom's hike.

The new plant will reduce SACC's total energy costs by 20% after project implementation.

Development impact

SACC supports local businesses by utilising locally sourced raw material like anthracite and lime. The raw materials sourced from local suppliers means that jobs are in turn created in the local communities. Therefore the sustainability of the company is critical to preserving jobs within these communities.

Venture Capital

Overview

Across the globe, traditional venture capital firms have been struggling since the global economy slumped in 2008. Uncertainty in the global financial markets has prompted most venture capital firms to re-assess their exposure to technology-focused start-up businesses.

Strategy

The Venture Capital SBU endeavours to address the lack in the commercialisation of South African technology and industrial innovation. The SBU is making considerable headway by investing in niche sectors to promote the advancement of local technology.

Through strategic partnerships and active engagement with several industry bodies, the SBU is able to identify unique funding opportunities for further development. This approach has allowed the SBU to cope with the economic downturn reasonably well.

The majority of the companies in the SBU's portfolio have made adequate progress towards commercialisation.

Performance

During the period under review, the SBU financially supported the Institute of Inventors and Innovators to re-establish and upgrade the institute. Amongst other services, the institute aims to assist inventors through the provision of networking opportunities and information on available resources.

The majority of the companies in the SBU's portfolio have made adequate progress towards commercialisation while three companies have exceeded expectations. Photovoltaic Technology Intellectual Property (PTIP) is a spin-off company from the University of Johannesburg (UJ) which owns the patented intellectual property for producing thin-film solar modules. PTIP's aim is not to commercialise the technology itself but to provide licences to interested parties who wish to set up production plants to manufacture solar panels using the new technology.

Quorus Biotech has developed unique bio-reactors that enable the growth of organisms that are difficult to culture and produce efficiently as well as biological compounds for the bio-tech industry's research and development arm. Yebo Tech, another of the SBU's investments, has developed an electronic in-store security system and management software. Yebo Tech is currently rolling out the system nationally for a major retail chain.

Read more *The relevance of the bio-technology industry to SA's healthcare sector*

Lodox remains one of the most innovative investments in the SBU's portfolio. Lodox is a low-dose X-ray machine that can produce a whole-body image in 13 seconds. The main target market for Lodox is the trauma centres in public hospitals.

Future focus

The SBU will continue to develop and commercialise South African intellectual property by providing equity funding and proactive post-investment support to clients.

Investing in the economy *(continued)*

Agro Industries

Overview

The local agro-industrial sector is polarised between a few large modern, dynamic, vertically integrated and diversified agro-processing companies contributing to more than 70% of turnover in the sector on the one hand and on the other, around 7 000 smaller-scale food processors, un-integrated and often outside the formal retail chain.

Whilst it is of critical importance to facilitate the growth and development of large companies – to ensure that South African food brands benefit from opening markets in the rest of the continent and other trade partners – it remains important to address the barriers to entry and barriers to growth that these smaller companies face. Strong competition from subsidised economies, increasing administrative costs, increased packaging costs and the strength of large retailers, are major factors affecting the growth of the local agro-processing industry.

Despite challenges, the IDC recognises the need to grow the local agriculture value chain. An increased agricultural output will not only result in the creation of additional rural agro-processing plants, but will also boost the country's food security. The Agro-Industries SBU provides support to a wide range of food and non-food production activities in the agricultural value chain.

Read more
A strategic overview of the hemp industry

Strategy

The recent strategic shift of the SBU towards agro-processing away from primary agriculture has changed the investment and risk focus of the SBU. It can be argued that the risk/return profile of agro-processing is better than that of primary agriculture and that therefore investments of the past year did contribute to IDC's financial sustainability. The SBU is also focusing on strengthening value-adding industries that emphasise the beneficiation of local products.

We are currently focusing on the labour-intensive horticultural sector and the grain industry. Food imports remain an area of concern and we need to ensure that we replace these imports with competitive local production. Following on our reputation for creating new and innovative industries, we are also targeting seed-oil processing and malt production. We are also developing the marine aquaculture sector which will address specific development challenges of our smaller coastal towns.

Read more
An overview of the grain milling industry in SA

The SBU is focusing on cutting-edge initiatives including localised value addition, emerging industries and the linkage of agro-processors with smaller-scale, resource-poor suppliers and farmers in rural areas.

Performance

Sustainable agro-industrial projects that have a high economic impact on rural communities are a high priority for funding consideration. In the period under review, the SBU approved funding to, amongst others, a soya processing plant in Gauteng (Russelstone Protein). This project will facilitate the competitive import replacement of soya oil cake in South Africa. The transaction comprises the establishment of the first dedicated (soya oil cake-focused) commercial scale soya crushing facility (of 240 000 tons per annum) in the Bronkhorstspruit industrial area.

Further funds were also approved for two Ultra Heat Temperature processing facilities in KZN and Eastern Cape to assist milk farmers to move up the value chain and help them improve their margins. One of these facilities is Coega Dairy located in the industrial development zone close to Port Elizabeth. The funding will enable the company to ramp up milk production and will ultimately be able to process 110 million litres of milk per annum.

Future focus

Future plans see the funding activities of the SBU increasingly weighted towards the agro-processing sector. Pure primary funding will be directed to the Land Bank. The SBU is focusing on cutting-edge initiatives including localised value addition, emerging industries and the linkage of agro-processors with smaller-scale, resource-poor suppliers and farmers in rural areas.

More information is available on the web at www.idc.co.za/IR2012

Case study

Big Six

In 2011, Ramnet Holdings and NLM Holdings approached IDC to obtain funding for the joint purchase of Inline. Inline is the biggest achaar producer in South Africa with a 40% market share. It produces mango achaar in three brands: Big Six, Mango Man and Summertime. The brands, particularly Big Six and Mango Man, are well known amongst its target market which is the lower-middle income consumers. To cater for the growing and diversified customer base, Inline extended its product line to include a vegetable achaar. The company is based in Limpopo and currently supplies the achaar to three major retail groups, as well as some independent retailers, in four South African provinces.

Development impact

The funding from IDC will contribute to increasing participation of emerging black entrepreneurs within the food processing industry. In addition, Inline contributes to boosting the local economy by sourcing its mangoes, which are the main ingredient, from local smallholder farmers in the Vhembe district where the factory is located.

Read more
An overview of SA's railway equipment sector

Read more
The mini-bus taxi industry and its recapitalisation potential

Strategic High Impact Projects (SHIP)

Overview

The Presidential Infrastructure Co-ordinating Commission (PICC) recognises the need to urgently overhaul and expand existing infrastructure as part of an ambitious plan to stimulate economic growth. The plan prioritises investment in logistics and energy generation and transmission across the country. These investments have the potential to deliver high developmental impact, promote new industries and drive job creation.

Transnet, Prasa and Eskom, among other State-owned Companies (SOCs), are also set to drive the R835 billion infrastructure capital expenditure earmarked by government, further unlocking significant investment opportunities.

Strategy

The mandate of the SBU was altered during the year. It explores investment opportunities to strengthen the logistics and transport corridor between South Africa's main industrial hubs and improve access to export corridors.

In addition, the unit manages cross-sectoral high impact projects.

Performance

Its first major investment will facilitate the formation of Thelo Rolling Stock (TRS), a company that is strategically positioned to benefit from Transnet's rolling stock renewal project. As a rolling stock leasing company, TRS will procure rolling stock from local manufacturers. This will boost local manufacturing by encouraging companies to use locally sourced material.

Future focus

The local production of busses, taxis and trucks is also being explored. The SBU will continue to identify in collaboration with other SOCs, particularly Eskom and Transnet, specific high impact localisation opportunities. Beyond examining government's infrastructure projects, SHIP is conducting a pilot project in Malamulele, Limpopo Province, to test the viability of creating a sisal industry in South Africa.

SHIP explores investment opportunities to strengthen the logistics and transport corridor between South Africa's main industrial hubs and improve access to export corridors.

Chemicals and Allied Industries

Overview

Currently, South Africa is still a net importer of raw and finished chemical products. Through IPAP, government aims to cut down on these imports by growing the local chemical industry. However, the shortage in specialised skills, including engineers and artisans, poses the biggest threat to the large-scale industrialisation of this sector.

Strategy

The objective of the Chemicals and Allied Industries SBU is to develop new industries that are geared towards the local manufacturing of chemical products. The SBU invests in both up and down stream chemical industries to ensure beneficiation. The industries include base oil, including oil and gas, plastics and rubber cement and concrete, cosmetic glass and ceramics. Specific focus is given to inputs into agriculture (fertilisers), energy and infrastructure as well as targeting beneficiation opportunities for value addition within South Africa and the region.

Performance

The fair value of investments in the SBU's portfolio remained stable during the course of the year with some investments increasing whilst others declined. The SBU's largest equity investment is in Foskor (Pty) Limited, which continues to dominate the SBU's portfolio.

In the period under review, the SBU approved additional funding to Econo-Heat Energy Efficient (Pty) Limited a company specialising in the manufacturing of wall-mounted panel heaters and electric blankets. The Cape-based company is growing its footprint in the local and export market and IDC provided trade finance to assist the company in achieving its growth plans.

The SBU focuses on areas such as agriculture (fertilisers), energy and infrastructure inputs as well as targeting beneficiation opportunities for value addition within South Africa and the SADC region.

Bliss Chemicals, a Gauteng-based company specialising in the manufacturing of washing powder, received further funding to increase its plant capacity while PG Group (Pty) Limited was given a capital injection to help survive the implied downturn within the motor vehicle glass manufacturing sector. Our intervention in PG Group helped save 431 jobs.

Further investments were made in Ohorongo Cement (Pty) Limited, a Namibian-based portland cement manufacturing company in which the IDC holds a substantial stake. The cement manufacturer has quickly grown to become the largest employer in Namibia's Otavi region and boasts an output of 750 000 tons per month.

Future focus

The SBU will focus on infrastructure development opportunities relating to materials, plastic and rubber conversion as well as the manufacture of speciality and fine chemicals (mineral chemistry beneficiation) and gas projects. While growing South Africa's chemical and industrial capacity, the SBU has also identified potential opportunities within the SADC region.

More information *is available on the web at www.idc.co.za/IR2012*

Read more *An overview of the plastic fabrication industry and polypropylene beneficiation in SA*

More information
is available on the web at www.idc.co.za/IR2012

Case study

Ohorongo Cement

Ohorongo Cement Limited was established by Schwenk Namibia. The portland cement manufacturer became fully operational in 2011 although other sections of the plant became operational in 2010. The IDC currently holds a 20% share in Ohorongo Cement, while DBSA, Development Bank of Namibia and Schwenk Namibia hold the other 80%. In the year under review, the IDC advanced further funding to Ohorongo Cement so that the company could purchase Afrisam Namibia, a local cement manufacturer.

The acquisition of Afrisam Namibia will ensure the sustainability of Ohorongo Cement and boost the supply of cement in Namibia, which currently has no other cement manufacturer. This will enable the company to compete in Botswana and Zambia.

Development impact

A key objective of the IDC is to help stimulate economic and social growth through funding high-impact infrastructural and industrial projects in neighbouring SADC countries.

The investment in Ohorongo Cement seeks to achieve this objective. Since commencing operations, the cement company has grown to become the largest employer in Otavi, a small town in Namibia. It has an output of 750 000 tons per month.

Forestry and Wood

Overview

Forestry is a key economic driver in rural areas, both through the establishment of new plantations and the resultant secondary processing and value addition industries arising from increased timber resources. Despite the industry's potential, the chronic under-utilisation of land in rural areas deprives local communities of potential job-creating opportunities.

At present, the sector contributes a modest 1% to GDP and supports 200 000 jobs mainly in rural communities. However, compliance with the various regulatory frameworks required to develop commercial forestry projects discourages entrepreneurs from entering the industry. These include environmental impact assessments (EIAs), water licences and land reform issues.

A lack of investment in the upgrades of machinery, equipment, investment design skills and the country's liberal trade regime has stunted the industry's growth and prompted South Africa to become a net importer of wood products.

Strategy

In 2010, a R20 million forestry development grant was set up to address some of these challenges. The grant has been used to engage IDC's service providers to proactively source and support the development of community-owned forestry projects. As a result, there has been a remarkable increase in applications to the SBU for funding by community-based enterprises looking to venture into forestry. Another initiative, the Pro-Forestry Scheme, aims to stimulate growth by:

- Reducing the national timber shortage
- Creating additional fibre resources for increased downstream beneficiation
- Supporting BEE participation in the forestry sector
- Supporting government initiatives (NIPF, IPAP)
- Supporting the expansion of potential timber resources and timber sector in Africa

The SBU has further approved funding to sawmilling companies, boosting technology advancement within the sector.

The SBU approved distress funding to one of South Africa's largest furniture manufacturers to save over 5 500 jobs and to improve financial viability while most companies wrestle with a strong Rand and stalling global economic recovery.

Performance

The Forestry and Wood SBU approved distress funding to one of South Africa's largest furniture manufacturers to save more than 5 500 jobs. The IDC has in previous years played a small role in funding Mabandla, a community-owned forestry project in Eastern Cape. Building on experience from its involvement in Mabandla, the IDC is now rolling out this very successful model to other communities, namely the Sihleza project as well as the Cata Forestry project in rural KwaZulu-Natal and the Eastern Cape, respectively.

Future focus

The SBU has proactively developed a healthy pipeline of projects, some of which, barring regulatory hurdles, could come on stream in the next fiscal year. The unit has also expanded its reach beyond South Africa to develop the timber industry and supplies across the continent.

More information *is available on the web at www.idc.co.za/IR2012*

Read more *The potential for a bio-composites industry in SA*

Mining and Mineral Beneficiation

Overview

The mining industry is gradually returning to the pre-recession performance last seen in 2008, with local and Chinese-induced demand proving the main catalyst for recovery. However, infrastructure bottlenecks like the lack of rail and port capacity required to ship volumes to export markets continue to impact negatively on opportunities for growth. In addition, a lack of energy capacity, safety stoppages, labour issues and escalating production costs pose serious threats to the profitability of the industry, even prompting the mothballing of some mining projects.

While government considers mining to be a key driver of growth in its medium- and long-term job creation targets, the industry needs to play its part in economic empowerment and social transformation. The slow pace in transformation is best illustrated in renewed calls for resource nationalism. As a partner in mining and mineral beneficiation development, the IDC subscribes to the mining charter. With the highest mineral wealth in the world, worth an estimated US$2.5 trillion, South Africa struggles to pass on the potential benefit of this sector to all South Africans.

More information
Sectoral Trends first quarter 2012
www.idc.co.za/IR2012

Strategy

The SBU is focusing on funding companies that seek to beneficiate minerals in line with government's priorities. Funding of the Kalagadi Manganese sinter mine, Exxaro, African Queen and other projects, demonstrates our commitment to growing and supporting companies with meaningful BEE participation. It is important to note that equity investments in this sector apply to medium- and long-term projects. These take time to execute and generate dividends, straining our balance sheet in the short term, but potentially yielding outstanding long-term returns.

Performance

The SBU approved 11 transactions amounting to R3.5 billion in the period under review. Our investment in Umnotho We Sizwe Resources will allow the BEE junior miner to complete the construction of its chrome mine and ramp up production. Sudor Coal will also soon start its expansion project to increase coal production to supply Eskom power stations in Mpumalanga.

The SBU is focusing on funding companies that seek to **beneficiate minerals in line with government's priorities.**

The overall fair value of equity investments in the portfolio showed an increase of R473 million. The increase is largely due to investments in the coal sector while the precious metals sector (platinum and diamonds) took off some of the shine. Columbus Stainless Steel saw a R67 million impairment reversal on the back of improving trading conditions in the stainless steel sector. The Kalagadi Manganese sinter mine, in which the IDC holds 10% equity, is being implemented and is expected to come on stream within the next financial year.

Some clients continue to battle headwinds due to current depressed market conditions. This led to an increased impairment figure of R54 million for the period under review. Our investments in the platinum, diamond and uranium sectors were the biggest contributors to this figure.

In 2012, IDC, the Bakgatla Ba Kgafela community and Pallinghurst Resources announced a multibillion-Rand platinum mining venture called the African Queen. The venture will merge mines in the North West co-owned by the Bakgatla Ba Kgafela and Pallinghurst. Pallinghurst owns 42% of the venture, the Bakgatla 27%, IDC 16%, and the rest of the stake is split among a spread of shareholders. The IDC's shareholding is equivalent to R3.24 billion in new ordinary shares. On full implementation, the project will create more than 9 000 jobs.

Future focus

The SBU will continue to play a meaningful role in supporting growth of the minerals and beneficiation sector, particularly in the steel and steel-related industries; providing financial and technical support to junior mining companies, particularly in early-stage development; and exploring opportunities and projects across the rest of Africa, especially those that have demonstrable evidence of linkages with South Africa.

IDC strives to unlock and beneficiate South Africa's mineral wealth.

Photo: Chris Kirchhoff

Textiles and Clothing

Overview

Once considered an essential employer in Western Cape and KwaZulu-Natal, the textiles sector continues to experience difficulty due to the influx of cheap imports from the Far East. While more job losses occurred during the 2011/12 financial year, the sector has shed more than 100 000 jobs over the last decade. The IDC remains committed towards the textile and clothing sector as it is key to unlocking job opportunities and sustaining existing employment.

The State-led Designated Preferential Procurement Plan (DPPP) introduced in December 2011 aims to redirect government procurement from international imports to local manufactured items. Furthermore, the recently established National Fashion Council is intended to support local design and its upstream activities. Some local retailers have committed to buying locally-manufactured clothing.

The most significant step towards restoring the industry to its historic production and employment level was a landmark flexible wage agreement signed in October 2011 between the National Bargaining Council and the South African Textile Workers Union (SACTWU). According to the agreement, employers can offer flexible wages to new employees on condition that the sector creates at least 5 000 jobs by 2014.

Strategy

In support of government's effort to stem the tide of international imports and increase the competitiveness of the sector locally, the SBU is actively involved in various State-led initiatives to improve the sector's prospects.

The Textiles and Clothing SBU further offers support to enterprises across the industry sectors ranging from the production of natural and synthetic fabrics to the manufacturing of home décor, leather goods and clothing.

Performance

On behalf of the dti, the IDC's Development Funds Department administers the Clothing and Textile Competitiveness Improvement Programme (CTCIP), which is beginning to show results with a marked improvement in plant upgrades and capacity expansion projects. In addition, the IDC's Clothing, Textile, Footwear and Leather Scheme (CTFL) was designed to provide interest-subsidised loans to enterprises in an effort to stem further job losses.

In support of government's effort to stem the tide of international imports and increase the competitiveness of the sector locally, the SBU is actively involved in various State-led initiatives to improve the sector's prospects.

The SBU approved funding to textile manufacturing company Prilla 2000 (Pty) Limited to invest in a new state-of-the-art cotton spinning plant. The new plant will allow Prilla to increase the quality and throughput of its products. The timing of the investment proved disappointing as international cotton prices soared in excess of 140% while yarn prices remained relatively unchanged.

Yarntex, a greenfields project funded by the SBU and established to provide dyeing services to the industry, encountered delays due to transactional complications. The project was set back at least six months.

Following recapitalisation, the IDC became the sole shareholder of Colibri Towelling – renowned for manufacturing high-quality towels. Colibri, guided by a business rescue practitioner, has embarked on a turnaround plan to save 300 jobs.

Future focus

The clothing and footwear sub-sectors remain the focus areas for expansion opportunities. Within the clothing sub-sector specifically, the SBU will focus on increasing the industry's competitiveness by investing in fast fashion (quick turnaround times) and government's preferential procurement opportunities.

More information
is available on the web
at www.idc.co.za/IR2012

Case study

Cotton Traders

Cotton Traders was founded in 1989 in Cape Town. It started in a small building with 30 employees and soon established a reputation as manufacturers of superior bedding products. The products manufactured are primarily filled products, utilising natural feather and down materials and synthetic fibre fill comprising micro-fibre and hollow fibre. Filled products include home textile items such as duvets, pillows, down blankets, featherbeds, decorator cushions, down-filled slippers and mattress protectors. The company also supplies a proprietary brand marketed under the Granny Goose label.

The IDC provided R5.9 million in funding for Cotton Traders to acquire plant and equipment. The funding for the equipment and leasehold improvements qualified under the IDC's Clothing and Textiles Competitiveness Financing Scheme (CTCFS). In addition, a working capital loan was provided to enable the business to take advantage of raw material purchases, owing to extremely favourable purchasing opportunities. The IDC's financing (and a R1 million grant through the dti's Clothing and Textiles Competitiveness Improvement Programme (CTCIP)) enabled the company to install an integrated computerised production management system as well as to acquire a 1 000 m^2 warehouse in order to re-organise the factory for greater efficiency.

Despite difficult trading conditions for textile products in the South African market, the funding has ensured not only job retention, but has resulted in an overall increase in employment.

Development impact

IDC's intervention is expected to create 50 jobs. The funding will further improve Cotton Traders' competitiveness through plant modernisation and skills improvement.

Metal, Transport and Machinery Products

Overview

The sector has been in distress for the last three years as evident in the number of firms seeking distress funding from the IDC. This is mainly due to the weak global economic recovery and lacklustre demand reducing export opportunities for local manufacturers. In addition, South Africa's strong Rand relative to the Euro and the US Dollar rendered South Africa's exports less competitive on the international market. However, the uptake in new deal flows during the year points to a favourable economic outlook and growing market confidence.

Strategy

Read more
An overview of the alternative-fuelled vehicles industry

The SBU offers funding and project development support to ferrous and non-ferrous metal-based manufacturing businesses while focusing on specific sub-sectors as listed on page 30.

The automotive sector has been a strong contributor to national GDP and local employment opportunities. Currently, the automotive components industry is still dominated by imports, representing an opportunity to expand local manufacturing. The SBU is therefore keen to grow the sector further and invest in its industrialisation. The SBU further supports the dti in its efforts to grow the local manufacturing of medium and heavy commercial vehicles.

Performance

Read more
A strategic overview of SA's wind energy components industry

The SBU's impairment figure decreased to 18% from 23% previously.

KLT SA (Pty) Limited Automotive, a subsidiary of the Mumbai-based KLT group, received funding to construct a new chassis assembly plant able to manufacture 120 000 chassis per year.

The planned capital expenditure earmarked by State-owned Companies (SOCs) will provide further substantial investment opportunities.

The SBU approved a working capital facility to I-Wec, a newly formed wind turbine manufacturer based in the Western Cape to ramp up the manufacturing of wind turbine components.

Future focus

Being one of the more mature sectors in which the IDC invests, the sector already boasts reasonably good manufacturing capabilities. The planned capital expenditure earmarked by SOCs will provide further substantial investment opportunities which are expected to grow the economy and boost employment. The SBU is prepared to fund companies that will partake in the SOCs infrastructure development drive.

The development of a greener economy will open up substantial components manufacturing possibilities, which the SBU will actively pursue.

More information is available on the web at www.idc.co.za/IR2012

Case study

Kearney's Truck and Trailer

Kearney's Truck and Trailer was founded by the Kearney family 14 years ago. It is currently among the top five trailer manufacturers on the continent in terms of both market share and trailer design capability. The main focus of the business is to design, manufacture and supply various sized heavy duty trailer products in the range of 15 to 40 tons to the road freight industry.

Trailer manufacturing is a key sector within the automotive heavy commercial vehicles industry. The company supplies five state-of-the-art or technically advanced variations of these trailers. The business supplies to its key customers such as ABI Group, Eskom Fleet and Mercedes-Benz among many others on its 1 500 customer list within the local and cross-border road freight market. About 10% of its products are for the export market such as Australia, Mongolia and some countries in the Middle East.

Development impact

The automotive sector has been a strong contributor to national GDP. The IDC is committed to investing in the sector and contribute towards the industrialisation of the sector.

The IDC's financial support to Kearney is expected to contribute towards the creation of 103 jobs and saving the current 93 jobs.

Information and Communication Technologies (ICT)

Overview

The local ICT industry is well poised for recovery following the economic downturn. This is evident in the increasing value of financing approvals. Various medium-term opportunities exist as a result of South Africa's migration from analogue transmission to digital terrestrial broadcasting and the requirement to increase broadband delivery. Eleven million households will require "set-top box" receivers to view the new digital signal on their analogue television sets. Government intends to provide five million households with subsidies of up to 70% for locally manufactured set-top boxes.

Strategy

The World Bank has recently concluded that a 10% increase in broadband penetration rates will result in a 1.3% increase in GDP in developing nations. Therefore, the SBU's strategic focus will be funding enterprises that will help drive down broadband costs significantly and increase penetration. As regional integration is pertinent to driving costs down, the ICT SBU is exploring mutually beneficial opportunities within the SADC region. To this effect, the IDC approved funding in 2011 to Econet Zimbabwe for its infrastructure expansion project (concluded during the current fiscal year).

Performance

Closure of the Public Private Partnership SBU on 1 April 2011 has prompted the transfer of large ICT investments including Broadband Infraco, Neotel, New Dawn Satellite to the ICT SBU. The committed ICT SBU portfolio is now over R4.6 billion. Given the equity nature of some of the investments in the portfolio, a number of associated impairments were raised. However, the overall impairments as a percentage of outstanding book shows a reducing trend. The SBU approved funding to Conduct Telecommunications, a start-up company with first-mover advantage in the provision of open-access "last-mile" connectivity to end-users, to facilitate the reduction of broadband costs.

The SBU aims to unlock opportunities that decrease overall broadband costs and increase penetration in the under-served and rural areas.

Other notable transactions included the approval of funding to Vektronix that will create 150 jobs in the Eastern Cape. Vektronix established the first TV contract manufacturing plant in South Africa and remains one of the most flexible, cost-effective consumer electronics manufacturers in the country. Vektronix's favourable position, due to its relationship with Samsung SA, allows it to qualify for other major contracts with Original Equipment Manufacturers. Xuma Technologies (Pty) Limited, a mid-sized 100% black women-owned telecommunication infrastructure business that also received funding from IDC during the period under review, enabling it to successfully execute contracts for MTN, Vodacom and Dark Fibre Africa and, in the process, create 589 jobs.

Future focus

The ICT SBU is set to continue financing traditional ICT, shared services and electronic manufacturing sectors.

In addition, the SBU aims to unlock opportunities that arise from government's integrated national broadband policy and the regional integration of ICT into the rest of Africa. Projects that focus on last-mile access, decreasing overall broadband costs and increasing penetration into the under-served and rural areas are continually being investigated. This includes facilitating South Africa's migration from analogue transmission to digital terrestrial broadcasting.

More information
is available on the web at www.idc.co.za/IR2012

Case study

Xuma Technologies

Xuma Technologies was established in 2004 by two sisters, Bongiwe and Boitumelo Mkonza. The company is a 100% black women-owned and managed business that offers a number of telecommunication infrastructure services.

The IDC provided working capital to Xuma Technologies for the business' expansion. This was needed for a major contract for Dark Fibre Africa, which plans to roll out 15 000km of fibre cables over three years. The company qualified for the funding through the Women Entrepreneurial Fund offered by the IDC to promote the development of female entrepreneurs. The involvement with the IDC came after the company won the Gauteng Enterprise Propeller SMME Award in 2010.

Development impact

The laying of fibre-optic cable for network operators and municipalities is set to reduce the cost of broadband and communications services in South Africa. The company is expected to create 589 jobs.

Xuma Technologies contracts to network operators and owners to lay terrestrial fibre cable, conducting both the civil portion of the duct roll out, as well as the blowing and splicing of the fibre cables into the ducts. This capability means the company can attract major and long-term construction contracts, with the necessary capital requirements.

More information *is available on the web at www.idc.co.za/IR2012*

Read more *The relevance of the bio-technology industry to SA's healthcare sector*

Healthcare

Overview

The public healthcare sector of South Africa continues to lack appropriate impact at ground level. Part of government's healthcare reform plans places strong emphasis on local procurement. Healthcare facilities will have to source around 70% of medical products from local manufacturers.

Strategy

To facilitate more local procurement within the sector, the Healthcare SBU is proactively exploring opportunities to fund companies looking to break into the manufacturing space. The SBU continued to provide funding and business support to a wide range of sub-sectors within the value chain. These included manufacturers of pharmaceuticals, medical devices and the building of hospitals in previously under-serviced areas.

However, the SBU is anticipating new directives from government in line with the recently released National Health Insurance (NHI) green paper. The outcomes will impact on the SBU's strategy going forward.

Performance

In the period under review, the IDC approved funding for the Botshilu Private Hospital to establish a 100-bed hospital facility in Soshanguve, Gauteng. Botshilu will cater for the specific needs of women and children, including pre-natal and post-natal medical services to the surrounding population of 500 000 people. The project will create 380 permanent jobs and an annual equivalent of 213 jobs during the construction phase.

The SBU further approved a guarantee for an overdraft to Biodelta (Pty) Limited, a pharmaceutical manufacturing plant in the Western Cape that supplies local and export markets. In the SBU's first Public Private Partnership (PPP) transaction, it provided funding to Clinix-Phalaborwa Private Hospital (Pty) Limited to refurbish and expand its 62-bed healthcare facility in Phalaborwa. Clinix-Phalaborwa Private Hospital (Pty) Limited entered into a PPP agreement with the Limpopo Provincial Health and Social Development Department to operate the facility.

Boosting **local manufacturing of ARV APIs** will reduce the country's dependence on imports while also securing South Africa's supply of priority drugs.

Future focus

The SBU is expected to play a critical role in the next five years assisting government with the implementation of the NHI. The first phase prioritises the upgrade and expansion of hospital infrastructure, strengthening HIV and AIDS treatment and prevention programmes and expanding healthcare professional training.

The large capital outlay required to overhaul the existing healthcare infrastructure provides the SBU with various funding opportunities. Furthermore, boosting local manufacturing of anti-retroviral active ingredients will reduce the country's dependence on imports while also securing South Africa's supply of priority drugs.

More information *is available on the web at www.idc.co.za/IR2012*

Case study

Pharma Q

Pharma Q (Pty) Limited, a pharmaceutical plant previously owned by Adcock Ingram and Wyeth SA, is a wholly-owned subsidiary of Pharma Q Holdings (Pty) Limited. Presently the company is predominantly a contract manufacturer; however, concomitant with the upgrade, the company will be able to manufacture its own products and allow for export opportunities. This will increase South Africa's pharmaceutical manufacturing capacity and capability. Pharma Q has an established track record in manufacturing expertise and currently produces 500 Medicines Controls Council (MCC) approved products. They service 30 leading global pharmaceutical companies for a diverse range of products and brands including Bayer (Pty) Limited, Pfizer Laboratories and Reckitt Benckiser.

Development impact

Pharma Q has been funded by the IDC to upgrade and modify the plant in accordance with the Pharmaceutical Inspection Co-operation Scheme (PICS) standard by the industry regulator, the Medicines Controls Council (MCC). The funding will save 395 permanent jobs and 133 temporary jobs and will in addition create 45 new direct permanent jobs through the upgrade of the manufacturing plant.

More information *is available on the web at www.idc.co.za/IR2012*

Media and Motion Pictures

Overview

South Africa has a vibrant, growing film industry that is fast gaining recognition on the global stage. Foreign filmmakers are taking advantage of the country's diverse, unique locations – as well as low production costs and favourable exchange rate, which in some cases make it up to 40% cheaper to produce a film in South Africa than in Europe or the US and up to 20% cheaper than in Australia. In addition, South Africa' unique location, tourism hotspots and attractive landscape have been key to marketing the potential of the local film industry.

Read more *The need for continued IDC involvement within the film industry*

Strategy

The Media SBU invests in the production of motion pictures as our primary strategy to develop a sustainable local film industry, while also funding media projects that strengthen the entire value chain. The development of digital cinemas in townships, through pilot projects in Soweto, provides facilities that are sorely lacking, while also giving access to digital media resources to the masses.

Performance

Investments in the local film industry led to the production of the acclaimed film *Semi-Soet* in 2011, a romantic comedy that grossed more than R9 million at the box office. The SBU further invested in *Zambezia*, the first locally produced animated 3D feature film as well as *Long Walk to Freedom*, a film currently in production and based on the biography of former President Nelson Mandela.

With Cape Town fast becoming a preferred destination for foreign movie producers looking to reduce the budget costs for their blockbusters, the Media SBU invested in the Cape Film Studio to strengthen the Western Cape's growing motion picture value chain. Our media investment's fair value has reduced, driven primarily by impairments in media companies battling to sustain their revenue momentum. There has not been a major gain recorded in long-term job creation as films generally create only temporary jobs.

Future focus

The SBU will continue to fund the production of high-quality films.

Investments in the local film industry led to the production of the acclaimed film *Semi-Soet* in 2011, a romantic comedy that grossed more than R9 million at the box office.

Tourism

Overview

Growth in the tourism industry has been tepid due to the lack of discretionary expenditure amongst potential tourists, notably from the Euro zone. Consequently, this has put pressure on an industry battling an over-supply of bed capacity since the 2010 FIFA World Cup™.

Despite the industry's dismal outlook, government recognises tourism as a key job creation sector within the New Growth Path (NGP). The industry accounts for 8.6% of South Africa's gross domestic product (GDP) (direct and indirect) with an estimated 1.2 million people working in tourism-related jobs.

Strategy

These challenges have prompted our Tourism SBU to shift focus towards investing in niche opportunities within undeveloped regions across the country. The tourism SBU has aligned its strategy with that of the National Department of Tourism's National Tourism Sector Strategy (NTSS).

Performance

The SBU approved R91.5 million to partially fund a 122-room three-star hotel in Newlands, Cape Town. The hotel will be operated by the Rezidor group under its Park Inn brand targeting corporate clients while catering fully for the needs of the disabled. In the long term, the business will provide Deaf SA, a co-shareholder, with a commercial income stream to alleviate the organisation's reliance on government subsidies.

IDC approved funding of R18.2 million for a much-needed 80-room limited service hotel in Kathu, Northern Cape, in which the Sishen Iron Ore Community Development Trust will own a 51% shareholding. This investment is expected to create 88 jobs.

The SBU approved a R2.25 million loan facility to Transfrontier Parks Destination (Pty) Limited to operate Witsieshoek Lodge owned by the Batlokoa community in the Free State. The company has a 25-year lease agreement to manage and operate the lodge on behalf of the Batlokoa community. Other projects that received funding from the IDC include Shepherds Tree, a game lodge in the North West, and Mambedi Lodge in Limpopo.

Nation-wide occupancy figures have dropped to historic levels prompting a surge in impairments to 12% of our total tourism exposure. Auspex Hotel and Leisure (Pty) Limited, a 173-room five-star hotel in Port Elizabeth, in which the IDC holds 30% equity, is the worst-hit by hostile trading conditions.

The industry accounts for 8.6% of South Africa's gross domestic product (GDP) (direct and indirect) with an estimated 1.2 million people working in tourism-related jobs.

Future focus

Windtown SA, a kite-surfing facility in Langebaan in the Western Cape, is set to come on stream towards the end of calendar 2012. Nonoti, a luxury multi-product resort in the iLembe district, KwaZulu-Natal, is still at the inception stage, but remains one of the key future projects in the pipeline. Beyond South Africa, the IDC is exploring opportunities for business hotels in East and West Africa and has identified a great need for new hotels and the refurbishment of existing properties.

Read more
An overview of SA's tourism sector

More information
The business hotel industry in select East and West African countries, www.idc.co.za/IR2012

Investing in the economy *(continued)*

Agency Development and Support LA

The Agency Development and Support (ADS) Department is responsible for facilitating funding and support for local economic development. A key element of the department achieving the above is the creation of a conducive local environment, mobilising investment and activity that can create sustainable employment opportunities.

ADS focus areas are:

- Supporting existing local and regional development agencies
- Support and promotion of social enterprises
- Strategic interventions to address spatial disparities
- Manage Local Economic Development (LED) grant funding on behalf of the dti[1]
- Oversight and support function in respect of managing the above

1 These investments are indicated as catalytic projects in the map below.

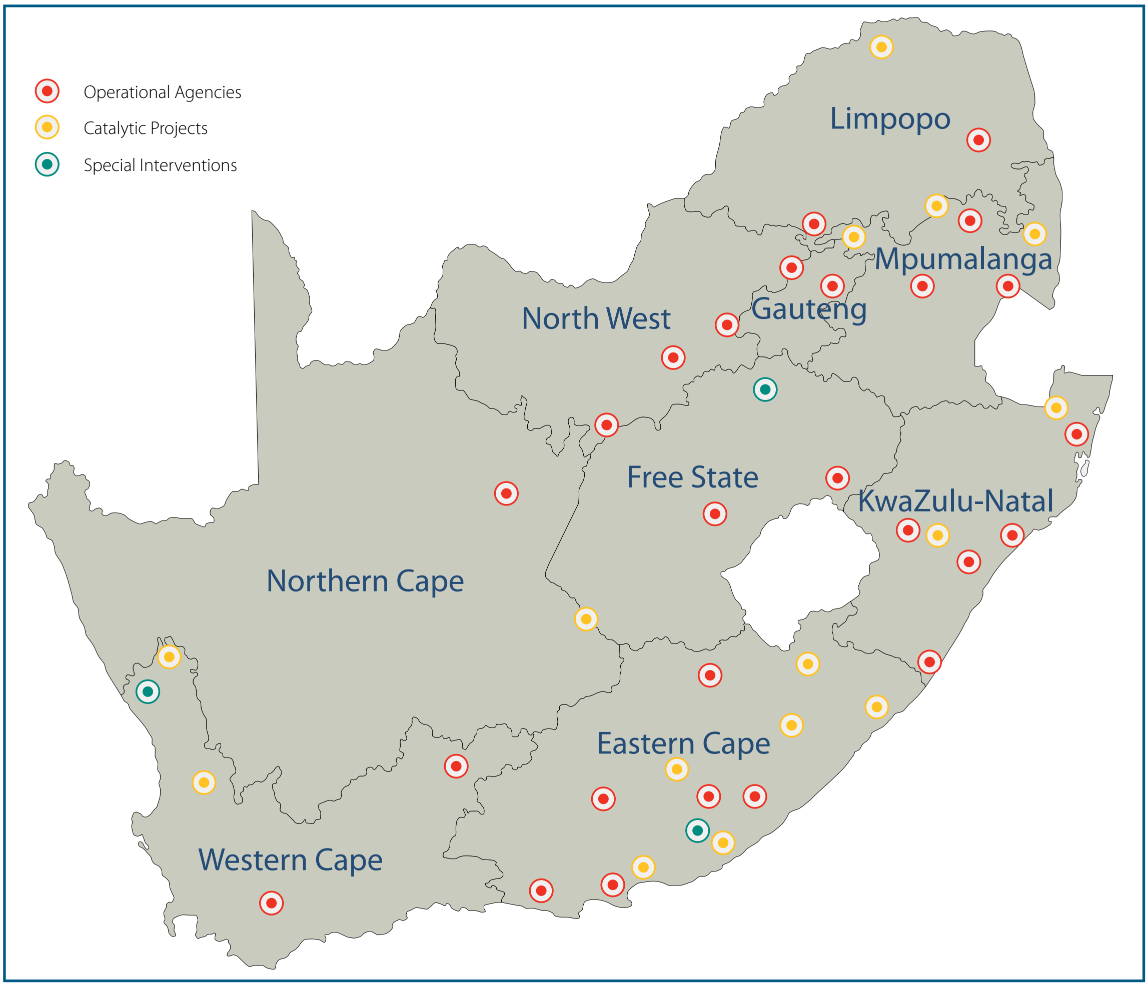
ADS's Programmes

Agencies

ADS was launched in 2002 to fund and support the establishment of municipal development agencies. The intention was to introduce capacity and resources for the often under-funded yet critical LED project development programmes of local government and to ensure their implementation. This is done through the funding of local economic development agencies of which the ADS has 34 in its portfolio. Thirteen agencies are currently dormant (non-performing) or closed due to a variety of reasons including political changes in councils, capacity constraints and boundary consolidations, etc.

Given the challenges facing development in outlying rural areas, further funding of R27 million was approved (actual spend R21 million) in 2011/12 for nine development agencies to expand their work in developing and packaging appropriate projects for these regions.

Agency development activity in South Africa



As a grant-making department, our clients require additional funds to implement their programmes. To this end, they leveraged approximately R265 million, mainly from the public sector in 2011/12, and have leveraged in excess of R1.6 billion over the course of the programme. This means that, on average, each rand invested by the IDC in an agency grew nine fold.

These funds were used for the implementation of various projects including out-grower support, agriculture development, airport revitalisation urban renewal, SME support-centres and project management fees.

Spatial interventions LA

Many communities are characterised by market failures and markets working sub-optimally outside the larger, more formal and established urban centres. As their economic development falls further behind, so their specific hardships, unequal development and levels of poverty increase, requiring a direct and focused intervention to improve their economic circumstances and prospects.

The over-arching aim of this programme is to allow the IDC to intervene effectively to address the socio-economic and developmental needs of a particular targeted area. In 2011/12, three programmes totalling R4.4 million were approved, of which R2.4 million was leveraged from the dti. R18 million will be rolled out in the next financial year.

Social enterprises

ADS is preparing to establish a programme aimed at supporting social enterprises where they exhibit the potential to provide opportunities for job creation, developmental impact and economic growth, as acknowledged in the New Growth Path.

We define a Social Enterprise (SE) as an entity which:

- Addresses, as its primary purpose, social and environmental issues and the creation of social value
- Uses business principles to create, build and maintain social value
- Has a long-term strategy to work towards self-sustainability (with at least 50% operating costs recovered from revenue generation through its own trading)
- Re-invests a majority of its revenue into the business to ensure a larger social impact

An amount of R12 million has been approved to roll out a pilot programme, in the next financial year. We look forward to contributing to the elevation of this important sector of the economy in the years ahead.

Development funds

The Development Funds Department (DFD) provides funding support to projects that have a high development impact. It achieves this by managing higher risk-taking funds and disbursing these funds into deserving projects.

DFD manages IDC ring-fenced and third party funds which are allocated to development needs not typically addressed through the standard IDC funding mechanism. The funding schemes support the aims of the New Growth Path (NGP) set out by the Economic Development Department (EDD), which emphasises technological innovation, growth, employment creation and equity.

Funding methods

The capital is deployed against strict investment guidelines towards addressing a specified, targeted developmental need. A variety of tools such as softer pricing, structuring terms and relaxation of financial and other norms are used to meet the objectives of the scheme. The capital may be off-balance sheet or on-balance sheet funds. Many of the investment funds under management, being fairly new funds that will not reach maturity in the short term, are difficult to assess for financial sustainability. The funds provide varying degrees of non-financial support through funding shop-floor training and upskilling, mentorship and coaching at employee level and management.

DFD manages IDC ring-fenced and third party funds which are allocated to development needs not typically addressed through the standard IDC funding mechanism.

This promotes empowerment and sustainable industrial capacity. In the period under review, a significant number of funds have migrated to the IDC SAP system while other funds are largely in the process of being migrated. This migration will be completed in the early part of the 2012/13 financial year. This will assist in improving turnaround times and communication to clients, tracking of information and improved portfolio reporting to stakeholders.

Summary of development funds managed

Fund	Purpose	Instrument	Size of fund	Amount committed since inception of fund as at 31 March 2012
Cross-sectoral funds				
1 Unemployment Insurance Fund (UIF)	Assist companies that save and/or create jobs at < or = R450 000 per job	Loan	R4bn	R2.4bn
2 Gro-e	Assist companies that create jobs at < or = R500 000 per job	Loan/Equity	R10bn	R1.9bn
3 Women Entrepreneurial Fund (WEF)	Assist female entrepreneurs to start or expand their businesses	Loan/Equity	R300m	R49.5m
4 People With Disability Fund (PDF)	Assist entrepreneurs with disabilities to start or expand their businesses or to acquire businesses	Loan/Equity	R50m	R9.7m
5 Development Fund (DF)	Assist workers to acquire meaningful stakes in IDC-funded transactions	Equity/Quasi	R350m	R202.2m
6 Community Fund (CF)	Assist marginalised poor communities to acquire meaningful stakes in IDC-funded transactions	Equity/Quasi	R150m	R77.8m
7 Equity Contribution Fund (ECF)	Assist new-entrant black entrepreneurs with their equity contributions with regard to IDC funding requirements	Equity/Quasi	R150m	R88.2m
8 Risk Capital Facility (RCF)	Assist with equity-type funding to BEE-SMEs that create jobs	Equity/Quasi	R841m	R624m
9 Technology Venture Capital (TVC)	Commercialisation of innovative products, processes and technologies	Loan/Equity	R33m	R5.7m
Industry/sector-specific funds				
10 Agro-Processing Linkages Scheme (APLS)	Promote agro-processing and rural development by linking established agro-processors with resource-poor farmers	Loan/Equity	R100m	R28m
11 Agro-Processing Competitiveness Fund (APCF)	Facilitate increased competition, growth and development in agro-processing sector through provision of finance to non-dominant players	Loan/Equity	R250m	R69m
12 Clothing and Textiles Competitiveness Programme (CTCP)	To improve the competitiveness of the local clothing and textiles sector			
12.1 Clothing and Textiles Competitiveness Improvement Programme	Improve product, processes and people on a cluster basis	Grant	R181m	R147.6m
12.2 Production Incentive Programme	Funding provided to individual companies for plant and equipment upgrade	Grant	R2.5bn	R1.2bn

Note

** All the funds are on-balance sheet except the APCF, CTCP, RCF and TVC.*

More information *is available on the web at www.idc.co.za/IR2012*

Exposure in the rest of Africa

The IDC has been operating on the continent outside SA's borders since 1998. In the 10-year period from 2001 to 2010, the Corporation approved an estimated R20.1 billion in funding in respect of projects in the rest of the continent.

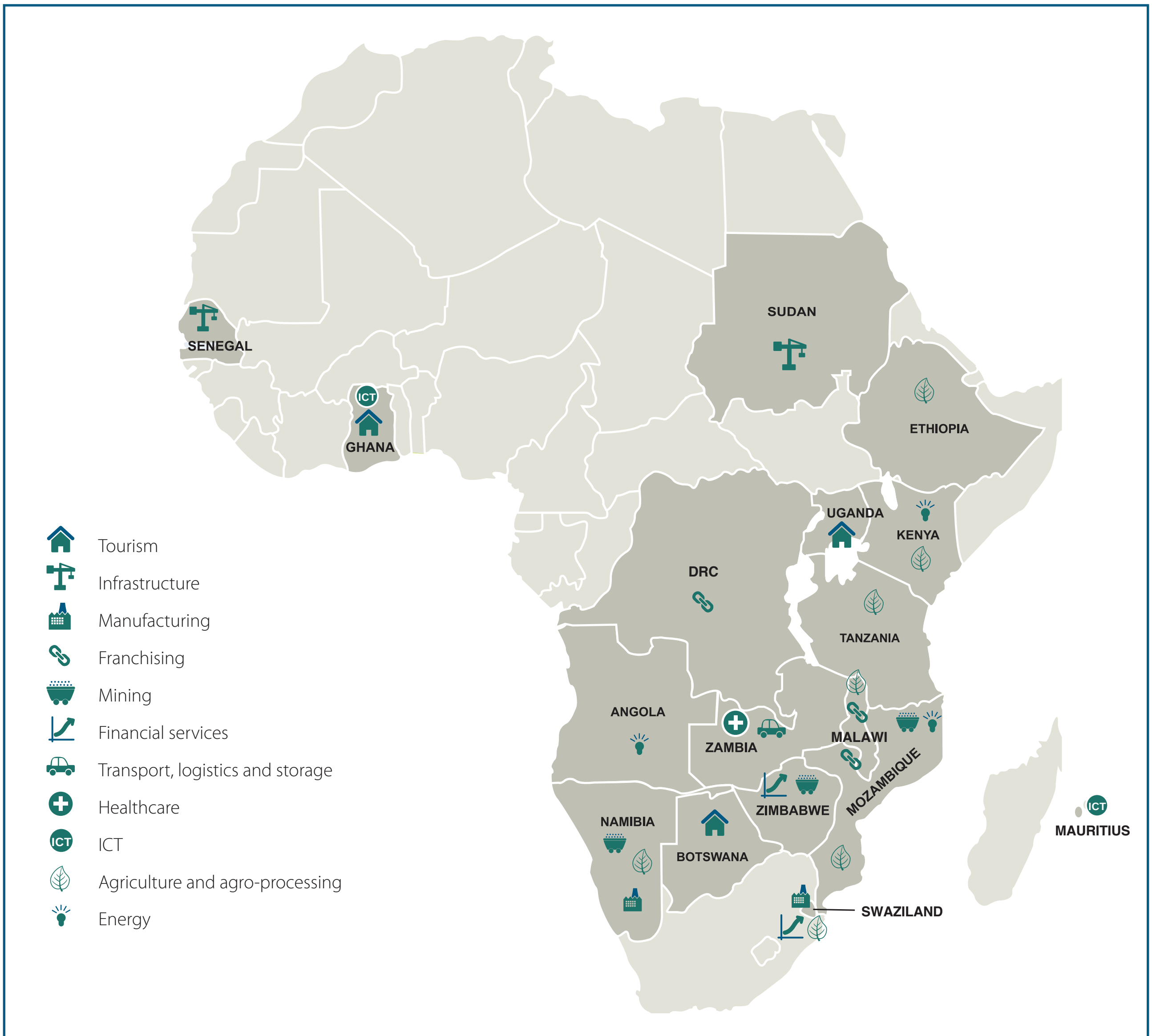
Our exposure to the rest of Africa stood at R6.2 billion (at cost) on 31 March 2012, representing 41 projects in 17 African countries. The bulk of the approvals continues to revolve around:

- Mining
- Industrial infrastructure
- Agro-processing
- Tourism (mainly hotels)

The Mozambique Aluminium Smelter, Mozal, which was the first IDC project outside South Africa, continues to be the flagship project in IDC's rest of Africa portfolio.

A high level of cancellations and delayed draw-downs of approved funding (around 25% of approved funding not invested) remains a disappointment, especially in light of the substantial resources dedicated to project assessments. Furthermore, the low level of funding activity in the rest of Africa in the past financial year has not contributed to IDC's aim of achieving a greater regional footprint and developmental impact on the continent. This will require more substantial proactive project development.

IDC's footprint in project development in the rest of Africa



Investing in our customers

Overview

Customer service is one of our core strategic pillars. We invest in enterprises run by individuals. Consequently, our business revolves around our clients. How we serve and support them plays a fundamental role in their ability to deliver the impact we demand.

We endeavour to be innovative and proactive in providing our customers with valuable services.

Innovation

We believe innovation plays an important role in ensuring that we evolve and continually adjust to our clients' changing needs. To improve the quality of IDC's customer service and entrench innovative thinking into IDC's culture, we implemented a number of initiatives aimed at generating ideas from within.

Our employees generated approximately 283 new ideas, 30% of which related directly to how we can improve our internal processes and systems to serve our clients more efficiently. Of the ideas received, the following noteworthy changes have already been implemented:

- Potential clients can now apply for funding online via the IDC direct website. The service went live on 15 March 2012. We hope this service will not only make the submission of applications easier and faster, but also help streamline the whole application process
- Open Innovation is based on the premise that good ideas also come from external sources. We launched our Open Innovation website on 21 February 2012 together with the launch of our Masters of Business Administration (MBA) competition. The MBA competition was launched with the University of Free State's Business School. We hope to partner with other business schools to roll out competition country-wide

With the MBA competition, we seek to tap into the great ideas and business plans of South Africa's young entrepreneurs and seasoned business community. We foresee Open Innovation as a critical source of good ideas to improve our services as well as a tool to find solutions to some of the challenges the IDC and the country faces.

Business support

Existing IDC clients in distress or facing growth challenges are referred to our Business Support Programme (BSP). The BSP engages management consultants and industry experts to provide professional services, advice, guidance and mentoring to our clients. We generally provide grant funding to these clients and share in the cost of engaging external business consultants.

Furthermore, BSP assists our prospective clients looking to improve their business plans to meet our financing criteria before they apply for funding from us.

The Business Support function is decentralised nationally through IDC regional offices and satellite branches, to ensure an extended reach. Highlights for the year under review include:

- A record number of business support approvals (67) for a total value of R20 million, which includes R11.4 million in IDC grant funding (actual disbursement R6 million) LA
- The approval of a community investment policy
- The roll out of new business support products
- The addition of B-BBEE verification functionality to the programme

Capacity building

Our Capacity Building department develops the business capacity of some of our business partners and clients.

The department also engages with various other DFIs all over the continent on matters relating to capacity building and develops benchmarks for good practices within the development finance domain. Through co-ordinating our efforts, by signing Memorandums of Understanding (MoUs) between IDC and other DFIs, we are able to facilitate training to improve the expertise not only of our own employees, but also our business partners and clients.

In the period under review, IDC's Executive Committee approved 26 MoUs with other development organisations. These generally include agreements on co-funding projects, the provision of credit lines, the exchange of vital operational information and knowledge. The MoUs guide our engagement with other DFIs and are crafted to cater for the specific needs of each particular DFI.

This co-operative approach enables us to leverage the resources of other DFIs to increase our reach and development impact, especially in rural areas.

More information *is available on the web at www.idc.co.za/IR2012*

Client monitoring

Post Investment Monitoring

Our Post Investment Monitoring Department (PIMD) becomes involved subsequent to the approval of any type of funding. PIMD proactively monitors all IDC loans, guarantees, *quasi*-equity and equity investments on a continual basis to ascertain the quality of our clients' book and identify early warning signs of deterioration. This ensures that we are able to take timeous action to protect our interests and prevent, or at least limit, any financial losses from occurring. PIMD's monitoring activities include:

- The receipt and analysis of client financial statements. The analysis consists of: comparing statements against the approved projections as provided at the time of fund approval; and verifying adherence to pre-determined covenants, undertakings and milestones as per the funding agreement
- Regular meetings of our Investment Monitoring Committees (IMCs), namely the Equity IMC and Loans IMC, monitor the performance of IDC's equity, *quasi*-equity and loan investments and guarantees and decide on the appropriate course of action to be taken with regard to non-performing or potentially non-performing clients. The IMCs are also responsible for reviewing and raising impairments timeously
- Conducting annual business reviews. Clients with high-risk profiles are prioritised and challenges identified and timeously addressed. Intervention may include recommending Business Support as discussed on page 61
- Where rightfully able to, and deemed necessary, we will appoint a director to serve on a client's board and board committees to protect our rights as an equity investor
- Monitoring whether the intended developmental (job creation, B-BBEE, capital expenditure) outcomes of IDC funding are achieved
- Assessing whether IDC's funds have been applied for the intended purpose

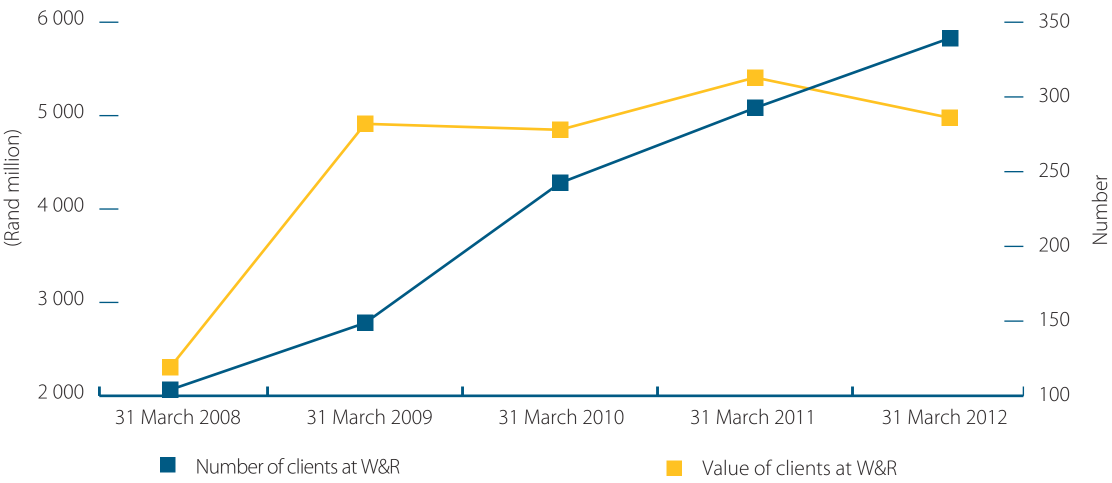
Ailing companies are transferred to our Workout and Restructuring Department to develop turnaround solutions and assist in the recovery phase.

Workout and Restructuring

Companies identified by PIMD as being at risk of financial distress are referred to our Workout and Restructuring Department (W&R). W&R assists partners in distress by crafting turnaround solutions to save jobs and develop sustainable businesses. Where required, W&R also assists the Legal department with recoveries when businesses fail.

The book value of clients at W&R stands at R5.8 billion, an increase of 16% over the past 12 months. This represents 16% of IDC's total book. The increase since 2008 can be attributed to the world-wide economic recession which takes time to impact on business to such an extent that they require assistance from our W&R unit. Additionally, rising competition in local markets as international businesses expand into Africa further strain local businesses.

Workout and Restructuring: Book movement



W&R has transferred seven clients back to PIMD during this fiscal period after turnaround solutions proved fruitful.

Although our Franchising SBU has been phased out, W&R still continues to assist 60 distressed clients from this former SBU. Of more serious concern is the R3.2 billion exposure we have in distressed business within the Textiles, Mining and Chemical SBUs. This proves how difficult the operating environment is in these local sectors.

B-BBEE funding

IDC's approach to Broad-Based Black Economic Empowerment (B-BBEE) continues to evolve as we take into consideration the legislative changes over the last few years and the development needs of South Africa as captured in the NGP and IPAP. With these requirements in mind we adjusted our funding policy, affecting not only all new financing activities, but also our existing investment portfolio.

In order to address the challenges of job creation, economic development and equity it is important to include the whole population in the economy. It is therefore our aim to incorporate black economic empowerment into our mainstream industrial development activities. We therefore support black entrepreneurs to start new enterprises and expand from small to medium or large businesses. Where projects require equity injections for new capacity, we also support black managers, workers and communities to acquire a stake in the business. In line with government policy we apply the B-BBEE Codes of Good Practice to our client assessments. We require new clients to obtain ratings and improve their ratings if there are shortcomings.

During the year under review, the IDC financed 105 black empowered companies amounting to R5 596 million (companies with a black shareholding of more than 25%).

Recognising that certain groupings in the economy have been historically excluded from full participation, IDC pursues economic empowerment initiatives. As such the IDC has the Transformation and Entrepreneurial Scheme (TES) fund focused specifically on women, disabled persons, communities and development funding. This is in line with the groupings identified in the B-BBEE codes of good practice and the funding is specifically directed to address access to economic opportunities through funding of these excluded groups.

Preferential procurement LA

The IDC is committed to promoting economic growth through the advancement of preferential procurement from black business and the promotion of local production as per the approved IDC procurement policy. Spend with locally-based suppliers refers to all discretionary procurement expenditure facilitated through the IDC Procurement Department with suppliers of materials, products and services operating within South Africa. B-BBEE spend is further measured in terms of the recognition levels of IDC suppliers in line with the approved dti Codes of Good Practice.

The IDC is a level 2 B-BBEE contributor based on an independent review undertaken by an accredited rating agency. In terms of local spending, more than 98% (R198 million) of all open tenders approved by the IDC during the financial year were awarded to locally-based suppliers.

The IDC's Procurement Department is also focused on developing and implementing strategies to improve procurement processes. These are aimed at promoting black business in a manner that is fair, equitable, transparent and cost effective. Supplier development will be a focus area during the next financial year and the IDC has already implemented a supplier performance management system.

Environmental impacts

We expect our clients and business partners to carry out their business activities in an environmental and socially responsible manner. Our environmental policy and environmental and social framework provide the basis for ensuring compliance. The legal agreements we sign with clients incorporate environmental and social aspects.

Our Environmental, Health and Safety Department (EHS) conducts annual environmental and social performance audits on our clients. EHS's main objective is to identify any potential environmental, health and safety risks and to determine IDC's level of exposure to these risks. These include reputational risk and liabilities, non-compliance with legislative and regulatory requirements.

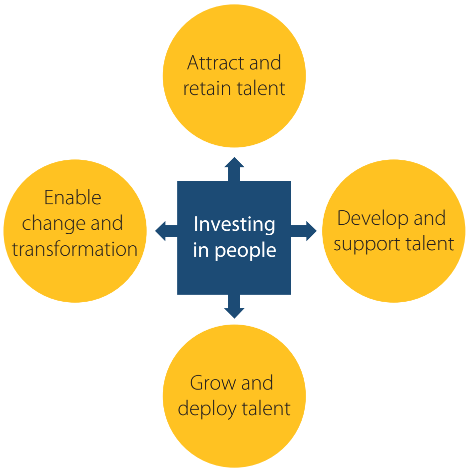
A total of 29 clients were audited during the period under review, 82% of whom exhibited acceptable performance. Non-compliant clients are assisted until satisfactory performance is achieved.

More information *is available on the web at www.idc.co.za/IR2012*

Investing in our people

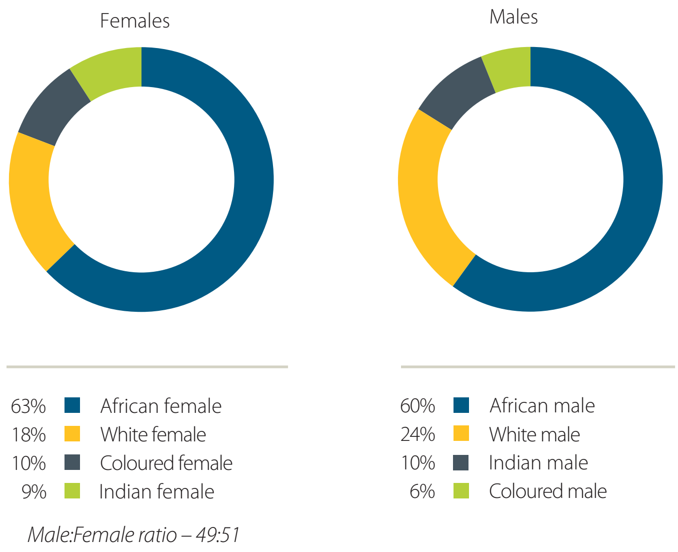
Skilled and experienced talent operating within a high-performance culture is vital to IDC's continued success. Only by investing in our employees will we be able to achieve our industrial development objectives. Entrenching innovation and focusing on delivering sustainable solutions is part of our talent management strategy.

This diagram outlines our approach in investing in our employees.



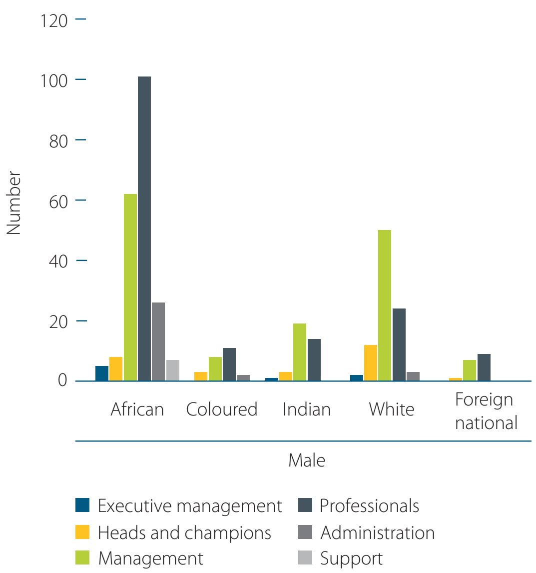
Strategy	Progress this year	Future priorities
Attract and retain talent	Approved and started implementing our leadership assessment strategy Approved our employee value proposition framework to improve our status as an employer of choice Procured an electronic recruitment system to streamline our recruitment process Approved our improved employee recognition scheme	Continue with the implementation of our employee value proposition Roll out our competency assessment to improve our ability to appoint the right talent Implement a workforce planning system to manage the demand and supply of talent Continue with our employee recognition scheme
Develop and support talent	Implemented our customised leadership development initiative Implemented our team effectiveness initiative to strengthen IDC's team-based culture and teamwork capabilities 92 members of staff are supported with their studies, 88% of whom are equity candidates	Implementation and facilitation of talent management development platforms (e.g. secondments, ladders of learning) Provision of tailored and needs-based management and leadership development programmes Embed the outcomes of the quantum leadership journey Continue to embed our team effectiveness initiative
Grow and deploy talent	Implemented our talent management strategy to identify high potential staff (HIPOs) and potential successors Implemented an annual employee engagement measurement process across the business Approved plans to re-align our knowledge management strategy Implemented core operational skills training via our IDC Academy: • 22 trainees completed the academy programme Development of young talent: • 284 external bursaries awarded, 86% of which were equity candidates • 18 learnership/internships registered	Implement competency assessment for HIPOs and potential successors Implement a customised development programme for HIPOs and successors Define and implement employee engagement action plans to enhance employee retention and our high-performance culture Continue to measure employee engagement levels Implement focused knowledge management outcomes in the core business (operations) to share and retain knowledge
Enable change and transformation	Diversity management programme approved for implementation Implemented a programme to develop our managers' and leaders' change management capabilities Ongoing health and wellness support to our employees through our comprehensive wellness programme	Implement our customised diversity awareness initiatives Continue with the implementation of our employment equity plan Continue to build the leadership and management capabilities of our managers and leaders Continue with the implementation of our wellness programme

IDC staff profile: 31 March 2012

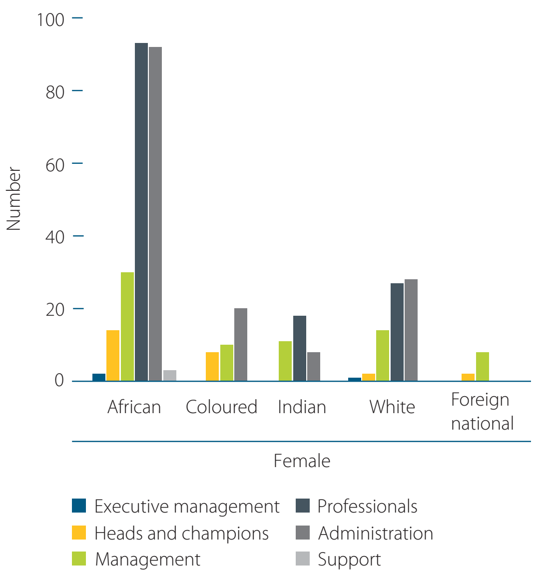


Overall employment equity: 31 March 2010

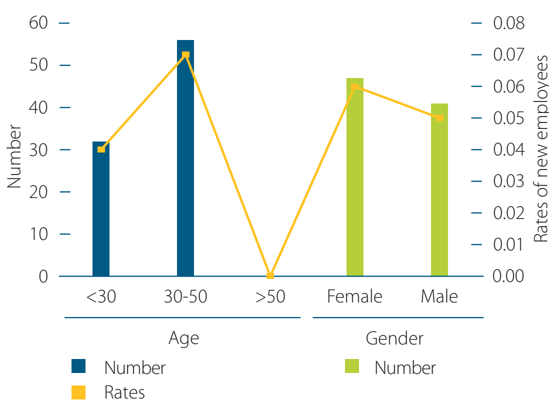
Staff profile: 31 March 2012 – Males



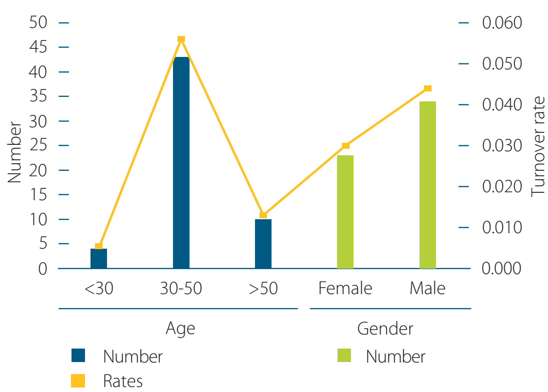
Staff profile: 31 March 2012 – Females



New employees:1 April 2011 to 31 March 2012 LA



Employment terminations: 1 April 2011 to 31 March 2012 LA



Total IDC	Actual end March 2012	Actual end March 2011	Actual end March 2010
Employees at start of period	739	693	632
Recruitment	88	87	101
Resignations	(46)	(35)	(35)
Deaths	(1)	(2)	0
Retirements	(9)	(2)	0
Dismissals	(1)	(2)	(4)
Contract terminated	0	0	(1)
Total employees at end of period*	**770**	739	**693**

** All employees based in South Africa.*

Employment Equity

IDC management executes our employment equity plan which details our employment equity targets down to business unit level taking into consideration each unit's business priorities and skill requirements. The plan also has specific action plans to address areas for improvement and to ensure that we sustain our conducive working environment

Overall staff turnover

Our full-time employee turnover rate stood at 7.6% for the period under review. The average turnover rate over the last three years was 6.7%. This compares very favourably to the average market rate of 13.6% according to PricewaterhouseCoopers' Salary and Movement Survey in March 2012.

Disability

At the IDC, 1% of our employees are disabled with the majority (0.86%) being black employees with disabilities. This is above the national norm of 0.8% as reported by the Employment Equity Commission in 2010.

We developed a number of initiatives to promote a culture that embraces diversity. Initiatives include the provision of financial assistance to accommodate the needs of employees with disabilities, implement a Disability Disclosure protocol and collaborate with associations that work with disabled people to attract talented individuals.

Grow and deploy talent

Employee engagement

In 2011/12 we embarked on a new initiative to track our employee satisfaction levels. We conducted our first annual employee satisfaction survey through an independent external party. The survey will form the basis of our endeavours to create and maintain a high performance culture within IDC by highlighting areas where the business is doing well and areas where we can improve. It also gives employees the opportunity to share experiences, views and ideas that could enhance our performance at individual, team and corporate level.

69% of staff participated in the survey. Our Employee Engagement Index score for 2011 was 76% against the South African High Performance Norm of 75%. The survey measured key drivers such as overall employee engagement and performance on specific drivers such as leadership, strategy, innovation, talent and achievement. Although the survey was mostly positive, various areas for improvement have been identified and will be addressed during the course of 2012.

By cascading the results down to divisional level, we are able to address those issues unique to a specific division. Employees are not only involved in identifying areas for improvement but to also participate in finding and implementing solutions. The survey will be conducted over the next three years in order to measure progress and improvement.

More information *is available on the web at www.idc.co.za/IR2012*

Internal health and safety management

To ensure a safe working environment for employees, visitors and contractors, we have developed a series of health and safety policies, procedures and systems. Our Occupational Health and Safety Committee together with its First Aid and Fire Marshall sub-committees monitor and manage all aspects pertaining to health and safety within the organisation.

We conduct regular health and safety awareness campaigns and training to ensure employees and contractors are well aware of our health and safety policies and procedures.

Our latest internal health and safety compliance audit highlighted a few minor issues that have since been rectified.

Socio-economic development

Our Socio-economic Development department (SED) focuses on engaging consultants with legal expertise to assist selected beneficiaries to set up trusts and co-operatives. The beneficiaries can then use these legal entities to take ownership or become shareholders of organisations through IDC-funded transactions. Furthermore, where the beneficiaries are local communities, IDC will provide grant funding for training the trustees and members to improve their management skills. This ultimately ensures that their legal entities are managed effectively.

SED was involved in at least 33 Green Industry SBU transactions that required community ownership in renewable energy projects. Upon implementation and maturity of the projects, it is expected that the communities will receive significant dividends from profits generated by projects. The communities are expected to utilise the proceeds to implement community projects that were identified during the application for finance phase. It is expected that these projects will result in further job opportunities for local community members.

Employee health and wellness programme

IDC's Employee Wellness Programme (EWP) is designed to enhance employee health and wellness through the prevention, identification and resolution of personal and family problems. The IDC has partnered ICAS Southern Africa to provide the service to our employees and their immediate family members.

The EWP reported a 43% utilisation rate which shows that our staff are getting value from the programme. Some of the issues addressed include:

- Emotional (stress, depression, anxiety)
- Family and relationships
- Alcohol and drug problems
- Financial and legal counselling
- Health and bereavement counselling
- HIV and AIDS counselling and support services

In addition, a 24-hour multilingual, toll-free help line is in place to provide emergency consultations at any time of day or night for members.

Other wellness initiatives include HIV and AIDS Awareness and Support Programme, Voluntary Counselling and Testing (VCT), a healthy lifestyle programme to encourage healthy eating and exercising and Wellness Day. The latter affords staff the opportunity to participate in health tests and assessments. Staff participation in these initiatives has grown every year with close to 50% of employees participating in these initiatives.

Employee medical programme

This programme provides annual medical screening to encourage our employees to live healthily.

More information *is available on the web at www.idc.co.za/IR2012*

Investing in our people *(continued)*

Develop and support our people

Learning and development

We invested R18.1 million in learning and development activities. This represents 3.3% of our total salary bill for the period under review and, on average, our full-time employees received 11.2 training hours per employee.

Skills development summary	2012	2011	2010
Number of employees trained	739	706	527
Black employees as a % of employees trained	80%	78%	79%

Skills development summary per occupational level:

	A Band	S Band	P Band	M Band	E Band	Average per employee
Female (384)						
Total in days	190.5	5.5	222.7	120	5.5	1.4
Total in hours	1 524	44	1 782	960	44	11.3
Male (355)						
Total in days	45.3	0	206.3	236	10	1.4
Total in hours	362	0	1 650	1 888	80	11.2

** A Band is administrative; S Band is support; P Band is professional; M Band is management; E band is executive.*

IDC Academy

The Academy focuses on developing IDC's deal-making capabilities including the evaluation of business proposals during due diligence investigations. A summary of the Academy's progress over the last three years is provided below:

IDC Academy	2012	2011	2010
Number of trainees in academy registered	20	9	26
Number of trainees in academy completed	22	14	24

We provided targeted training on project initiation and development as well as on due diligence to our employees. We also worked hard to prepare due diligence team leaders to ensure our new corporate strategy is effectively executed. A summary of these training activities is provided below:

Number of participants	2012	2011	2010
Academy – Business Analysts	20	9	26
Operational employees	86	202	150
Total trained	106	211	176

More information *is available on the web at www.idc.co.za/IR2012*

Talent management and succession

All employees receive performance reviews and 89% of employees completed career reviews.

We have identified the key positions which are critical to drive the IDC strategy. To ensure that there is sufficient talent available for these critical roles, we have developed tailored succession plans and identified High Potential staff (HIPOs) and potential successors. These individuals will receive focused development to prepare them for these leadership roles. Their development depends on the level of readiness which could range from being:

- Immediately ready to function at a higher level or in a more complex role
- Ready in the next one to three years
- Ready in three years or more

Our Leadership Competency Assessment programme enables us to determine the development needs within our senior management team and undertake initiatives to address these needs.

Focus on leadership

We recognise that quality leadership and strong management skills are vital to ensure that we make prudent investment decisions and provide clients with proper business guidance. Our leadership development strategy aims to enhance managerial and leadership capabilities and ensure that we develop a pipeline of talented individuals able to lead the business in the future.

A total of 135 managers and executives from all levels of the business participated in a customised Management and Leadership programme known as the Quantum Leadership Journey.

Remuneration policy

The IDC's remuneration policy is focused on recognition of well performing employees to increase morale and maintain loyalty amongst staff. The custodian of the policy ultimately is the Divisional Executive: Human Capital although the effectiveness of the policy is dependent on the implementation which is reliant on the involvement of Department Heads and the Human Capital Division.

In addition to ensuring that the IDC attracts and remunerates appropriately qualified employees, the policy gives clarity on matters of remuneration, promotion and increases. The policy also provides guidance on the performance incentive scheme, job evaluation and promotions. In addition to the policy, the IDC benchmarks itself annually against other employers and participates in remuneration surveys.

Corporate Social Investment

Our Corporate Social Investment (CSI) activities are primarily directed towards education, economic development and healthcare.

Our total spend on CSI for the period under review was R18.9 million. LA

For more details regarding our future CSI investment strategy, please refer to "The way forward" on page 70.

Current CSI spend

44%	Education	
21%	Economic development	
14%	Health	
12%	Employee volunteerism	
9%	Strategic interventions	

Future CSI spend

60%	Education
20%	Sustainable livelihoods
10%	Special interventions
10%	Employee volunteerism

Education

Improving the level and quality of education in South Africa is of prime importance to the country's future as a developing nation. South Africa's development is increasingly hampered by the shortages of scarce skills.

To address these issues, the Department of Basic Education initiated the Dinaledi Schools Project that aims to improve the quality of maths and science education in South Africa. Through our involvement with the project, 30 schools have benefited as we renovated laboratories, provided new equipment and awarded 85 bursaries to students to pursue a tertiary qualification in science and technology, engineering and accounting.

Economic development

We see economic development as the support of income-generating projects aimed at poverty alleviation through job creation. Although we have funded various projects benefiting more than 2 000 individuals since 2007, we continue to channel our efforts towards food security, business skills development and craft development.

Our flagship project, the Nguni Cattle Project, was established in 2004 in the Eastern Cape and later expanded. The project re-introduces the Nguni cattle breed in rural areas with the hope of establishing commercial cattle farmers. Currently operational in six provinces, to date (158) farmers have been assisted and R26 million has been disbursed since 2004. Due to its success, the National Department of Agriculture, Forestry and Fisheries has pledged further funds for the expansion of the project throughout the country. In the year under review, R14.4 million was disbursed for the Nguni cattle project. LA

Healthcare

To assist in alleviating the pressure on South Africa's public healthcare system and the severe impact of HIV and AIDS, we committed ourselves to supporting healthcare through the provision of equipment to public healthcare facilities.

Amongst others, we have helped to renovate Alexandra and Harry Gwala clinics' X-ray room in Gauteng, provided Mafane Clinic in the Free State with much-needed clinical equipment and helped rebuild one of the Red Cross Children's Hospital medical wards.

Employee volunteerism and giving

We also encourage our employees to become directly involved in CSI through volunteering. The following three programmes continue to be well supported by our employees:

- **Habitat for Humanity** – 250 volunteering employees have annually built a total of 25 houses since 2007
- **I do care** – 91 charities have benefited from our "I do care" fund since 2002. In total, employees contribute some R300 000 towards the fund and are able to select which charities will receive support on the condition that they meet the set criteria determined by our CSI committee
- **My community, my responsibility** – A project launched in 2010 to celebrate our 70th birthday. IDC departments chose a charity and volunteered seven hours of their time to such organisations in need. The IDC also donated R10 000 to each selected charity

The way forward

Focus area	Challenge	Way forward
Dinaledi Schools Project	The current support is narrowly focused and does not consider the broader needs of the schools	Employ a more holistic approach towards schools by doing diagnostic analysis on each school first and then intervene accordingly
Education	Unable to provide holistic feedback on outcomes and impact due to lack of integration of interventions including bursary scheme managed by our Human Capital department	Integrate education interventions including external bursary scheme in partnership with Human Capital. Extending the scope to include FET educational institutions will be implemented. Additionally, a bursary support programme will be established to track students' performance, employment status and career advancement
Economic development	No clear criteria on type of organisations to support	The focus will be on micro or survivalist enterprises that serve to alleviate poverty by sustaining livelihoods. We will target grassroots projects. Economic development will therefore be changed to sustainable livelihoods
Health	The impact is impossible to measure due to specialised and expensive nature of the industry	Discontinue our focus on healthcare in support of other CSI activities
Special interventions	This element is an administrative burden on the CSI staff due to persistent unsolicited requests from the public	This element will not be accessible through public requests any more, but will still be used for strategic cases such as humanitarian and disaster relief interventions
Employee volunteerism	The cost of employee time and the Corporation's contribution towards that is not tracked and programmes are not adequately integrated Programmes are also inadequately promoted internally	An integrated programme will be put in place involving time and cash contributions made Improved awareness and recognition measures will be put in place

More information *is available on the web at www.idc.co.za/IR2012*

Environmental impact

Overview

Considering the IDC's physical footprint, our direct impact on the environment is limited to our offices and the impact that our employees have as they travel.

However, due to the nature of the business, the way we invest strongly influences the environmental impact of our clients. Our mandate to develop the industrial capacity of South Africa requires that we invest in sectors such as mining and mineral beneficiation that, at least historically, have been the largest contributors to greenhouse gases and environmental damage. By tailoring our investment strategy, we are able to positively influence our clients to act more responsibly and reduce their environmental impact in all the sectors we serve.

Responsible funding

The IDC is a signatory to the Finance Initiative of the United Nation Environmental Programme (UNEP-FI). UNEP-FI works towards understanding the impacts of environmental and social considerations on financial performance.

As per the "UNEP Statement of Commitment by Financial Institutions on Sustainable Development" we recognise the active role we play in making the economy and lifestyles of South Africans sustainable. We further commit to integrating both environmental and social considerations into all aspects of our operation.

As far as practically possible, we identify the environmental and social risks of a project prior to the approval of funding. Where necessary, both environmental and social management actions are stipulated in our funding agreements.

More details regarding our Environmental and Social framework for measuring the financial, developmental, social and environmental performance of our clients can be found on page 62 under Client monitoring.

Water strategy

IDC recognises that water is a development constraint, especially in South Africa and Africa where water is often scarce, polluted, poorly distributed and increasingly more expensive. Industrial development relies on the reliable supply of safe water, therefore IDC has taken the decision to pursue an integrated approach to water management.

	2012*	2011*
Water consumption (municipal) (m^3/p.a.)	21 836	43 146
Electricity consumption (kW p.a.)	5 832 910	

** This applies only to Sandton head office*

The IDC Water Strategy is a framework we use to evaluate the impact and water-related risks in our investments and our corporate offices. The framework allows us to set goals to improve our water-management performance throughout.

This year saw phase two of our Water Strategy being implemented. In partnership with the World Wildlife Fund (WWF), we have set out to test and demonstrate the Water Risk Assessment Tool for financial institutions in order to develop benchmarks and targets. WWF and the German Development Finance Institution, DEG, jointly developed the tool. Our initial focus is on the mining and agricultural sectors, but we plan to extend the tool's use to our other SBUs soon.

Green buildings

The IDC plans to upgrade its head office in Sandton by incorporating green building aspects. Our intention is to achieve a Green Star rating from the Green Building Council of South Africa (GBCSA).

The target completion date for the upgrade is October 2013.

Carbon footprint

Our carbon footprint for period under review is 6 387.7tCO_2e for IDC head office excluding regional offices. This translates into an emissions intensity of 9.1tCO_2e per employee.

In future, it is expected that the calculation will also include IDC subsidiaries.

LA

Carbon footprint	
Financial year	**2012**
Scope 1 (tCO_2e)	
Fleet cars	51.5
Generator fuel	6.7
Jet fuel	179.6
Refrigerants (R22 and R134A)	375.5
Scope 2 (tCO_2)	
Electricity[1]	5 774.5
Total IDC (scope 1 and 2)	6 387.7

[1] Electricity: Eskom emission factor (2011) 0.99 kgCO_2/kWh
For all scope 1 greenhouse gas emissions DEFRA 2011 was used.
The boundary for the carbon footprint is the Sandton head office.

Governance

More information *is available on the web at www.idc.co.za/IR2012*

Governance of the IDC is guided by the IDC Act (No 22 of 1940), the Public Finance Management Act, 1 of 1999 ("PFMA"), and the King Report on Governance for South Africa 2009 (King III). In keeping with best practice, IDC ensures that its governance practices and procedures comply with the Companies Act, 2008. In the year under review, we have taken significant steps to integrate sustainability issues into the core of our business. As discussed earlier in this report, we have improved our stakeholder engagement to establish issues material to our operations and have incorporated these into our strategy.

In the general course of business, we have applied the principles set out in King III with the following qualifications:

- Currently the Board monitors and evaluates significant IT investments and expenditure
- Currently we are building our capacity to ensure:
  - The integrity of the Corporation's integrated report
  - Sustainability reporting and disclosure is integrated with the Corporation's financial reporting
  - Sustainability reporting and disclosure is independently assured
- Considering our status as a State-owned enterprise, equitable treatment of shareholders is not applicable.

IDC Board and committees

IDC Board

The IDC's Board is constituted to ensure a wide range of skills and knowledge necessary to meet the Corporation's strategic objectives. The size of the IDC Board is dictated by the IDC Act, which permits a minimum of five and a maximum of fifteen directors to be appointed by the shareholder. The IDC has a unitary board structure and as at 31 March 2012 comprised one executive and thirteen non-executive members and a gender composition of six female and eight male directors. The Chairperson of the IDC Board is an independent, non-executive director. In line with the recommendations of King III, the positions of Chairperson and Chief Executive Officer are separately held to ensure a clear division of duties. The non-executive directors are not involved in day-to-day operations of the business and do not draw any remuneration from IDC other than for board fees.

At the Annual General Meeting on 25 November 2011, six board members retired in accordance with the provisions of Section 9 of the IDC Act, which determines that non-executive directors may hold office for a period of three years. We maintained continuity on the Board by retaining Ms Monhla Hlahla as Chairperson, while five existing board members were re-appointed and seven new appointments were made. All appointments were recommended by the Minister of Economic Development in accordance with the IDC Act. All appointments were approved by Cabinet and a Board induction was held for all new Board members.

Our directors are individuals of high calibre with diverse backgrounds and expertise, facilitating independent judgement and effective deliberations in the decision-making process whilst pursuing the IDC's strategic objectives. The Board met for the first time on 28 February 2012, since the appointment of the new Board members.

The Board is responsible to the shareholder for setting economic, social and environmental direction through strategic objectives and key policies and monitors implementation through structured reporting systems. The Board accepts responsibility for the annual financial statements.

The IDC Board undergoes an evaluation process every two years in line with the recommendations of King III. The last Board evaluation took place in the 2010/11 financial year and the next one will be held at the end of 2012/13.

Board members have attended the following Board meetings during the reporting period:

Name of director	28 February 2012	19 April 2011	21 June 2011	23 August 2011	20 October 2011
MW Hlahla*	✔	✔	A	✔	✔
LI Bethlehem	✔	✔	✔	✔	A
LL Dhlamini	A	✔	✔	✔	✔
SK Mapetla	✔	✔	✔	✔	✔
LR Pitot	✔	✔	✔	✔	✔
MG Qhena	✔	✔	✔	✔	✔
NE Zalk	✔	✔	✔	✔	A
MC Nkuhlu**	❖	✔	✔	✔	✔
JR Barton**	❖	✔	A	✔	✔
SM Moloko**	❖	✔	✔	✔	A
JC Mtshali**	❖	✔	✔	✔	✔
NG Nika**	❖	A	✔	✔	A
NN Nokwe**	❖	✔	A	A	✔
MP Buthelezi***	✔	–	–	–	–
JA Copelyn***	✔	–	–	–	–
BA Dames***	✔	–	–	–	–
RM Godsell***	✔	–	–	–	–
BA Mabuza***	✔	–	–	–	–
SM Rensburg***	✔	–	–	–	–
ZJ Vavi***	A	–	–	–	–

*✔ Present A Apologies ❖ Retired on 25 November 2011 * Chairman ** Retired*
**** Appointed on 25 November 2011.*

IDC directors were remunerated as follows:

Name of director		R'000 2012	R'000 2011
MW Hlahla	Chairperson	292	542
MC Nkuhlu**	Deputy Chairperson	250	409
NG Nika		117	286
JR Barton		137	261
LR Pitot		196	241
LI Bethlehem*		229	163
MP Buthelezi		33	–
JA Copelyn****		21	–
BA Dames		45	–
LL Dhlamini		192	208
RM Godsell		21	–
BA Mabuza		52	–
SK Mapetla		167	272
SM Moloko		148	205
JC Mtshali		190	314
BN Njobe		–	107
NN Nokwe		39	195
SM Rensburg		45	–
ZJ Vavi		–	–
NE Zalk***		–	–
Total		2 174	3 203

The difference in directors' remuneration can be attributed to the reduction in the number of meetings held during the period under review.

**Ms LI Bethlehem does not derive any financial benefit from services rendered to the IDC. Her fees were paid directly to Standard Bank.*
***Mr MC Nkuhlu does not derive any financial benefit from services rendered to the IDC. His fees were paid directly to Nedbank.*
****Mr NE Zalk is employed by the dti and does not earn Director's fees for services rendered to the IDC.*
*****Mr JA Copelyn does not derive any financial benefit from services rendered to the IDC. His fees were paid directly to JCI.*

More information *is available on the web at www.idc.co.za/IR2012*

More information *is available on the web at www.idc.co.za/IR2012*

Remuneration

IDC non-executive Board members are remunerated for the meetings they attend at (market-related) rates approved by the shareholder. No performance-based remuneration or retainer fees are paid to directors. Senior management and other employees are paid market-related salaries as well as through the IDC short- and long-term incentive schemes based on performance and achievement of specific set targets.

Delegation of authority

While the Board delegates its authority to management, it retains the responsibility concerning the exercise of its delegated authority. In terms of Section 56 of the Public Finance Management Act, 1 of 1999 (PFMA), the Board may confirm, vary or revoke any decision taken by an official as a result of a delegation of powers by the Board.

Board committees

The Board has established five standing committees, namely: Risk and Sustainability Committee, Audit Committee, Investment Committee, Human Capital and Nominations Committee, Governance and Ethics Committee, all of which are ultimately accountable to the Board.

Board Investment Committee (BIC)

The purpose of the BIC is to act on behalf of the Board by considering transactions mandated to it by the Board which would, prior to the creation of the committee, vest with the Board. The BIC considers transactions where IDC transaction exposure is above R250 million and/or the counterparty exposure is between R1 billion and R7 billion. The BIC also considers transactions where the sector, transaction and/or regional limit is breached. It also reviews transactions where the counterparty limit is breached and makes recommendations to the Board. Continuity on the committee was maintained by retaining two Board members who served previously on this committee.

Human Capital and Nominations Committee (HCNC)

The main objective of the HCNC is to assist the Board in the development of compensation policies, plans and performance goals, as well as specific compensation levels for the IDC. The HCNC manages the Board's annual evaluation of the performance of the Chief Executive Officer and also assists the Board in fulfilling its oversight responsibilities relating to succession planning as well as overall compensation and human resource policies for all IDC employees.

More information *is available on the web at www.idc.co.za/IR2012*

Board Risk and Sustainability Committee (Risk)

The primary duty of the Risk Committee is the governance of risk. It also assists the Board to determine the maximum mandate levels for the various Credit and Assets and Liabilities Committee decisions. The committee also assists management with the responsible stewardship of sustainability, including stakeholder impact, management of material issues, sustainability governance and reporting.

Two Board members from the previous Board were appointed to the committee in order to ensure continuity.

Board Audit Committee (Audit)

The committee monitors the adequacy of financial controls and reporting; reviews audit plans and adherence to these by external and internal auditors; ascertains the reliability of the audit; ensures that financial reporting complies with IFRS and the Companies Act; ensures the integrity of integrated reporting; ensures that there are effective measures in place on Information Technology risks as they relate to financial reporting; reviews and makes recommendations on all financial matters; and recommends the appointment and removal of auditors to the Board.

The Board Audit Committee has complied with all relevant King III principles, including integrated reporting, as evidenced by the IDC's first issue of its Integrated Report 2012.

The Board Audit Committee has made an assessment of the effectiveness of the control environment through application of the "Combined Assurance" concept. This included engagements with different assurance providers (e.g. Internal Audit, External Auditors, Corporate Secretariat, etc.) in order to formulate a holistic opinion in this regard.

Where weaknesses were identified in internal controls, corrective action was taken to eliminate or reduce the risks. The Board Audit Committee is of the opinion, based on the information and explanations given by management and the Internal Audit Department and discussions with the independent external auditors on the results of their audits, that the internal controls of the Corporation have operated effectively throughout the year under review and, where internal controls did not operate effectively, that compensating controls have ensured that the Corporation's assets have been safeguarded, proper accounting records maintained and resources utilised efficiently.

Governance and Ethics Committee (GEC)

The main purpose of the GEC is to advise the Board generally on corporate governance and ethics matters. The GEC aims to promote the ideals of corporate fairness, transparency and accountability as well as to assist the Board in vetting funding applications, projects and any matter in which a director of the IDC has an interest.

Shareholder engagement

The shareholder meets the IDC Board at least once a year in order to discuss the shareholder's strategy and expectations. The shareholder representative (Minister of Economic Development) met the Board on 28 February 2012 to address issues of strategy and expectations. The IDC contracts annually with the shareholder through the Shareholder Compact and reports on the year under review through the annual report. The report is distributed to members of Parliament and is available on request to the public.

The Board has unrestricted access to executive management in an effort to enhance communication and achievement of the vision of the Corporation. Further communication with IDC employees is done through Board feedback sessions convened by the CEO for heads in Strategic Business Units and departments after each Board meeting. The Board feedback sessions afford IDC heads an opportunity to raise material issues.

Ethics policy

Board members are required to declare their interests in the declaration register before attending IDC Board meetings. In addition, a Recusal Policy exists to help directors avoid conflicts of interest. The GEC also considers transactions where there are conflicts of interest.

An ethics survey was conducted during the reporting period. There were 460 respondents resulting in a revised Code of Ethics and Business Conduct policy and the implementation of a gift policy. The Executive Committee (Policy) approved the revised policy and recommended it to the GEC as well as the IDC Board.

Fraud prevention

IDC has a comprehensive Fraud Policy, Fraud Prevention Plan and Fraud Response Plan in place. Driven by its leadership, the IDC communicates to its broad base of stakeholders that it will not tolerate fraud, theft or corruption in any guise.

Fraud awareness and anti-corruption training/presentations by Internal Audit have been conducted through "On-boarding" sessions for new employees, six Business Units and seven departments within the Corporation during the year.

In the year under review 45% of the employees received training on fraud prevention.

Company Secretary

The Company Secretary is responsible to the Board for, *inter alia*, ensuring compliance with procedures and applicable statutes and regulations. To enable the Board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications, agenda items for Board meetings and other developments which may affect us and our operations. This also includes access to management where required.

Internal Audit

Internal Audit is an independent appraisal function to provide management and the Board Audit Committee with assurance on the adequacy and effectiveness of the Corporation's Systems of Internal Control as well as to provide consultative and forensic investigation services. Internal Audit makes recommendations to management where deficiencies have been identified in the Internal Control Systems.

Internal Audit has based its three-year audit plan on the IDC risk register, in particular on the key risks (see pages 78 and 79) internal audit has engaged in at least 70 assignments comprising internal audit reviews as well as fraud investigations during the financial year. The sampling guide for the execution of these audits ensures coverage of a broad spectrum of business units and departments through the various reviews performed during the year.

Framework

The IDC has adopted an internal control framework as set out by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The value of COSO-based auditing is that it enables effective evaluation of the soft controls while avoiding the faulty, negative findings that can sometimes result from traditional audit methods. Customer-focused and outcome-oriented, this method addresses systemic root causes, avoids placing blame and produces workable solutions.

Authority and competence

Internal Audit's authority is established by the internal audit charter. The quality of work performed by Internal Audit is continuously assessed by management and at least annually by the Board. External quality assessments are conducted at least once every five years by a qualified, independent reviewer or review team from outside the IDC.

More information *is available on the web at www.idc.co.za/IR2012*

More information *is available on the web at www.idc.co.za/IR2012*

More information is available on the web at www.idc.co.za/IR2012

Enterprise risk management

In line with best practice, the IDC has instituted a robust Enterprise Risk Management (ERM) process, founded on a framework that is shareholder value-based, organisationally embedded, supported and assured, and reviewed on a continuous basis. ERM is the application of risk management throughout the IDC rather than only in selected business areas or disciplines. Accordingly, risk management at the IDC is decentralised and centralised with every staff member of the IDC being responsible for risk management.

IDC's Risk Management Framework lays out guiding principles for the IDC's management of risk on an ERM basis. This framework comprises the totality of all the structures, policies, strategies and procedures within the IDC that deal with risk management at the strategic or ERM level.

An assessment of the risks IDC faces is undertaken annually. This process strives to achieve the identification of the critical risks the Corporation may face to enable the Corporation to formulate appropriate risk strategies and action plans to mitigate and address these risks where necessary. Our key risks are listed on pages 78 and 79.

Risk assessment process

Risk taking is a necessary element of the IDC's business model, largely in the form of loans and equity, for potential developmental and financial returns. This is to ensure IDC's future sustainability as a development funder. It is therefore essential that we thoroughly understand the risks facing the IDC across our major risk categories, these being Strategic risk, Financial risk, Operational risk, Governance risk and Information Technology Governance risk.

The IDC's risk assessment process presented in the following diagram incorporates seven steps and is typically performed over an 18-month cycle. Risk at the level of the operations is identified through the Risk Management Department's operational risk activities.

Strategy: The first step in the risk cycle is to assess the risks arising from the IDC's strategic objectives and those risks which could prevent the IDC from achieving its strategic objectives.

Risk Identification: Different methodologies are employed to identify IDC's risks. These methodologies vary from one-on-one interviews to the distribution of surveys and workshops with the Board, management and staff. We also:

- Review prior years' risk assessments
- Review Internal Audit Department findings for prior years

More information is available on the web at www.idc.co.za/IR2012

The IDC's Risk Assessment Process

- Review the External Auditor's Management Letter for prior years
- Consider inputs from management and other senior staff in the Corporation
- Analyse benchmarked risk standards (mainly King III, Basel II) and other organisations' risk assessment activities

Risk Assessment: Having identified the risks, these are prioritised based on the probable impact following an occurrence as well as the likelihood of the occurrence happening. Risks are assessed on a residual risk basis; that is, the possible impact and likelihood taking into consideration the Corporation's existing controls.

Risk Mitigation: Controls for each of the risks are identified through business-focused workshops with Strategic Business Unit and Departmental heads and other senior role players.

Execution and Monitoring: The results of the risk assessment, including key controls under review, are presented to IDC's Executive Management and the IDC Board Risk and Sustainability Committee. Thereafter, a summary of key matters is presented to the IDC Board. This process enables IDC's Executive Management and Board to highlight areas where additional focus is required.

Assurance: Assurance that the risks identified and the associated controls are appropriate and effective is the responsibility of the assurance providers, as identified in the assessment. Internal Audit, as the Corporation's main assurance provider, utilises this risk assessment in the formulation of its Internal Audit Programme.

Monitoring and Reporting: The Risk Management Department monitors and reports on an ongoing basis to Executive Management and the Board Risk and Sustainability Committee regarding the risks facing the IDC.

Risk appetite and risk tolerance process

One of the key practices of risk management in IDC is the determination and quantification of our risk appetite based on what is of strategic importance. Risk appetite is defined as the amount and type of risk that IDC is willing to pursue or retain. The determination of the IDC's risk appetite plays an important role in its ERM activities and is linked and aligned to its mandate and business objectives.

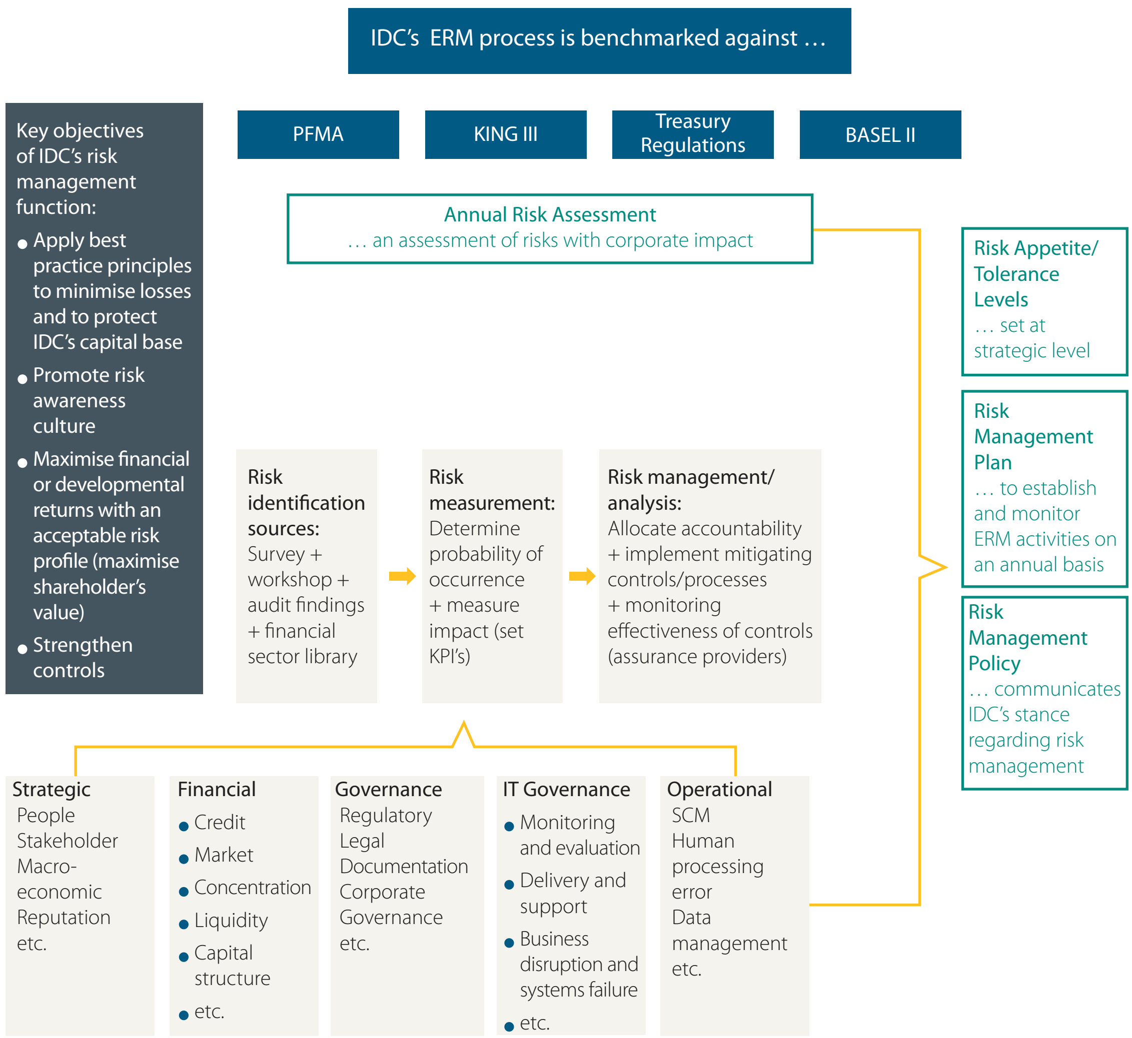
Risk tolerance is considered an integral part of the process and is an organisation's readiness to bear the risk after mitigation, in the pursuit of its strategic objectives.

The IDC's Risk Appetite and Tolerance Process incorporate five steps:

1. Establish Key Risk Indicator (KRI) per risk
2. Establish risk appetite thresholds per KRI
3. Review the results with the risk owners
4. Compare risk measurement outcomes with results from the annual risk assessment
5. Summarise key findings

More information is available on the web at www.idc.co.za/IR2012

The IDC's Risk Management Framework:



IDC has adopted a hybrid risk management solution (both centralised and decentralised) to best reflect our business model and to maximise cost/benefit trade-offs.

Roles and responsibilities

Risk Management Department (RMD): RMD proactively promotes risk awareness and has the capacity to monitor and oversee the management of key risks facing the Corporation on the basis of the ERM Framework. RMD is responsible for initiating and facilitating the annual risk assessment function.

Executive Management: Responsible for the management of our risks. The Chief Executive Officer (CEO) sets the "tone at the top" that affects integrity, ethics and other factors within the control environment. Divisional Executives, in turn, assign responsibility for the establishment of more specific risk management policies and procedures to Strategic Business Unit and Departmental heads.

Internal Audit Department: The Internal Audit Department assists by reviewing critical control systems and risk management processes. Moreover, Internal Audit performs an effectiveness review of management's risk assessments and the organisation's internal controls whilst providing guidance around the design and improvement of control systems and risk mitigation strategies.

Internal Audit plays a critical role in providing the Board and management with an objective and comprehensive view of the internal control environment of a business.

Board Risk and Sustainability Committee: In terms of the IDC Board Charter, the Board Risk and Sustainability Committee is responsible for assessing and prioritising risk. A summary of the committee's responsibilities are provided in the governance section of this report on page 74. Further details are available at www.idc.co.za/IR2012

Risk Universe and Risk Register

Our risk assessment cycle for 2012 has resulted in a Risk Universe and Risk Register of the material risks that the Corporation may be exposed to. The top risks facing the Corporation were (in alphabetical order):

	Risk description	Key mitigating controls
Collectibility	The risk of investment losses/loss of income or inability to collect what is due to the IDC	• Collateral policy • Contractual agreements • Post-investment monitoring activities, policies and processes • Business partner due diligence processes
Concentration	The risk of concentration within the IDC portfolio from a counterparty, sector, regional/country or product perspective	The following policies are in place: • Counterparty and transaction limits • Sector limits • Regional investment limits and country boundaries • Loans and equity analysis reports and portfolio
Customer satisfaction	The risk of the IDC failing to meet expected levels of customer satisfaction	Annual customer satisfaction, tone of media coverage, "climate" and stakeholder perception surveys are conducted
Documentation	The risk of inadequate/inappropriate legal documentation	• Legal department systems and procedures • Systems restrictions for data capture, formatting and updates • Induction training for new staff on documentation control and management protocols within IDC • Electronic and manual document management and archiving

More information *is available on the web at www.idc.co.za/IR2012*

	Risk description	Key mitigating controls
Due diligence	Ineffective/incomplete due diligence process	• Training programmes for existing staff • Independent approval committees • Peer reviews • Lessons learnt portal • Legal due diligence
Equity price	The risk of the volatility of the IDC share portfolio impacting the IDC	• Counterparty limit as well as sector limit policies • Equity valuation modelling • "Stop loss" mechanisms
Income dependence	The risk of the IDC being over-dependent or reliant on a limited number of counterparties or financial products	• Counterparty and transaction limit policy • Clear ownership of the "top 5 equity" investments • Risk appetite analysis and reporting • IDC budgeting process
Macro-economic	The risk of macro-economic conditions impacting the IDC's business	• Research and Information Department analysis of economic, political, industrial, legal and other events and reporting potential implications to the Board and Exco • Research and Information Department analysis and reporting of macro-economic trends and forecasts to the Board and Exco • Concentration policies and analyses provide early warning signals
Pricing	The risk of margin erosion or income opportunity loss due to inappropriate or incorrect pricing	• Pricing policies for debt, equity and guarantees • Independent pricing comment by Risk Management Department • Independent approval authorities
Reputation	The risk that an action or inaction by IDC damages the organisation's reputation	• IDC engages a public relations agency for strategic communication • Communications Department responsible for co-ordination of all external communication • Media analysis report – feedback to the Corporation • Proactive generation of articles in the media • Crisis communications procedure
Sector	The risk of negative sector-specific trends	• Sector limits policy • Portfolio analysis and reporting • Risk appetite analysis and reporting

More information *is available on the web at www.idc.co.za/IR2012*

Governance *(continued)*

More information *is available on the web at www.idc.co.za/IR2012*

King III checklist

The following table provides an assessment of the Corporation's compliance with King III:

	Ethical leadership and corporate citizenship
✓	Effective leadership based on an ethical foundation
✓	Responsible corporate citizen
✓	Effective management of company's ethics

	Board and directors
✓	The Board is the custodian of corporate governance
✓	Strategy, risk, performance and sustainability are inseparable
✓	The Board should consider business rescue proceedings when appropriate
✓	Directors act in the best interests of the company
✓	The Chairman of the Board is an independent non-executive director
✓	Framework for the delegation of authority has been established
✓	The Board comprises a balance of power, with a majority of non-executive directors who are independent
✓	Directors are appointed through a formal process
✓	Formal induction and on-going training of directors is conducted
✓	The Board is assisted by a competent, suitably qualified and experienced Company Secretary
✓	Regular performance evaluations of the Board, its committees and the individual directors
✓	Appointment of well structured committees and oversight of key functions
✓	A governance framework is agreed between the Corporation and its subsidiaries
✓	Directors are fairly and responsibly remunerated
✓	Remuneration of directors is disclosed in the annual report
✓	The Corporation's remuneration policy is approved by its shareholders

	Internal Audit
✓	Effective risk-based Internal Audit
✓	Written assessment of the effectiveness of the company's system of internal controls and risk management
✓	Internal Audit is strategically positioned to achieve its objectives

	Audit Committee
✓	Effective and independent
✓	Suitably skilled and experienced independent non-executive directors
✓	Chaired by an independent non-executive director
✓	Oversees integrated reporting
✓	A combined assurance model is applied to improve efficiency in assurance activities
✓	Satisfies itself of the expertise, resources and experience of the company's finance function
✓	Oversees the external audit process
✓	Reports to the Board and shareholders on how it has discharged its duties

	Compliance with laws, codes, rules and standards
✓	The Board ensures the company complies with relevant laws
✓	The Board and its directors have a working understanding of the relevance and implications of non-compliance
✓	Compliance risk forms an integral part of the company's risk management process
✓	The Board has delegated to management the implementation of an effective compliance framework and process

	Governing stakeholder relationships
✓	Appreciation that stakeholders' perceptions affect a company's reputation
✓	Management actively deals with stakeholder relationships
✓	There is an appropriate balance between its various stakeholder groupings
□	Equitable treatment of shareholders
✓	Transparent and effective communication to stakeholders
✓	Disputes are resolved effectively and timeously

	The governance of information technology
✓	The Board is responsible for information technology (IT) governance
✓	IT is aligned with the performance and sustainability objectives of the Corporation
✓	Management is responsible for the implementation of an IT governance framework
✓	The Board monitors and evaluates significant IT investments and expenditure
✓	IT is an integral part of the Corporation's risk management
✓	Information assets are managed effectively
✓	The Risk Committee assists the Board in carrying out IT responsibilities

The governance of risk	
✓	The Board is responsible for the governance of risk and setting levels of risk tolerance
✓	The Board determines the levels of risk tolerance
✓	The Audit and Risk Committees assist the Board in carrying out its risk responsibilities
✓	The Board delegates the risk management plan to management
✓	The Board ensures that risk assessments and monitoring are performed on a continual basis
✓	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks
✓	Management implements appropriate risk responses
✓	The Board receives assurance on the effectiveness of the risk management process
✓	Sufficient risk disclosure to stakeholders

Integrated reporting and disclosure	
✕	Ensures the integrity of the Corporation's integrated report
✕	Sustainability reporting and disclosure is integrated with the Corporation's financial reporting
✕	Sustainability reporting and disclosure is independently assured

Key

✓ Applied

✕ In progress

☐ Not applicable

GRI checklist

More information *is available on the web at www.idc.co.za/IR2012*

GRI		Section/comment	Page
1. Strategy and Analysis			
Profile Disclosure			
1.1	Statement from the most senior decision-maker of the organisation	Chairman's statement	12–15
1.2	Description of key impacts, risks, and opportunities	Key achievements and challenges Our strategy Enterprise risk management	2 24–26 76–79
2. Organisational Profile			
2.1	Name of the organisation	Corporate profile	3
2.2	Primary brands, products, and/or services	Our main business and funding activities	4
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Strategic business units Financial statement notes 9 and 10	27 142–146
2.4	Location of organisation's headquarters	IDC offices in South Africa	4, 178
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	IDC offices in South Africa	4
2.6	Nature of ownership and legal form	Corporate profile	3
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	See our main business and funding activities	4, 27–60
2.8	Scale of the reporting organisation	Corporate profile Staff profile	4–5 65
2.9	Significant changes during the reporting period regarding size, structure or ownership	Strategic business units	27
2.10	Awards received in the reporting period	AADFI – Best Performing DFI 2011	
3. Report Parameters			
3.1	Reporting period (e.g. fiscal/calendar year) for information provided	About this report	2
3.2	Date of most recent previous report (if any)	About this report	2
3.3	Reporting cycle (annual, biennial, etc.)	About this report	2
3.4	Contact point for questions regarding the report or its contents	About this report	2
3.5	Process for defining report content	Stakeholder engagement Our material issues	20–22 23
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	About this report	2
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	About this report	2
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	About this report	2
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols	As far as practicable, GRI Indicator Protocols were followed	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	Being the first integrated report, there were no re-statements About this report	 2
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	This is the first integrated report	2
3.12	Table identifying the location of the Standard Disclosures in the report	GRI checklist	82–84
3.13	Policy and current practice with regard to seeking external assurance for the report	Board Audit Committee decision	2, 74, 85–86
4. Governance, Commitments, and Engagement			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Governance	8–11 72–75
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	The Chairman of the IDC Board of Directors is non-executive	72

GRI		Section/comment	Page
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	IDC Board	72–73
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Stakeholder engagement	20–22
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	IDC Board	73–74
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Ethics policy	75
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	IDC Board	72
4.8	Internally-developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Vision and mission Corporate profile Preferential procurement Responsible funding Governance	1 3 63 71 75–77
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally-agreed standards, codes of conduct, and principles	Governance	75–79
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	IDC Board and committees	72
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Internal Audit Enterprise risk management	75 76–79
4.12	Externally-developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Our B-BBEE score Subscribe to B-BBEE Codes of Good Practice Subscribe to Mining Charter Signatory to UNEP-FI Guided by PFMA	3 63 44 71 72
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic	Responsible funding Governance section List of memberships on the website	71 72
4.14	List of stakeholder groups engaged by the organisation	Stakeholder engagement	21–22
4.15	Basis for identification and selection of stakeholders with whom to engage	Stakeholder engagement	20
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder engagement	20–22
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Stakeholder engagement	21–23
Economic			
Disclosure on management approach: See the definition of our mission on page 1; our mandate and past performance on pages 3–7; strategy on pages 24–26. The actual performance is outlined on pages 28–55. Our special vehicles/products are explained in the development funds section on pages 58–59. There is an intertwining of economic and social development in the agency development and support section on pages 56–57. Risk management, which plays a role in the precautionary approach to funding, is outlined on pages 76–79. The chapter on investing in our customers on pages 61–63 discusses various activities to support the main strategy			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	IDC value-added statement	5
EC4	Significant financial assistance received from government	IDC is self-financing Corporate profile Flow of funding	1 3 6
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Preferential procurement	63

More information *is available on the web at www.idc.co.za/IR2012*

GRI checklist *(continued)*

More information *is available on the web at www.idc.co.za/IR2012*

GRI		Section/comment	Page
EC8	Development and impact of infrastructure investments and service provided primarily for public benefit through commercial, in-kind, *pro bono* engagement	Agency Development and Support programmes Business support Corporate Social Investment	57 61 69
Environmental			
Disclosure on management approach: See page 63 on the requirements as per our environmental and social framework, as well as our environmental impact on page 71, where we state our direct impacts. There is also a discussion of our stance on responsible funding, the issues that we have started working on, as well as planned future activities			
EN4	Indirect energy consumption by primary energy source	Environmental impact	71
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Our strategy Green Industries	27 34–35
EN8	Total water withdrawal by source	Environmental impact	71
EN16	Total direct and indirect greenhouse gas emissions by weight	Environmental impact	71
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Environmental impacts Responsible funding	63 71
Social: Labour Practices and Decent Work			
Disclosure on management approach: Refer to page 64 for an outline of the strategy for managing our human capital, which details the numerous activities around talent management in order to achieve our mandate			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Staff profile	65–66
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region	New employees and employment terminations	65
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Internal health and safety management	67
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Employee health and wellness programme	67
LA10	Average hours of training per year per employee by gender and by employee category	Learning and development	68
LA11	Programmes for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings	Talent management and succession	68
LA12	Percentage of employees receiving regular performance and career development reviews by gender	Talent management and succession	68
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Corporate profile Staff profile	8–11 65
LA15	Return to work and retention rates after parental leave, by gender	100% retention in year under review, information on the website	
Social: Human Rights			
Disclosure on management approach: Issues pertaining to human rights are presently confined to Human Capital. There is a also a policy on grievance, as well as formal processes to deal with these matters			
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Zero grievances brought against the Corporation in the year under review, information on website	
Social: Society			
Disclosure on management approach: Refer to the governance section for an outline of the steps that are in place to ensure that we are good corporate citizens, specifically the steps taken to raise awareness of governance within the workplace			
SO2	Percentage and total number of business units analysed for risks related to corruption	Fraud prevention	75
SO3	Percentage of employees trained in the organisation's anti-corruption policies and procedures	Fraud prevention	75
Social: Product Responsibility			
Disclosure on management approach: See page 20 on stakeholder engagement regarding the actions taken by the IDC to ensure that there is constant feedback between the Corporation and its stakeholders on the services we provide and their expectations			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Stakeholder engagement Innovation	20 61

Assurance statement

Independent Assurance Report on Selected Sustainability Information

To the directors of Industrial Development Corporation of South Africa Limited

We have undertaken an assurance engagement on selected sustainability information as described below and presented in the 2012 Integrated Annual Report (the Report) of Industrial Development Corporation of South Africa Limited (IDC) for the year ended 31 March 2012.

Independence and expertise

We have complied with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multidisciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

Subject matter and related assurance

We are required to provide assurance as follows:

1 Limited assurance on the following key performance indicators for the year ended 31 March 2012, prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Guidelines, marked with an 'LA' on the relevant pages of the Report:

More information is available on the web at www.idc.co.za/IR2012

Key performance indicators	Boundary	Report section and Page numbers
Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments (value-added statement). – GRI Indicator EC1	IDC – Company	IDC value-added statement page 5
Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. – GRI Indicator EC6	IDC – Company	Preferential procurement page 63
Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or *pro bono* engagement. – GRI Indicator EC8	IDC – Company	ADS pages 56 and 57, Business support page 61, CSI page 69
Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives. – GRI Indicator EN6	IDC – Company	Green Industries page 35
Carbon footprint (total scope 1 and 2) (total direct and indirect greenhouse gas emissions by weight). – GRI Indicator EN16	IDC – Head Office	Environmental impact page 71
Total number and rate of employee hires and employee turnover by age group, gender and region. – GRI Indicator LA2	IDC – Company	Investing in our people pages 65 and 66

2 Limited assurance on IDC's self-declaration of the GRI B+ Application Level (page 2).

Directors' responsibilities

The directors are responsible for the selection, preparation and presentation of the sustainability information, the identification of stakeholder requirements and material issues, for commitments with respect to sustainability performance, and establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived, and for such internal control as the directors determine is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The directors are also responsible for the selection and application of the criteria detailed below:

- The GRI G3.1 Guidelines applied to the selected key performance indicators
- The GRI G3.1 Guidelines on IDC's self-declaration of the GRI B+ Application Level

Our responsibility

Our responsibility is to express assurance conclusions on the selected sustainability information based on our work performed. We have conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000), Assurance Engagements other than the Audits or Reviews of Historical Financial

More information is available on the web at www.idc.co.za/IR2012

Information, issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our engagement to obtain assurance about whether the selected sustainability information is free from material misstatement.

Our procedures and the extent of our procedures depend on our judgement, including the risks of material misstatement of the selected sustainability information. In a limited assurance engagement, the evidence-gathering procedures are less than where reasonable assurance is expressed. In making our risk assessments, we considered internal control relevant to IDC's preparation of the Report. We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Summary of work performed

Our work included the following evidence-gathering procedures:

- Interviewing management and senior executives to evaluate the application of the GRI G3.1 Guidelines and to obtain an understanding of the control environment relative to the reported sustainability information
- Inspecting documentation to corroborate the statements of management and senior executives in our interviews
- Testing the processes and systems to generate, collate, aggregate, monitor and report the selected sustainability information
- Inspecting supporting documentation and performing analytical procedures
- Conducting an Application Level check on the Report to evaluate whether all disclosure requirements of the GRI B+ Application Level have been adhered to
- Evaluating whether the information presented in the Report is consistent with our findings, overall knowledge and experience of sustainability management and performance at IDC

Conclusions

1. *On the selected key performance indicators on which we are required to express limited assurance*

   Based on the work we performed, nothing has come to our attention that causes us to believe that the selected key performance indicators set out in the table above for the year ended 31 March 2012 are not fairly stated, in all material respects, in accordance with the GRI G3.1 Guidelines.

2. *On IDC's self-declaration on the GRI G3 B+ Application Level on which we are required to express limited assurance*

   Based on the work we performed, nothing has come to our attention that causes us to believe that IDC's self-declaration of a B+ Application Level is not fairly stated, in all material respects, in accordance with the GRI G3.1 Guidelines.

Comparability

This is the first year that the IDC has sought assurance on the key performance indicators set out in the table above. We were engaged to provide assurance on the key performance indicators for the year ended 31 March 2012. Where comparatives for key performance indicators are presented by the IDC, such comparatives have not been assured and we do not express a conclusion on them.

Restriction of liability

Our work has been undertaken to enable us to express the conclusions on the selected sustainability 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 conclusions we have reached.

KPMG Services (Pty) Limited	SizweNtsalubaGobodo
Registered Auditor	Registered Auditor
	
Per N Morris	Per D Manana
Chartered Accountant (SA)	Chartered Accountant (SA)
Registered Auditor	Registered Auditor
Director	Partner
26 June 2012	26 June 2012
KPMG Crescent	SizweNtsalubaGobodo Building
85 Empire Road	20 Morris Street East
Parktown	Woodmead
Johannesburg, 2193	Johannesburg, 2191

Annual financial statements

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.

In execution of its duties during the past financial year, the Board Audit Committee has:

- Reviewed the procedures for identifying business risks and managing their impact on the Corporation, including the risk management functions
- Reviewed the Corporation's policies and procedures for detecting and preventing fraud
- Reviewed the effectiveness of the Corporation's policies, systems and procedures
- Reviewed the effectiveness and adequacy of the internal audit department and adequacy of its annual work plan
- Considered whether the independence, objectives, organisation, staffing plans, financial budgets, audit plans and standing of the internal audit function provide adequate support to enable the committee to meet its objectives
- Reviewed the results of the work performed by the internal audit function in relation to financial reporting, corporate governance, risk areas, internal control and any significant investigation and management response
- Reviewed the co-ordination between the internal audit function and the external auditors and dealt with any issues of material or significant dispute or concern
- Reviewed the Corporation's compliance with significant legal and regulatory provisions
- Reviewed such significant transactions as the committee deemed appropriate
- Reviewed such significant reported cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Corporation
- Reviewed the controls over significant financial and operational risks
- Reviewed any other relevant matters referred to it by the board
- Reviewed the adequacy, reliability and accuracy of financial information provided by management and other users of such information
- Reviewed the accounting and auditing concerns identified by internal and external auditors
- Reviewed the annual report and financial statements taken as a whole to ensure they present a balanced and understandable assessment of the position, performance and prospects of the Corporation
- Reviewed the external auditors' findings and reports submitted to management
- Reviewed the independence and objectivity of the external auditors

In terms of the King III requirements, the Audit Committee must either apply with the following principles or explain non-application thereof:

- Overseeing integrated reporting
- Ensuring that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities
- Satisfying itself of the expertise, resources and experience of the company's finance function
- Being responsible for overseeing of internal audit
- Being an integral component of the risk management process
- Being responsible for recommending the appointment of the external auditor and overseeing the external audit process
- Reporting to the Board and shareholder on how it has discharged its duties

The Board Audit Committee has complied with all the King III principles, with the inclusion integrated reporting, evidenced by the Corporation's first issue of its Integrated Report 2012.

The Board Audit Committee has made an assessment of the effectiveness of the control environment through application of the "Combined Assurance" concept. This included engagements with different assurance providers (e.g. Internal Audit, External Auditors, Corporate Secretariat, etc.) in order to formulate a holistic opinion in this regard.

Where weaknesses were identified in internal controls, corrective action was taken to eliminate or reduce the risks. The Board Audit Committee is of the opinion, based on the information and explanations given by management and the Internal Audit Department and discussions with the independent external auditors on the results of their audits, that the internal controls of the Corporation have operated effectively throughout the year under review and, where internal controls did not operate effectively, that compensating controls have ensured that the Corporation's assets have been safeguarded, proper accounting records maintained and resources utilised efficiently.

Following our review of the financial statements for the year ended 31 March 2012, we are of the opinion that they comply with the relevant provisions of the Public Finance Management Act, 1999, as amended, and International Financial Reporting Standards, and that they present fairly the results of the operations, cash flow and financial position of the Corporation.

The Board Audit Committee concurs that the adoption of the going-concern premise in the preparation of the financial statements is appropriate. We therefore recommend that the financial statements as submitted be approved.

On behalf of the Board Audit Committee:

LR Pitot
Chairperson

19 June 2012

Independent Auditors' Report of the Industrial Development Corporation of South Africa Limited to Parliament and the Shareholder – Minister of Economic Development Department

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Introduction

We have audited the consolidated and separate financial statements of the Industrial Development Corporation of South Africa Limited and its subsidiaries set out on pages 98 to 175, which comprise the consolidated and separate statements of financial position as at 31 March 2012, the consolidated and separate statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Industrial Development Corporation of South Africa Limited and its subsidiaries as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Public Audit Act of South Africa (PAA) and General Notice 839 of 2011 issued in Government Gazette No 34783 of 28 November 2011 (General Notice) issued in terms thereof, we report the following findings relevant to performance against pre-determined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Pre-determined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the pre-determined objectives report as set out on pages 95 and 96 of the annual report.

The reported performance against pre-determined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

There were no material findings on the pre-determined report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

We did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

We did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

D.H Manana

SizweNtsalubaGobodo VSP	KPMG Inc.
Registered Auditor	Registered Auditor
Per D Manana	Per S Malaba
Chartered Accountant (SA)	Chartered Accountant (SA)
Registered Auditor	Registered Auditor
Partner	Director
26 June 2012	26 June 2012
SizweNtsalubaGobodo Building	KPMG Crescent
20 Morris Street East	85 Empire Road
Woodmead	Parktown
Johannesburg, 2191	Johannesburg, 2193

Directors' report

Introduction

The Industrial Development Corporation of South Africa Limited (the IDC or Corporation) was established in 1940 by an Act of Parliament. It is a registered public Corporation and a Schedule 2-listed entity in terms of the Public Finance Management Act (PFMA) 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 self-financing, State-owned, development finance institution that provides financing to entrepreneurs engaged in competitive industries. It follows normal company policies and procedures in its operations, pays income tax at corporate rates and pays dividends to its shareholder.

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

Performance management

The IDC's performance indicators reflect the Corporation's goals as set out earlier in this integrated report. Measures related to its key objective of industrial capacity development are integrated with other indicators measuring its development impact, financial sustainability and efficiency, stakeholder, customer and employee relations, as well as innovation.

The IDC's performance evaluation focuses primarily on the financing activities undertaken by the IDC and its dedicated wholly-owned financing subsidiaries (Mini Group) – Findevco (Pty) Ltd, Impofin (Pty) Ltd, Konoil (Pty) Ltd and The Export-Import Finance Corporation of SA (Pty) Ltd.

The performance measurement system ensures that the IDC remains aligned with its mandated objectives. Performance indicators are reviewed every year to account for changes in the external and internal environment and ensure that long-term objectives will be achieved.

Performance indicators are measured and reported on the IDC's Executive Management Committee and the Board on a quarterly basis. Regular activity reports and management accounts ensure that any deviation from the target paths can be detected and corrected, if necessary.

The IDC's performance management system rewards employees who exceed targets. The achievement of the targets represents the expected level of performance. Performance targets are set at the corporate, team and individual levels, and performance-linked remuneration is based on the combination of the achievement of the three levels of targets.

The measurement of performance at the corporate level is reviewed by external auditors to ensure that the targets are achieved according to the original intentions and that the overall performance is a fair reflection of the Corporation's activities during the period under review.

Performance indicators

The IDC has adopted a balanced approach in measuring performance and has adapted the principles of the balanced scorecard to cater for its own objectives and operations. IDC measures indicators in six areas, specifically:

- Industrial capacity development
- Socio-economic impact
- Financial sustainability and efficiency
- Stakeholder relations
- Employee retention
- Innovation

Pre-determined objectives

Reflection on performance against pre-determined objectives

IDC performed well against both the short- and long-term targets set for 2011/12. The Corporation saw good progress in the implementation of strategies, increased deal flow and development impact, as well as service delivery. Improved processes resulted in reduced turnaround times for transactions that should lead to higher levels of customer satisfaction. Increased stakeholder engagement is reflected in a more positive perception of IDC.

Higher retained income and growth in the balance sheet indicates that IDC's financial sustainability is not under threat, although the continuing upward trend in impairments needs to be monitored.

Industrial capacity development

IDC measures its progress with regard to industrial capacity development by setting milestones for key interventions. During the year, significant progress was made in the implementation of these sector strategies. One area where progress was made pertained to strategy implementation related to green industries. Focus on this sector over the past few years resulted in IDC being positioned to play a leading role in the renewable energy programme in 2012. Activities during 2012 are also developing a viable pipeline of projects for the future and are allowing IDC to expand into other areas, such as funding for energy efficiency, emission and pollution management, and fuel-based renewable energy. Other areas where achievements were recorded include agro-industries, forestry, metals, tourism and beneficiation. Implementation of strategies in the healthcare and ICT industries lagged, partly as a result of some of the projects requiring further progress on the policy environment, regulatory approval or clients delaying projects. Overall, 80% of the milestones for 2012 have been achieved.

With respect to long-term targets, industry milestones leading to priority industry development goals are also measured. In this instance, 77% of milestones were achieved, with areas related to the beneficiation of titanium minerals, malaria eradication, as well as tourism, lagging behind original expectations. This was mostly due to slower than expected project development for these initiatives.

The level of funding activity is an indication of IDC's impact on investment activity. During the year under review, IDC's funding activity reached unprecedented levels. In total, 327 transactions were approved (figures prior to cancellations), compared to 253 in 2011. The net value of transactions for which agreements were signed during the year increased to R16.4 billion compared to R8.6 billion in 2011. The high level of funding was largely driven by successful bids for the 1st round of the renewable energy independent power producer procurement process and two other transactions in excess of R1 billion. Despite cancellations of undrawn commitments for several large transactions and delays in the implementation of other projects, the level of disbursements increased to R8.5 billion from R6.4 billion in the previous year.

Development impact

The most important development outcome that IDC aims to achieve through its funding activities is to create sustainable jobs. One of the reasons why IDC aims to increase its funding levels is to have a greater impact, directly and indirectly, on employment. The total impact on direct jobs for transactions approved in 2012 was 44 142, or 6% more than in 2011.

Forty-eight percent of the total number of jobs will be created and saved in rural areas. This results from a large impact by funding for mining, with renewable energy projects also contributing. Funding to areas in the agricultural sector hit by floods also had an effect on this high rural impact.

Financial sustainability and efficiency

IDC's financing activities once again showed strong financial results, with a net operating income before partnerships of R1 977 million recorded as compared to R1 468 million in the previous year. These increased profits are mostly on the back of higher dividend income, which increased by 22% in the year. Overall, interest and fee income was 1.7% above the figure recorded in the previous year, but 7% below budget mainly as a result of lower than budgeted advances and increased interest impairments. The increases in operating expenses should be seen in the light of the increased activity demonstrated earlier. Project expenses increased to R122 million compared to R14 million in the previous year. This was to be expected, given that IDC's strategy calls for increased proactiveness and involvement in early stage projects. The overall impairments charge (including write offs) to the income statement increased by 38%, although the level of actual write offs was much lower than in the previous year (R157 million in 2012 compared to R743 million in 2011).

Although there have been increases in operating costs and grants and donations, actual costs were still below budgets. Any gains that this might have had in the ratio of operating expenses to interest and fee income were offset by the fact that interest income was also below budget because of lower advances compared to expectations. The ratio of 85% is thus in line with what was budgeted.

Although there has been a 19% increase in the value of IDC funding in the form of loans and investments (at cost), the increases in impairments resulted in the ratio of impairments as a percentage of total financing at cost rising to 18.2%, compared to 17.3% in the previous year. Although IDC performed well compared to the target of 20%, this will need to be managed going forward.

IDC's long-term financial sustainability and its ability to continue making investments in future are dependent on the growth of its equity investments. As such, the Corporation targets growth in its reserves rather than only short-term profitability. Over the last five years, IDC's reserves have grown at a compound annual rate of 11.9%. Since a large portion of IDC's reserves (58%) can be attributed to five large mature listed equity investments[1], these are excluded so as to determine whether IDC's portfolio is growing sustainably. Annual growth in reserves excluding the contribution of these equities amounted to 12% over the five years to 31 March 2012. To put it in perspective, the consumer price index increased at a compound annual rate of 7.1% over the same period. The growth in IDC's reserves was thus 5.3 percentage points above inflation over the period.

Customer satisfaction and stakeholder relations

An external research company conducts a customer satisfaction survey for IDC on an annual basis. Over the past eight years, there has been an increasing trend in the customer satisfaction results of the survey, although this is flattening as it is becoming more difficult to show continued improvement. To focus efforts on areas where an impact can be made in terms of service delivery, IDC has been concentrating on an area where negative feedback was previously received from clients, namely turnaround times. As such, IDC started targeting improvements in turnaround times in 2011, with a number of specific initiatives introduced in 2012 to address this issue.

The average turnaround time for all transactions signed in 2012 (excluding projects jointly developed by IDC from an early stage) improved to 126 days, compared to 147 days in 2011.

For 2012, different targets were set to differentiate between new and existing clients, as well as between start-ups and expansions and other transactions. The average turnaround time from application to signature for new clients was 142 days, whilst for existing clients it was 100 days. The average turnaround time from application to signature for start-ups was 143 days and for expansions and other transactions it was 119 days.

IDC's level of stakeholder relations is assessed through a survey that measures perceptions of IDC in aspects such as products and services, innovation, workplace, governance, corporate citizenship, leadership and performance, among customers, potential customers, government and regulators, civil society, the media, other financial institutions and DFIs, as well as suppliers. In the survey conducted in the past financial year, IDC achieved a score of 73.1. This is significantly higher than the global mean of 64.2 and a large improvement on the 50.4 achieved in the previous survey conducted in the 2010 financial year. This improvement was the result of a concerted effort by IDC over the past two years to improve its communication and interaction with various stakeholders, including businesses, business organisations and government agencies. This was effected through roadshows, presentations, individual meetings, etc.

Employee retention

During the year, IDC started implementing a strategy to transform itself into a high performance organisation. One aspect of this strategy is to retain and deploy talent to enable IDC to deliver on its objectives. Although there has been an improvement in staff turnover since the start of the recession, the further improvement experienced in 2012 might be an indication that the strategy is starting to bear fruit. In 2012, the turnover rate of high potential individuals and successors reduced to 7.2%, from 10.8% in 2011.

Innovation

Without innovating, IDC cannot hope to achieve its long-term goal of having a significant impact on industrialisation. Innovation in IDC's context refers not only to innovation aimed at developing and implementing strategies for industrial development, but also innovation in terms of internal business processes to increase efficiencies and customer service.

IDC aims to inculcate an innovative culture in the Corporation. Shortly after IDC made the decision to focus on improving innovation (2010 financial year) in the Corporation, an external company conducted a survey at IDC to ascertain how staff perceived their working environment in terms of innovation. This baseline survey resulted in a low score of 41% for the Corporation. The survey was conducted again in 2012 and resulted in an improved score of 66.8%, with advancements in all of the areas measured.

1 *Sasol, Kumba Iron Ore, ArcelorMittal SA, BHP Billiton and Sappi.*

For the year, four major initiatives were identified to be rated under the measurement for innovation, specifically:

- Electronic IDC business plan portal
- Automated standardised legal agreements
- Custom financial models per sector
- Open and collaborative innovation

The first three of these initiatives relate to internal processes and the fourth to improvements in industry development. All except for the custom financial models were implemented, with an additional innovation relating to assistance in setting up a hub in which entrepreneurs will be put in contact with angel investors.

Overall, IDC is succeeding in creating an innovative culture and the specific innovations focused on are substantially on track.

The details per performance indicator are shown in the tables below:

Performance against short-term targets

Measurement area	Indicator	Measurement	Base target 2012	Stretch target 2012	Actual achieved
Industrial capacity development	Achievement of industry development and regional integration milestones	% of industry and regional development milestones achieved	75% of milestones achieved	90% of milestones achieved	80% of milestones achieved
	Contribution to investment in the economy	Value of funding agreements signed	R11.7 billion	R21.7 billion	R16.4 billion
Socio-economic impact	Jobs created/saved • Sub-minimum: Jobs created/saved in rural areas	Number of jobs expected to be created or saved, counted at the time of agreements being signed	24 000 (6 100 rural)	42 000 (10 600 rural)	44 142 (21 329 rural)
Financial sustainability and efficiency	Ratio of administration costs to interest and fee income	Administration cost, including grants and donations, excluding impairments as a % of interest and fee income	Budgeted values (85%)	10% below budgeted values (75%)	85%
Stakeholder relations	Turnaround time on transactions	Turnaround time on non-project transactions: • New clients • Existing clients • Start-ups • Expansions (from date of application to date of agreement being signed; weight distributed according to actual number of transactions in each category)	 213 days 120 days 203 days 139 days	 170 days 96 days 163 days 111 days	 142 days 100 days 143 days 119 days
Innovation	Implementation of innovation initiatives	Qualitative assessment of impact on IDC's ability to achieve its objectives through initiatives implemented	Implement priority innovation projects		Three out of four projects implemented

Annual financial statements

Performance against long-term targets

Measurement area	Indicator	Measurement	Base target 2012	Stretch target 2012	Actual achieved
Industrial capacity development	Achievement of priority industry development goals and sustainability of jobs	Progress towards achieving long-term priority industry development goals	90% of goals for the year achieved	100% of goals for the year achieved	77% of goals achieved
Financial sustainability and efficiency	Growth in reserves	Five-year average growth in reserves (excluding portion of reserve related to the value of holdings in Sasol, Kumba Iron Ore, ArcelorMittal SA, BHP Billiton, Sappi)	CPI	CPI + 3%	CPI + 5.3%
	Level of impairments	Impairments as a % of the portfolio (at cost)	20%	18%	18.2%
Employee retention	Retention of high potential and high performing employees	Number of high potential employees and successors resigning as a % of total number of high potential employees and successors	10.8%	8.6%	7.2%
Stakeholder relations	IDC reputation	Reptrak Pulse index value rating by relevant stakeholders (measured every two years)	50%	55%	73.1%
Innovation	Entrenchment of an innovative culture across IDC	Change in the results of the IDC innovation survey (independently conducted)	45%	50%	66.8%

Funding

The IDC's loan funding requirements are sourced mainly from international development agencies and from commercial facilities raised through the IDC's relationships with commercial banks.

The IDC Mini Group's general funding requirements for 2012 amounted to R12.5 billion (2011: R7.7 billion), mainly consisting of financing advances of R8.5 billion and borrowing redemptions of R3.8 billion. These requirements were partly met out of R5.8 billion of internally-generated funds, namely repayments received and profits. New borrowings were increased to R7.1 billion for the year.

Corporate governance

The IDC's directors endorse the King III Report on Corporate Governance and, during the review period, have endeavoured to adhere to the recommendations of King III as far as possible. The IDC's adherences to these practices are outlined in the Corporate Governance section of this annual report.

Public Finance Management Act

The IDC's Board is responsible for the development of the Corporation's strategic direction. The Corporation's strategy and business plan are captured in the Shareholder's Compact and approved by the Board. After approval this is agreed with the Economic Development Department and thereafter they form the basis for the Corporation's detailed action plans and ongoing performance evaluation.

Operating within the guidelines established in the Shareholder's Compact, the IDC's various business units prepare annual business plans, budgets and capital programmes in order to meet their objectives as outlined in their strategic plans.

The responsibility for the day-to-day management of the Corporation vests in line management through a clearly defined organisational structure and through formal delegated authorities.

The IDC has a comprehensive system of internal controls, which are designed to ensure that the Corporation's objectives are met, including the requirements of the Companies Act and the recommendations of King III. These systems and controls meet the requirements of the Public Finance Management Act. There are processes in place to ensure that where these controls fail, failure is detected and corrected.

Subsidiaries and joint ventures

Details of each trading subsidiary and joint venture are set out in the notes to the financial statements on pages 142 to 146.

Dividends

A dividend of R50 million was paid during the financial year.
On 26 June 2012 the directors declared a dividend of R50 million.

Valuation of shares

The value of the Group's investment in listed shares declined from R56.9 billion at the end of the 2011 financial year to R54.4 billion at the end of the 2012 financial year, due to decreases in the values of shares traded on the stock market.

Post-reporting date events review

The value of the Group's listed shares has decreased by R206 million since year-end as a result of movements in the listed equities market.

Share capital

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

Audit Committee information

The names of the Audit Committee members are reflected on pages 8 and 9. The meetings held and attendance record are outlined in an earlier section of this annual report.

Directors and secretary

The current directors of the IDC are reflected on pages 8 and 9, which also provides brief biographical details.

The name and registered office of the secretary appears on the inside back cover.

Materiality and Significance Framework

Materiality levels for reporting in terms of section 55(2)(b)(i) of the PFMA

Section 55(2)(b)(i) of the PFMA states that the annual report and financial statements should include particulars of any material losses through criminal conduct and irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. The term material has not been defined in the Act. The IDC adopted a definition in terms of the monetary impact for the purposes of this section as R40 million.

Significance levels related to sections 51(1)(g) and 54(2) of the PFMA

Sections 51(1)(g) and 54(2) of the PFMA read in conjunction with the related practice note requires the use of a significance framework. Based on the guidelines in the practice note and after evaluating the total assets, total revenue and profit after tax for the IDC Group, a significance level of R250 million had been adopted.

Declaration by the Group Company Secretary

In terms of section 88(2)(e) of the Companies Act (2008) of South Africa, I certify that, to the best of my knowledge and belief, the IDC has lodged with the Registrar of Companies for the financial year ended 31 March 2012 all such returns as are required in terms of the Companies Act, and that such returns are true, correct and up to date. In terms of section 19 of the IDC Act, No. 22 of 1940, as amended, I certify that for the financial year ended 31 March 2012, the IDC has lodged with the Minister of Economic Development the financial statements in respect of the preceding financial year.

Ephy Moeti
Group Company Secretary

19 June 2012

Statements of financial position

as at 31 March 2012

Figures in Rand million	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Assets					
Cash and cash equivalents	4	7 825	5 828	7 117	5 237
Derivative financial instruments	18	7	10	6	4
Trade and other receivables	5	1 267	907	275	224
Current tax receivable		121	55	56	–
Loans and advances	6	15 978	12 053	15 070	9 294
Investments	7	69 664	70 566	49 724	49 471
Inventories	11	1 860	1 251	10	11
Non-current assets held-for-sale	8	15	15	–	–
Investments in subsidiaries	9			31 515	31 235
Investments in associates, partnerships and joint ventures	10	10 567	11 405	12 326	14 018
Deferred tax	12	22	20	–	–
Investment property	13	117	100	9	9
Property, plant and equipment	14	4 772	4 587	110	150
Biological assets	15	14	8	–	4
Intangible assets	16	1	1	–	–
Total assets		112 230	106 806	116 218	109 657
Equity and liabilities					
Equity					
Equity attributable to equity holders of the Group/company					
Share capital	17	1 393	1 393	1 393	1 393
Reserves		56 175	60 330	68 219	69 570
Retained income		34 294	31 003	19 453	17 310
		91 862	92 726	89 065	88 273
Non-controlling interest		331	342		
Total equity		92 193	93 068	89 065	88 273
Liabilities					
Bank overdraft	4	3	14	–	–
Derivative financial instruments	18	5	11	3	8
Trade and other payables	19	2 286	1 544	846	692
Current tax payable		–	18	–	16
Retirement benefit obligation	37	265	214	135	112
Other financial liabilities	20	9 923	6 677	17 814	13 895
Deferred tax	12	7 290	5 011	8 003	6 234
Provisions	21	208	201	48	53
Share-based payment liability	41	57	48	304	374
Total liabilities		20 037	13 738	27 153	21 384
Total equity and liabilities		112 230	106 806	116 218	109 657

Statements of comprehensive income

for the year ended 31 March 2012

Figures in Rand million	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Revenue	22/23	10 985	8 965	4 584	3 524
Cost of sales		(4 317)	(3 444)	–	(12)
Gross profit		6 668	5 521	4 584	3 512
Finance costs	24	(446)	(346)	(347)	(315)
Gross profit after financing costs		6 222	5 175	4 237	3 197
Net capital gains	26	878	36	878	353
Other income		121	131	70	–
Operating expenses		(3 809)	(3 057)	(2 957)	(2 162)
Operating profit	27	3 412	2 285	2 228	1 388
Income from equity accounted investments		(2)	633	(6)	(7)
Profit before taxation		3 410	2 918	2 222	1 381
Taxation	29	(107)	(206)	(29)	(83)
Profit for the year		3 303	2 712	2 193	1 298
Other comprehensive income:					
Available-for-sale financial assets adjustments		(214)	12 244	543	11 639
Losses on property revaluation		(62)	(185)	9	(12)
Exchange differences on translating foreign operations		340	(242)		
Share of comprehensive income of associates		(1 902)	(317)	(38)	22
Taxation related to components of other comprehensive income		(2 317)	(614)	(1 865)	(1 113)
Other comprehensive (loss)/income for the year, net of taxation	39	(4 155)	10 886	(1 351)	10 536
Total comprehensive (loss)/income		(852)	13 598	842	11 834
Profit for the year attributable to:					
Owners of the parent		3 341	2 701	2 193	1 298
Non-controlling interest		(38)	11		
		3 303	2 712	2 193	1 298
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(814)	13 587	842	11 834
Non-controlling interest		(38)	11		
		(852)	13 598	842	11 834

Statements of changes in equity

for the year ended 31 March 2012

Figures in Rand million	Total share capital	Foreign currency translation reserve	Associated entities reserve	Revaluation reserve	Share-based payment reserve	Retained income	Total attributable to equity holders of the group/company	Non-controlling interest	Total equity
Group									
Balance at 31 March 2010	1 393	(22)	3 605	45 557	304	28 352	79 189	366	79 555
Changes in equity									
Total comprehensive income for the year	–	(242)	(317)	11 445	–	2 701	13 587	11	13 598
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	(35)	(35)
Distributions to owners of the company									
Dividends	–	–	–	–	–	(50)	(50)	–	(50)
Total changes	–	(242)	(317)	11 445	–	2 651	13 537	(24)	13 513
Balance at 31 March 2011	1 393	(264)	3 288	57 002	304	31 003	92 726	342	93 068
Changes in equity									
Total comprehensive income for the year	–	340	(1 902)	(2 593)	–	3 341	(814)	(38)	(852)
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	27	27
Distributions to owners of the company									
Dividends	–	–	–	–	–	(50)	(50)	–	(50)
Total changes	–	340	(1 902)	(2 593)	–	3 291	(864)	(11)	(875)
Balance at 31 March 2012	1 393	76	1 386	54 409	304	34 294	91 862	331	92 193
Note(s)	17	39	39	39	39		39		
Company									
Balance at 31 March 2010	1 393	–	84	58 950	–	16 062	76 489	–	76 489
Changes in equity									
Total comprehensive income for the year	–	–	22	10 514	–	1 298	11 834	–	11 834
Distributions to owners of the company									
Dividends	–	–	–	–	–	(50)	(50)	–	(50)
Total changes	–	–	22	10 514	–	1 248	11 784	–	11 784
Balance at 31 March 2011	1 393	–	106	69 464	–	17 310	88 273	–	88 273
Changes in equity									
Total comprehensive income for the year	–	–	(38)	(1 313)	–	2 193	842	–	842
Distributions to owners of the company									
Dividends	–	–	–	–	–	(50)	(50)	–	(50)
Total changes	–	–	(38)	(1 313)	–	2 143	792	–	792
Balance at 31 March 2012	1 393	–	68	68 151	–	19 453	89 065	–	89 065
Note(s)	17	39	39	39		39			

Statements of cash flows

for the year ended 31 March 2012

Figures in Rand million	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Cash flows from operating activities					
Cash (used in)/generated from operations	31	(840)	474	(680)	(941)
Interest received		1 562	1 318	1 572	1 329
Dividends received		2 918	2 255	2 308	1 879
Finance costs		(388)	(236)	(347)	(205)
Tax (paid)/received	32	(217)	236	(197)	281
Changes in operating funds		(1 366)	1 732	(2 543)	2 971
Increase on operating assets	6	(4 606)	(1 360)	(6 457)	(768)
Increase in operating liabilities		3 240	3 092	3 914	3 739
Net cash from operating activities		1 669	5 779	113	5 314
Cash flows from investing activities					
Purchase of property, plant and equipment	14	(814)	(993)	(9)	(29)
Sale of property, plant and equipment	14	49	6	37	–
Purchase of investment property	13	(17)	–	–	–
Purchase of other intangible assets	16	(1)	(202)	–	–
Proceeds on sale of other intangible assets	16	–	1	–	–
Acquisition of investments		(801)	(1 585)	(191)	(2 225)
Purchase of biological assets	15	(5)	(4)	–	(4)
Proceeds on sale of biological assets	15	–	5	4	5
Purchase of other assets		–	(6)	(2)	(1)
Proceeds on realisation of investments		1 978	–	1 978	–
Net cash from/(used in) investing activities		389	(2 778)	1 817	(2 254)
Cash flows used in financing activities					
Dividends paid		(50)	(50)	(50)	(50)
Net cash used in financing activities		(50)	(50)	(50)	(50)
Net increase in cash and cash equivalents		2 008	2 951	1 880	3 010
Cash at the beginning of the year		5 814	2 863	5 237	2 227
Total cash at the end of the year	4	7 822	5 814	7 117	5 237

Segmental report – Primary segments

for the year ended 31 March 2012

Figures in Rand million	Industrial Development Corporation 2012	Industrial Development Corporation 2011	Other financing activities 2012	Other financing activities 2011	Foskor (Pty) Limited 2012	Foskor (Pty) Limited 2011	Other 2012	Other 2011	Total 2012	Total 2011
Income										
Interest received	1 572	1 329	6	7	27	24	(43)	(42)	1 562	1 318
Dividends received	2 663	1 895	692	410	–	–	(82)	(34)	3 273	2 271
Fee income	349	277	–	–	–	–	–	(1)	349	276
Farming, manufacturing and mining income	–	23	–	–	5 125	4 611	676	466	5 801	5 100
Revenue*	4 584	3 524	698	417	5 152	4 635	551	389	10 985	8 965
Share of profits of equity-accounted investments	–	20	–	–	3	3	454	1 497	457	1 520
Other income	–	–	–	–	75	90	46	41	121	131
Net capital gains	878	353	–	–	–	(6)	–	(311)	878	36
Expenses										
Financing costs	(347)	(315)	(3)	–	(97)	(28)	1	(3)	(446)	(346)
Operating expenses	(1 097)	(948)	(1)	(7)	(4 702)	(3 924)	(930)	(635)	(6 730)	(5 514)
Share of losses of equity-accounted investments	(6)	(27)	–	–	–	–	(453)	(860)	(459)	(887)
Taxation	(29)	(83)	(1)	(2)	(79)	(165)	2	44	(107)	(206)
Depreciation	(21)	(25)	–	–	(238)	(210)	(49)	(38)	(308)	(273)
Project feasibility expenses	(153)	(163)	–	–	–	–	44	152	(109)	(11)
Net movement in impairments	(1 616)	(1 026)	–	1	–	–	567	354	(1 049)	(671)
Impairment of property, plant and equipment	–	(12)	–	–	–	–	–	(20)	–	(32)
Impairment reversal	–	–	–	–	70	–	–	–	70	–
Profit for the year	2 193	1 298	693	409	184	395	233	610	3 303	2 712
Total assets	116 218	109 657	426	447	6 939	5 571	(11 353)	(8 869)	112 230	106 806
Interest in equity-accounted investments	12 326	14 018	–	–	24	21	(1 783)	(2 634)	10 567	11 405
Total liabilities	27 153	21 384	42	66	2 881	1 607	(10 039)	(9 319)	20 037	13 738
Capital expenditure	6	29	–	–	408	596	400	309	814	934
Capital expenditure commitments	–	–	–	–	325	167	32	11	357	178

** All revenue is from external customers.*

Other financing activities – includes Findevco, Impofin, Konoil and The Export-Import Finance Corporation of SA.

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

Segmental report – Secondary segments

for the year ended 31 March 2012

Figures in Rand million	South Africa 2012	South Africa 2011	Rest of Africa 2012	Rest of Africa 2011	Other 2012	Other 2011	Total 2012	Total 2011
Income								
Interest received	1 364	1 128	188	179	10	11	1 562	1 318
Dividends received	3 253	2 249	–	7	20	15	3 273	2 271
Fee income	349	276	–	–	–	–	349	276
Farming, manufacturing and mining income	5 801	5 100	–	–	–	–	5 801	5 100
Revenue*	10 767	8 753	188	186	30	26	10 985	8 965
Share of profits of equity-accounted investments	368	1 324	89	196	–	–	457	1 520
Other income	121	131	–	–	–	–	121	131
Net capital gains	878	36	–	–	–	–	878	36
Expenses								
Financing expenses	(446)	(346)	–	–	–	–	(446)	(346)
Operating expenses	(6 730)	(5 514)	–	–	–	–	(6 730)	(5 514)
Share of losses of equity-accounted investments	(423)	(887)	(36)	–	–	–	(459)	(887)
Taxation	(107)	(206)	–	–	–	–	(107)	(206)
Depreciation	(308)	(273)	–	–	–	–	(308)	(273)
Impairment of property, plant and equipment	–	(32)	–	–	–	–	–	(32)
Net movement in impairments	(1 049)	(671)	–	–	–	–	(1 049)	(671)
Project feasibility expenses	(109)	(11)	–	–	–	–	(109)	(11)
Impairment reversal	70	–	–	–	–	–	70	–
Profit for the year	3 032	2 304	241	382	30	26	3 303	2 712
Total assets	108 304	100 579	3 011	5 312	915	915	112 230	106 806
Interest in equity-accounted investments	7 692	9 086	2 875	2 319	–	–	10 567	11 405
Total liabilities	20 037	13 738	–	–	–	–	20 037	13 738
Capital expenditure	814	934	–	–	–	–	814	934
Capital expenditure commitments	357	178	–	–	–	–	357	178

** All revenue is from external customers.*

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.

1. Accounting policies

The Industrial Development Corporation of South Africa Limited (IDC or the Corporation) is domiciled in South Africa. The consolidated financial statements for the year ended 31 March 2012 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 26 June 2012.

These accounting policies are consistent with the previous period.

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 requirements of the Public Finance Management Act (Act No. 1 of 1999), as amended.

1.2 Basis of preparation

The separate and consolidated financial statements are presented in South African Rand, which is the Group'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
- Biological assets are measured at fair value less point-of-sale costs
- Investment property is measured at fair value
- Land and buildings 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

International Financial Reporting Standards, amendments and interpretations effective for the first time in the current year:

- **Improvements to IFRS** (Issued May 2010) (Effective 1 January 2011). Improvements to IFRSs (Issued May 2010) was issued by the IASB as part the 'annual improvements process' resulting in 11 amendments to six standards
- **Amendment to IAS 24:** Related Party Disclosures (Effective 1 January 2011). This amendment provides partial relief from the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party
- **IFRIC 19:** Extinguishing Financial Liabilities with Equity Instruments (Effective 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt

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

- **Amendment to IFRS 7:** Disclosures – Transfer of Financial Assets (Effective 1 July 2011). The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets
- **IFRS 9:** Financial Instruments (Effective 1 January 2015). This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value
- **IFRS 11:** Joint Arrangements (Effective 1 January 2013) – IFRS 11 replaces IAS 31: Interests in Joint

Ventures. It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement

- IFRS 12: Disclosure of Interests in Other Entities (Effective 1 January 2013) – This standard requires extended disclosure of information that will enable users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows
- IFRS 13: Fair-value Measurement (Effective 1 January 2013) – This standard replaces the guidance on fair-value measurement in the various existing IFRS accounting conceptual framework, standards and interpretations with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and the required disclosures of fair value measurements. However, IFRS 13 does not change the requirements regarding which assets and liabilities should be measured or disclosed at fair value. IFRS 13 applies when another standard or interpretation requires or permits fair-value measurements or disclosures of fair-value measurements. With certain exceptions, the standard requires entities to classify these measurements into a 'fair-value hierarchy' based on the nature of the inputs
- Amendment to IAS: 1 Presentation of Financial Statements (Effective 1 January 2013) – The following amendments are required:
  - Items presented in other comprehensive income are to be grouped, based on whether such items are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified
  - Tax associated with items presented before tax is to be disclosed separately for each of the two groups of other comprehensive income items (without changing the option to present such items of other comprehensive income either before tax or net of tax)
- IASB Annual Improvement Project – As part of its fourth annual improvement project the IASB has issued its 2011 edition of improvements. The annual improvement project aims to clarify and improve the current accounting standards. The improvements include items involving terminology or editorial changes, with minimal effect on recognition and measurement.

1.3 Investments in subsidiaries

Subsidiaries are entities controlled by the IDC. Control exists when the IDC has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting 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 the statement of comprehensive income.

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.

Investments in subsidiaries in the company's separate financial statements are carried at fair value as available-for-sale financial assets.

1.4 Special-purpose entities

The Group has established a number of special-purpose entities (SPEs) for trading and investment purposes. SPEs are entities that are created to accomplish narrow and well-defined objectives. A SPE is consolidated if, based on an evaluation of the substance of the relationship with the Group and the SPEs risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group are generally those established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets.

Investments in SPEs in the company's separate financial statements are carried at fair value.

1.5 Investments in associates

Investments in associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits and losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. 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 incorporated associates in the company's separate financial statements are carried at fair value.

Profits and losses arising in investments in associates are recognised in the statement of comprehensive income.

1.6 Joint ventures and partnerships

Joint ventures and partnerships are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic and operating decisions. 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 incorporated joint ventures and partnerships in the company's separate financial statements are carried at fair value.

1.7 Financial instruments

1.7.1 Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedging instruments.

The Group designates financial assets at fair value through profit or loss when either:

- The assets are managed, evaluated and reported internally on a fair value basis
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract

Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the near future. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Recognition and measurement

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when the cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate 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 the statement of comprehensive income 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 should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the statement of comprehensive income for available-for-sale debt investments. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income 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.

The fair values of quoted investments in active markets are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at its cost, including transaction costs, less impairment.

1.7.2 Financial liabilities

Financial liabilities are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred. Financial liabilities, other than those at fair value through profit or loss, are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest rate method.

Where the Group classifies certain liabilities at fair value through profit or loss, changes in fair value are recognised in the statement of comprehensive income. 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.

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 carried 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.

1.7.3 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.

1.7.4 Derivative financial instruments

Certain Group companies use derivative financial instruments to hedge their exposure to foreign exchange rate risks and other market risks arising from operational, financing and investment activities.

The Group does not hold or issue derivative financial instruments for trading purposes.

The derivatives that do not meet the requirements for hedge accounting are accounted for as trading instruments.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a 'host contract'). The Group accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risk of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract.

Hedge accounting

The following hedge relationships are applied:

Fair value hedge – a hedge of exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Cash flow hedge – a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

Fair value hedge

Fair value, with changes in fair value recognised in the statement of comprehensive income.

Any adjustments to the carrying amount related to the hedged risk are recognised in the statement of comprehensive income.

Cash flow hedge

Fair value, with the effective portion of changes in its fair value, recognised directly in a separate component of equity through the statement of changes in equity and the ineffective portion of the gain or loss, is recognised in the statement of comprehensive income. The change in fair value recognised directly in other comprehensive income is transferred to the statement of comprehensive income when the future transaction affects profit or loss.

No adjustments are made to the carrying amount of the hedged item.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively if any one of the following occurs:

- The hedging instrument expires or is sold, terminated or exercised
- The forecast transaction is no longer expected to occur (in the case of a cash flow hedge, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the statement of comprehensive income)
- The hedge no longer meets the conditions for hedge accounting
- The Group revokes the designation

1.8 Impairment of assets

Impairment of financial assets carried at amortised cost

The Group assesses whether there is objective evidence that a financial asset or Group of financial assets not carried at fair value through profit or loss are impaired at each reporting date. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Impairment losses are recognised in the statement of comprehensive income and reflected in an allowance account against loans and advances.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- Significant financial difficulty of the issuer or obligor
- A breach of contract, such as default or delinquency in interest or principal payments
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial re-organisation
- The disappearance of an active market for that financial asset resulting in financial difficulties
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decreases cannot yet be identified with the individual financial assets in the Group

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, referred to as specific impairments, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group (portfolio) of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of specific impairments raised is the amount needed to reduce the carrying value of the asset to the present value of the expected ultimate fair value less costs to sell, taking into consideration the financial status of the underlying client and any security in place for the recoverability of the financial asset.

The recoverable amount of the assets is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset).

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group, and as well as historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions which did not affect the period on which the historical loss experience is based. This also serves to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in interest rates, foreign currency exchange rates, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If an impairment loss decreases due to an event occurring subsequently and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), then the previously recognised impairment loss is reversed through profit or loss with a corresponding increase in the carrying amount of the underlying asset. The reversal is limited to an amount that does not state the asset at more than what its amortised cost would have been in the absence of impairment.

Impairment of available-for-sale financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the instrument below its cost is an indication of an impairment.

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 equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

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 reserved through the statement of comprehensive income.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, land and buildings, deferred tax assets and investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.9 Cash-generating units

A cash-generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets.

For an asset whose cash flows are largely dependent on those of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The recoverable amount of a cash-generating unit is the greater of its value in use and its fair value less costs to sell. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis. Impairment losses are recognised in profit or loss.

1.10 Goodwill

The recoverable amount for goodwill is estimated at each reporting date. Impairment losses are recognised in the statement of comprehensive income. Impairment losses relating to goodwill are not reversed.

1.11 Other non-financial assets

The recoverable amount of other non-financial assets is the greater of fair value less cost to sell and its value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the statement of comprehensive income, except to the extent that they reduce revaluations recognised in other comprehensive income.

The recoverable amount for intangible assets that have an indefinite useful life or intangible assets that are not yet available-for-use is estimated at each reporting date.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and 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.

1.12 Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill acquired in a business combination is initially measured at cost, being the difference between the cost of the business combination over the interest of IDC in the fair value of the net identifiable assets acquired.

Negative goodwill arising on acquisition is recognised directly in the statement of comprehensive income. Goodwill is subsequently stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.13 Foreign currency translation

Transactions and balances

Transactions in foreign currencies are translated into South African Rand at the foreign exchange rate prevailing at the date of the transaction. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the reporting period, if applicable.

Monetary assets and liabilities denominated in foreign currencies at the reporting date have been translated into South African Rand at the rates ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Rand at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Financial statements of foreign operations

All foreign operations have been accounted for as foreign operations. Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated into South African Rand at foreign exchange rates ruling at the reporting date. Income and expenses are translated at the average foreign exchange rates, provided these rates approximate the actual rates, for the year. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

1.14 Investment property

Investment property is property held either to earn rental income or for capital appreciation, or both.

Measurement

Investment property is measured initially at cost, including transaction costs and directly attributable expenditure in preparing the asset for its intended use. Subsequently, all investment properties are measured at fair value.

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.

The fair value of undeveloped land held as investment property is based on comparative market prices after intensive market surveys.

Gains or losses arising from a change in fair value are recognised in the statement of comprehensive income.

External, independent valuers having appropriate, recognised professional qualifications and recent experience in the location and category of the property being valued and value the portfolio every three years.

1.15 Property, plant and equipment

Measurement

All items of property, plant and equipment recognised as assets are measured initially at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour and any other cost directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Except for the item land, buildings and aircraft, all other items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Land, buildings and aircraft are subsequently measured at fair value. Land and buildings are revalued by external, independent valuers. Valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, and value the portfolio every three years.

Any surplus in excess of the carrying amount is transferred to a revaluation reserve net of deferred tax. Surpluses on revaluation are recognised as income to the extent that they reverse revaluation decreases of the same assets recognised as expenses in previous periods.

Deficits on 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. Other deficits are recognised in the statement of comprehensive income.

Where parts of an item of property, plant and equipment have significantly different useful lives, they are accounted for as separate items of property, plant and equipment. Although individual components are accounted for separately, the financial statements continue to disclose a single asset.

Subsequent cost

The Group recognises the cost of replacing part of such an item of property, plant and equipment in carrying amount when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as they are incurred.

Depreciation

Depreciation is recognised in the statement of comprehensive income 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.
The estimated useful lives for the current and comparative periods are as follows:

Item	Average useful life
Land and buildings	
Land	Indefinite
Building structure	50 years
Elevators	10 years
Aircraft	5 years
Heavy plant and machinery	10 – 20 years
Equipment	8 – 10 years
Other	
Motor vehicles	1 – 5 years
Office furniture and equipment	1 – 5 years

The residual values, useful lives and depreciation method are re-assessed at each financial year-end and adjusted if appropriate.

Derecognition

The carrying amount of items of property, plant and equipment 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 the statement of comprehensive income when the items are derecognised. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

1.16 Biological assets

A biological asset is a living animal or plant.

Measurement

A biological asset is measured initially and at reporting date at its fair value less estimated 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 impairment losses.

1.17 Leases

Finance leases

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

Finance leases – Group as lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Finance leases – Group as lessor

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Operating leases

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

Operating leases – Group as 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.

Operating leases – Group as lessee

Lease payments arising from operating leases are recognised in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

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.

1.18 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 available within three months.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

1.19 Inventories

Spares and consumables

Spares and consumables are valued at the lower of cost and net realisable value, on a weighted average method.

The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to the present location and condition.

Obsolete, redundant and slow-moving items of spares and consumable stores are identified on a regular basis and written down to their net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Raw materials and finished goods

Raw materials and finished goods consisting of phosphate rock, phosphoric acid and other minerals, are valued at the lower of either 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.

The valuation of inventory held by agents or in transit includes forwarding costs, where applicable.

1.20 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
- A reliable estimate can be made of the obligation

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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 arises only 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

After their initial recognition, contingent liabilities identified in business combinations that are separate are subsequently measured at the higher of:

- The amount that would be recognised as a provision
- The amount initially recognised less cumulative amortisation

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

Decommissioning provision

The obligation to make good environmental or other damage incurred in installing an asset is provided in full immediately, as the damage arises from a past event.

If an obligation to restore the environment or dismantle an asset arises on the initial recognition of the asset, the cost is capitalised to the asset and amortised over the useful life of the asset. The cost of an item of property, plant and equipment includes not only the 'initial estimate' of the costs relating to dismantlement, removal or restoration of property, plant and equipment at the time of installing the item but also amounts recognised during the period of use, for purposes other than producing inventory.

If an obligation to restore the environment or dismantle an asset arises after the initial recognition of the asset, then a provision is recognised at the time that the obligation arises.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

1.21 Contingent liabilities and commitments

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities are not recognised in the statement of financial position of the Group but disclosed in the notes.

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.

1.22 Taxation

Deferred tax

Deferred income tax and deferred capital gains tax are accounted for on the comprehensive basis, using the liability method for all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. In principle, 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 from 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 the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recognised in other comprehensive income.

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 and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Current tax also includes any adjustment to tax payable in respect of previous years.

1.23 Revenue

Revenue comprises net invoiced sales to customers, dividends, interest, rentals and fee income, but excludes value-added tax, and is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Sales to customers

Revenue from sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, associated costs and possible return of goods can be estimated reliably and there is no continuing managerial involvement with the goods.

Dividends

Dividend income is recognised in the statement of comprehensive income on the date the Group's right to receive payment is determined. Capitalisation shares received are not recognised as income.

Interest

Interest income is recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

Fees

- Income earned on the execution of a significant act is recognised when the significant act has been performed
- Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service
- Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income

Rental

See policy on leases.

1.24 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.

1.25 Employee benefits

Post-retirement medical benefits

Some Group companies provide post-employment healthcare benefits to its 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 every third year by independent qualified actuaries.

Defined contribution plans

The majority of the Group's employees are members of defined contribution plans and contributions to these plans are recognised in the statement of comprehensive income in the year to which they relate.

Defined benefit plans

A Group company operates a defined benefit plan, the assets of which are held in a separate trustee-administered fund. The scheme is generally funded through payments to the trustee-administered fund as determined by the 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 or compensation.

Where the calculation in respect of the defined benefit plan results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of the plan assets, together with adjustments for actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by the independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated cash outflows, using interest rates of government securities which 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 in income to the extent that cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceed the greater of 10% of:

- The present value of gross defined benefit obligation at that date
- The fair value of any plan assets at that date

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service life of the related employees.

1.26 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Executive Committee to make decisions about resources allocated to each segment and assess its performance, and for which discreet financial information is available.

1.27 Discontinued operations and non-current assets held-for-sale

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. A disposal group that is to be abandoned may also qualify.

Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a 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.

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 and loss even when there is a revaluation. The same applies to gains and losses on subsequent measurement.

Reclassification

The non-current asset 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 net book 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.

1.28 Related parties

The IDC operates in an economic environment together with other entities, directly or indirectly, owned by the South African Government. As a result of the constitutional independence of all three spheres of government in South Africa, 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.

1.29 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.

1.30 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.

Property, plant and equipment

The market value of land and buildings is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

Intangible assets

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Investment property

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

- ***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 such a property would fetch, i.e. the market-related rental between a willing landlord and tenant. The usual property outgoings are deducted to achieve a net rental, which is then capitalised at a rate an investor would require receiving the income

- ***Comparative method***

  The method involves the identification of comparable properties sold in the area or in a comparable location within a reasonable time. The selected comparable properties are analysed and compared with the subject property. Adjustments are then made to their values to reflect any differences that may exist. This method is based on the assumption that a purchaser will pay an amount equal to what others have paid or are willing to pay

- ***Residual land valuation method***

  This method determines the residual value which is the result of the present value of expected inflows less all outflows (including income tax) less the developer's required profits. This is the maximum that the developer can afford to pay for the real estate. This residual value is in theory also the market value of the land

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

A Group company entered into a Business Assistance Agreement, which is considered to be an equity-settled, share-based payment transaction. The fair value of the technical and business services received in exchange for the grant of equity instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity instruments granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest.

1.31 Critical accounting policies and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Income taxes

Significant judgement is required in determining the world-wide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at each reporting date.

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

Judgement and assumptions in the valuations and impairments include:

- Free cash flows of investees
- Replacement values
- Determining the discount or premium applied to the IDC's stake in investees
- Sector/sub-sector betas
- Debt weighting – this is the target interest-bearing debt level
- Determining the realisable value of assets
- Probabilities of failure in using the NAV model

Post-employment obligations

Significant judgement and actuarial assumptions are required to determine the fair value of the post-employment obligations. More detail on these actuarial assumptions is provided in note 37 to the financial statements.

Environmental rehabilitation liability

In determining the environmental rehabilitation liability, an inflation rate of 6.00% (FY2011: 6.31%) was assumed to increase the rehabilitation liability for the next 20 years, and a rate of 8.37% (FY2011: 8.97%) to discount that amount to present value. The discount rate assumed of 8.37% is a risk-free rate, specifically the rate at which the R186 South African government bond was quoted at year-end.

Fair value of share-based payments

The fair value of equity instruments on grant date is determined based on a simulated company value, using the Geometric Brownian Motion model. The valuation technique applied to determine the simulated company value is part of the Monte Carlo simulation methodology.

Impairment of assets

The Group follows the guidance of IAS 36: Impairment of Assets, to determine when an asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates the impairment indicators that could exist at year-end, such as significant decreases in the selling prices of finished goods, significant decreases in sales volumes and changes in the international export regulatory environment.

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 recei-vables	Available-for-sale	Other amortised cost	Total	Fair value
Group – 2012							
Assets							
Cash and cash equivalents	4	–	7 825	–	–	7 825	7 825
Loans and advances to clients	6	–	15 978	–	–	15 978	15 978
Investments – listed equities	7	–	–	54 381	–	54 381	54 381
Investments – unlisted equities	7	–	–	6 308	–	6 308	6 308
Investments – preference shares	7	1 205	–	7 770	–	8 975	8 975
Derivative assets	18	7	–	–	–	7	7
Trade and other receivables	5	–	1 010	–	–	1 010	1 010
Liabilities							
Loans	20	–	–	–	9 923	9 923	9 778
Derivative liabilities	18	5	–	–	–	5	5
Bank overdrafts	4	–	–	–	3	3	–
Trade and other payables	19	–	–	–	1 927	1 927	1 927
Group – 2011							
Assets							
Cash and cash equivalents	4	–	5 828	–	–	5 828	5 828
Loans and advances to clients	6	–	12 053	–	–	12 053	12 053
Investments – listed equities	7	–	–	56 664	–	56 664	56 664
Investments – unlisted equities	7	–	–	5 007	–	5 007	5 007
Investments – preference shares	7	999	–	7 896	–	8 895	8 895
Derivative assets	18	10	–	–	–	10	10
Trade and other receivables	5	–	721	–	–	721	721
Liabilities							
Loans	20	–	–	–	6 677	6 677	6 583
Derivative liabilities	18	11	–	–	–	11	11
Bank overdrafts	19	–	–	–	14	14	14
Trade and other payables	19	–	–	–	1 152	1 152	1 152

Figures in Rand million	Notes	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Company – 2012							
Assets							
Cash and cash equivalents	4	–	7 117	–	–	7 117	7 117
Loans and advances to clients	6	–	15 070	–	–	15 070	15 070
Investments – listed equities	7	–	–	34 647	–	34 647	34 647
Investments – unlisted equities	7	–	–	6 102	–	6 102	6 102
Investments – preference shares	7	1 205	–	7 770	–	8 975	8 975
Derivative assets	18	6	–	–	–	6	6
Trade and other receivables	5	–	275	–	–	275	275
Liabilities							
Loans	20	–	–	–	17 814	17 814	17 669
Derivative liabilities	18	3	–	–	–	3	3
Trade and other payables	4	–	–	–	551	551	551
Company – 2011							
Assets							
Cash and cash equivalents	4	–	5 237	–	–	5 237	5 237
Loans and advances to clients	6	–	9 294	–	–	9 294	9 294
Investments – listed equities	7	–	–	35 811	–	35 811	35 811
Investments – unlisted equities	7	–	–	4 765	–	4 765	4 765
Investments – preference shares	7	999	–	7 896	–	8 895	8 895
Derivative assets	18	4	–	–	–	4	4
Trade and other receivables	5	–	224	–	–	224	224
Liabilities							
Loans	20	–	–	–	13 895	13 895	13 801
Derivative liabilities	18	8	–	–	–	8	8
Trade and other payables	19	–	–	–	433	433	433

3. Financial risk management

Introduction and overview

A fundamental shift in the perception of risk management has taken place globally over the past few years. It has moved from a back office reporting/control/cost centre into a strategic competitive weapon. Modern risk management is now perceived as playing a key role in the major strategic decisions of an organisation.

RISK MANAGEMENT APPROACH

Enterprise Risk Management

In line with sectoral best practice, the IDC has instituted a robust Enterprise Risk Management (ERM) process, founded on a framework that is shareholder-value based, organisationally embedded, supported and assured, and reviewed on a continuous basis. ERM is the application of risk management throughout the Corporation rather than only in selected business areas or disciplines. Accordingly, risk management at the IDC is both decentralised and centralised, with every staff member of the Corporation being responsible for risk management.

ERM is designed to assist the IDC with the identification, quantification and prioritisation of material risks that have the ability to impact the business. ERM recognises that risks (including opportunities) are dynamic, often highly interdependent and ought not to be considered and managed in isolation. ERM responds to this challenge by providing a methodology for managing Corporation-wide risks in a comprehensive and integrated way. The objective of ERM is to ensure that these components provide a continuous, reiterative process of risk identification, validation, management and review. The ERM process focuses on the main strategic risks to which the IDC is exposed.

When properly executed, risk management provides reasonable, but not absolute assurance, that the institution will be successful in achieving its goals and objectives. Risks manifest as negative impacts on goals and objectives or as missed opportunities to enhance institutional performance. IDC's stakeholders expect its decision-makers to anticipate and manage risks in order to eliminate waste and inefficiency, reduce shocks and crises and to continuously improve capacity for delivering on their institutionalised mandates.

IDC's business model strives to maximise financial and developmental returns while maintaining an acceptable risk profile.

The IDC's Risk Management Framework

The objectives of the IDC's Risk Management Framework include ensuring the application of best practice, achieving compliance with legislative requirements and ensuring that these activities are more than a compliance exercise but rather a value-addition tool to assist the Corporation in the achievement of its strategic objectives. These objectives are achieved through adoption of legislative requirements, benchmarking on best practice and resource allocation and utilisation of the outcomes in decision-making by all levels in the Corporation.

The Risk Management Framework lays out guiding principles for the IDC's management of risk on an ERM basis. This framework is not one discrete policy, strategy or document. Rather, it comprises the totality of all the structures, policies, strategies and procedures within the IDC that deal with risk management at the strategic or ERM level. The components of the Risk Management Framework are discussed below:

A. Annual Risk Assessment

In compliance with the conditions of the Public Finance Management Act (Act No. 1 of 1999) (PFMA), and in line with the recommendations of the King Code of Governance principles (King III) and the Public Sector Risk Management Framework, an assessment of risk faced by the IDC is undertaken annually. This process strives to achieve the identification of the critical risks the Corporation may face to enable the Corporation to formulate appropriate risk strategies and action plans to mitigate and address these risks, where necessary. The process followed in the IDC's risk assessment incorporates seven steps as presented below:

- Strategy: The risk assessment process of the Corporation follows a top down approach as recommended by King III and other best practice standards. That is, the risk assessment is based on those risks which arise from the Corporation's strategic objectives and those risks which could prevent the Corporation from achieving its strategic objectives
- Risk Identification: The risks that the Corporation may be exposed to are determined based on the following:
  - Review of prior years risk assessments
  - Review of Internal Audit Department findings for the previous two years
  - Review of the External Auditor's Management Letter for the previous two years
  - Inputs from IDC's Executive Management, Strategic Business Unit and Departmental Heads and other senior staff

  - Analysis of benchmarked risk standards (mainly King III, Basel II) and other organisations' ERM activities
- Risk Assessment: The risks identified are assessed based on the probable impact following an occurrence and the likelihood of the occurrence happening in order to determine a risk ranking. Risks are assessed on a residual risk basis; that is, the possible impact and likelihood take into consideration the Corporation's existing controls
- Risk Mitigation: Controls for each of the risks are identified through business-focused workshops with Strategic Business Unit and Departmental Heads and other senior role players
- Execution and Monitoring: The results of the risk assessment, including key controls under review are presented to IDC's Executive Management and the IDC Board Risk and Sustainability Committee. Thereafter, a summary of key matters is presented to the IDC Board. This process enables IDC's Executive Management and Board to highlight areas where additional focus is required
- Assurance: Assurance that the risks identified and the associated controls are appropriate and effective is the responsibility of the assurance providers, as identified in the assessment. Internal Audit, as the Corporation's main assurance provider, utilises this risk assessment in the formulation of its Internal Audit Programme
- Monitoring and Reporting: Risks are continuously monitored and reported on to ensure that the risk assessment exercise does not become a tick-box exercise. The risk assessment process results in the formation of a Risk Universe and Risk Register for the Corporation which details the material strategic or macro risks to which it is exposed

B. Risk Appetite and Risk Tolerance Process

One of the key practices of risk management is the determination and quantification of an organisation's risk appetite based on what is of strategic importance. IDC continuously makes improvements to the process to ensure that it is applicable to the Corporation and its strategic intent.

The setting of an effective risk appetite is considered one of the key building blocks to establishing a sound risk management framework. Risk appetite is defined as the amount and type of risk that an organisation is willing to pursue or retain. The determination of the IDC's risk appetite plays an important role in its ERM activities. It is also considered by the IDC to be a leading best practice methodology to assist it to achieve its strategic objectives while maintaining a sound platform for future viability and continued growth.

Defining the level of risk the IDC is comfortable with assists it to: make better informed business decisions; focus on those risks that exceed the defined appetite for risk; develop a business culture with a high awareness of risk; and strike a balance between daring and prudence.

The IDC's risk appetite is linked and aligned to its mandate and business objectives and is an agreement between its business goals and the related risks.

Risk tolerance is considered an integral part of the process and is an organisation's readiness to bear the risk after risk mitigation, in the pursuit of its strategic objectives.

The setting of risk appetite and tolerance levels aids operational decision-making and strategic planning and provides management with the information to determine whether the risk profiles of current and potential activities are either financially acceptable or require additional risk management measures to reduce the volatility to within risk appetite limits. Hence, it helps management to allocate resources and management time to the most significant risks. The use of risk appetite also ensures that management does not make conservative decisions that expose the Corporation to insufficient risk and hence generate inadequate returns on capital.

The IDC's Risk Appetite and Tolerance Process incorporate the five steps set out below:

1. **Establish Key Risk Indicator (KRI) per risk:**
   For each of the risks identified in step 2 of the risk assessment process, one or more KRI is established. The KRI can be financial and non-financial, qualitative or quantitative. A KRI is related to a specific risk and is an indicator that provides an effective monitoring tool to measure changes in risk levels and keep management appraised of shifts in established patterns. Measurement of the KRI is used to answer the question: "How is our risk profile changing and is it within our desired tolerance levels?"

2. **Establish the risk appetite thresholds per KRI:**
   The IDC has determined its risk appetite thresholds based on its strategic objectives, corporate values, organisational and control dimensions. Risk appetite, at the IDC, is defined as the amount of risk exposure, or potential adverse impact from an event that the IDC is willing to accept/retain. For each risk, the IDC risk appetite thresholds are determined on three simple levels: appetite for the risk, tolerate the risk, or avoid the risk. Once a risk threshold has been breached or KRI indicates that breach is eminent, risk management treatments and business controls are considered/implemented to bring the exposure level back to within an acceptable range.
3. **Review the results with the risk owners:**
   Once KRI and risk appetite/tolerance levels have been set per risk, a review of the combined results is undertaken with each of the risk owners. The actual result for each of the risks is calculated and compared to the risk appetite thresholds. During this process each individual risk is assessed.
4. **Compare risk measurement outcomes with results from the annual risk assessment:**
   The next step is to assess how the risk appetite outcomes compare to the risk profile established through the annual risk assessment. This assessment is achieved through a gap analysis and focuses on what is considered to be the most important risks.
5. **Summarise key findings:**
   An analysis and comparison of the risk appetite thresholds with the actual results are undertaken to identify the key risks facing the IDC.

C. Risk Management Plan

Risk management, like any business activity should be continuously improved. This means that the Corporation will always strive to move from its current level of risk maturity to a more mature level of risk. This maturity can include: improvements in risk governance, risk identification, risk assessment, risk monitoring, and risk optimisation.

Risk Management Plan detailing proposed activities and improvements to IDC's ERM activities is prepared on an annual basis.

D. Risk Management Policy Statement

The Risk Management Policy Statement communicates the Corporation's stance with regard to risk management. It is a brief statement about the Corporation's commitment to risk management and is informed by, *inter alia*, the Corporation's risk profile, appetite for loss, loss tolerance levels and sustainability management.

Risk Management Department

The Risk Management Department (RMD) of the IDC proactively promotes risk awareness, while monitoring and overseeing the management of key risks facing the Corporation on the basis of the ERM Framework. RMD is an independent cost centre established in line with best practise. RMD provides credit, operational and enterprise risk management analysis/products/services to its various stakeholders including: IDC's Board and Board Risk and Sustainability and other Board Committees, Executive Management, IDC's external and internal Auditors, Strategic Business Units (SBU's), Departments and other stakeholders. RMD's primary objectives are:

- To support the receipt of appropriate financial and development returns while maintaining an acceptable risk profile
- To support the application of best practice principles in order to analyse and manage risks, so as to ensure the strongest protection for the Corporation's assets, its financial results, and consequently its capital
- Promoting a culture of increased risk awareness throughout the Corporation utilising/applying ERM activities and techniques
- To establish, review and implement various risk management policies, systems, and/or frameworks

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 business partners 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 provision of loans, advances, *quasi*-equity, equity investments, and guarantees represent the Corporation's core business.

Major Risk Categories Identified at IDC:

Strategic risk

This category refers to the risk of an organisation's value collapsing, stagnating or migrating as a result of a failure to adapt to changing industry profit patterns. Key risks include macro-economic risk, which has increased significantly over the past few years due to, *inter alia*, geographical developments, lower economic growth for both advanced and emerging economies, changes in access to financial capital and changing customer priorities. In response to the global economic crisis, the IDC considers intervening in businesses that are experiencing difficulties. In line with its mandate, each application is considered on its own merit and no blanket bailouts at broad industry level are accorded. Specific criteria and considerations have to be met before funding is approved.

Other risks included in this category are reputational risk, knowledge management risk, people risk, developmental risk and stakeholder management risk, i.e. failing to meet the Corporations' mandate.

The IDC Board have the responsibility for defining the strategic direction of the IDC and ensuring that it is managed in a manner consistent with strategy. The challenge is for the global strategic and risk perspectives to be communicated to and understood by staff at all levels of the Corporation such that, combined, there is sufficient information to reflect the overall attitude to risk and to determine whether or not risks should be accepted, mitigated or avoided. This challenge can be addressed through the definition and measurement of the Corporation's risk appetite mentioned above.

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 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 and financial compliance risk, as well as credit and settlement risk related to the potential for counterparty default. Other financial risks faced by the Corporation include: the risk of over-concentrating investments in certain economic sectors, regions or counterparties as well as the risk of over-dependency on a limited number of investments and/or types of products and the risk of margin erosion due to inappropriate pricing relative to the cost of funding of capital. 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

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 and any 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
- 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 to which it is exposed and has established risk concentration limits and policies for:

- Individual and groups of counterparties
- Geographical locations
- 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 limits

The need for a counterparty limit is to identify and protect the IDC's balance sheet and income statement from significant losses/volatility which threaten financial sustainability, should a counterparty default or experience material loss in value. A counterparty could be any one client or a client which has one or more similarities with another client to which IDC has or had a credit exposure, e.g. shareholding (by legal or natural person) of 51% or more; management control; revenue or expenses reliance of 51% or more; and/or provides security for 51% or more of IDC's exposure.

The Basel II 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.

Sector limits

Concentration risk in the context of sectors generally comes into being through an uneven distribution of an institution's exposure to business 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 business 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 concentrations entails the establishment of investment 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 or reducing certain exposures). Experience has shown that the earlier risks are identified, the more effectively they can be countered.

Although the IDC's business cuts across a number of sectors, it could be exposed to concentration risk by virtue of disproportionately large exposures in any of these sectors. Managing and monitoring such concentrations to limit downside potential is therefore an integral part of an effective risk management programme. To avoid undue losses due to associated exposures, the IDC strives to identify potential common risk factors and minimise its aggregate exposure to these risk factors. By spreading its risk over many sectors instead of 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 identify concentrations of exposures that could become closely related, especially during a crisis; this provides an important mechanism to protect the long-term financial soundness of the IDC.

The key challenge to establish a sector limit methodology is to ensure that it is effective in protecting the institution from credit events and be practical in its enforcement. The establishment of sector limits is aligned with the overall strategy of the IDC (including its risk appetite).

Geographical/regional limits

The IDC's vision is to be the primary driving force of commercially sustainable industrial development and innovation to the benefit of South Africa and the rest of the continent. The IDC has realised that, for the South African economy to grow at a pace that is conducive to creating sufficient jobs for South Africans, the economies in the rest of Africa must also grow and prosper. This is achieved by promoting entrepreneurship through the building of competitive enterprises based on sound business principles.

To this end, regional limits and country boundaries relating to IDC's investment activities outside South Africa are in place. The IDC Act views Africa in terms of South Africa, southern Africa and the rest of Africa. This distinction is evident of 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.

Should approval of a transaction result in breach of this limit explicit approval is required from the Board Investment Committee.

Sectoral analysis

	Group				Company			
	Loans and advances to clients		Investment securities		Loans and advances to clients		Investment securities	
Figures in Rand million	2012	2011	2012	2011	2012	2011	2012	2011
Carrying amount as per Notes 6 and 7	15 978	12 053	69 664	70 566	15 070	9 294	49 724	49 471
Concentration by sector as per Standard Industrial Classifications (SIC):								
Agriculture, forestry and fishing	792	477	216	236	705	376	216	236
Basic chemicals	20	75	368	313	17	52	368	313
Basic iron and steel	50	38	2 733	4 205	49	29	2 733	4 205
Basic non-ferrous metals	108	–	7 909	9 142	107	–	7 909	9 142
Beverages	22	26	–	6	22	18	–	6
Building construction	446	691	249	205	439	541	249	205
Business services	55	60	85	148	44	43	85	148
Catering and accommodation services	1 671	2 027	15	24	1 605	1 575	15	24
Coal mining	186	6	6 212	5 724	183	5	6 212	5 724
Communication	2 004	1 907	43	92	1 865	1 454	43	92
Electrical machinery	89	77	–	–	88	61	–	–
Electricity, gas and steam	761	937	18	13	743	751	18	13
Finance and insurance	589	493	546	878	580	395	546	878
Food	973	385	143	77	958	303	143	77
Footwear	8	6	–	–	8	5	–	–
Furniture	31	22	–	–	31	17	–	–
Glass and glass products	103	4	–	–	101	3	–	–
Gold and uranium ore mining	405	473	517	493	363	379	517	493
Government	44	–	13	–	43	–	13	–
Machinery and equipment	398	237	14	16	389	189	14	16
Medical, dental and other health and veterinary services	495	307	1 371	887	487	227	1 371	887
Metal products excluding machinery	475	329	23	19	467	260	23	19
Motor vehicles, parts and accessories	1 805	626	100	13	1 755	501	100	13
Non-metallic minerals	148	61	10	7	146	39	10	7
Other community, social and personal services	519	416	1 132	986	511	307	1 132	986
Other chemicals and man-made fibres	603	282	21 582	22 544	568	221	1 642	1 449
Other industries	88	77	–	–	86	33	–	–
Other mining	1 443	713	25 650	23 660	1 097	534	25 650	23 660
Other services	8	25	–	10	8	20	–	10
Other transport equipment	61	87	11	2	60	62	11	2
Paper and paper products	62	84	132	117	61	67	132	117
Plastic products	140	57	77	84	137	45	77	84
Printing, publishing and recorded media	31	49	–	3	31	36	–	3
Professional and scientific equipment	56	47	1	–	48	38	1	–
Rubber products	5	–	–	–	5	–	–	–
Television, radio and communication equipment	47	23	3	2	46	16	3	2
Textiles	368	234	–	–	361	176	–	–
Transport and storage	284	61	13	48	279	41	13	48
Water supply	208	213	4	3	205	170	4	3
Wearing apparel	132	133	–	–	130	99	–	–
Wholesale and retail trade	147	201	26	49	145	158	26	49
Wood and wood products	98	87	448	560	97	48	448	560
	15 978	12 053	69 664	70 566	15 070	9 294	49 724	49 471

Geographical analysis

Figures in Rand million	Group				Company			
	Loans and advances to clients		Investment securities		Loans and advances to clients		Investment securities	
	2012	2011	2012	2011	2012	2011	2012	2011
Carrying amount as per Notes 6 and 7	15 978	12 053	69 664	70 566	15 070	9 294	49 724	49 471
Concentration by location:								
South Africa	11 584	8 304	68 376	68 064	10 780	6 350	48 436	46 969
SADC	2 709	2 351	527	1 469	2 631	1 856	527	1 469
Rest of Africa	1 324	1 158	–	–	1 303	899	–	–
Outside Africa	361	240	761	1 033	356	189	761	1 033
	15 978	12 053	69 664	70 566	15 070	9 294	49 724	49 471

Internal rating model and pricing

The IDC is progressing well in developing internal credit rating and probability of default calculation methodologies. To date, Internal Rating Templates (IRTs) have been developed and implemented for Small and Medium Enterprises (SMEs), Middle Market clients and Projects. The SME and Middle Market methodologies are principally based on Moody's KMV products, including RiskAnalyst, RiskCalc South Africa, together with the IRTs whilst the Project IRTs were developed internally. The probabilities of default produced by the SME and Middle Market models are one of the tools utilised in determining the credit risk and appropriate pricing structure for these facilities.

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
- To assist in identifying which clients are due for review

Credit risk exposure

	Group				Company			
	Loans and advances to clients		Investment securities		Loans and advances to clients		Investment securities	
Figures in Rand million	2012	2011	2012	2011	2012	2011	2012	2011
Carrying amount as per Notes 6 and 7	15 978	12 053	69 664	70 566	15 070	9 294	49 724	49 471
Individually impaired								
Low risk	1 249	1 388	1 365	1 065	764	1 387	1 365	1 065
Medium risk	2 406	1 031	476	739	2 273	1 031	476	739
High risk	1 209	669	368	209	1 200	669	368	209
Gross amount	4 864	3 088	2 209	2 013	4 237	3 087	2 209	2 013
Allowance for impairment	(2 307)	(1 663)	(1 227)	(1 199)	(2 307)	(1 663)	(1 227)	(1 199)
Carrying amount	2 557	1 425	982	814	1 930	1 424	982	814
Past due but not impaired								
Low risk	68	23			68	22		
Medium risk	318	205			316	205		
High risk	81	43			81	43		
Carrying amount	467	271			465	270		
Past due comprises:								
0 – 30 days	89	39			89	38		
31 – 60 days	55	29			54	29		
61 – 90 days	18	13			18	13		
91 – 120 days	16	7			16	7		
120 days +	289	183			288	183		
Carrying amount	467	271			465	270		
Neither past due nor impaired								
Low risk	7 755	4 376	55 204	53 297	7 488	3 255	35 263	32 202
Medium risk	5 244	5 646	13 478	16 215	5 243	4 148	13 479	16 215
High risk	177	520	–	240	166	382	–	240
Carrying amount	13 176	10 542	68 682	69 752	12 897	7 785	48 742	48 657
Portfolio impairment	(222)	(185)	–	–	(222)	(185)	–	–
Total carrying amount	15 978	12 053	69 664	70 566	15 070	9 294	49 724	49 471
Carrying value of renegotiated loans	1 337	1 240	–	–	1 335	1 226	–	–

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.

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:

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted instruments where the valuation technique includes inputs not based on observable data and includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions reflect differences between the instruments.

IDC financing activities (Rand million)	Group 2012	Group 2011	Company 2012	Company 2011
Against impaired assets				
General notarial bond	3 216	538	3 216	538
Special notarial bonds	223	96	223	96
Mortgage bond	782	518	782	518
Other	–	19	–	19
	4 221	1 171	4 221	1 171
Gross value of impaired loans as at 31 March	4 864	3 088	4 237	3 088
Against loans in arrears and not impaired				
General notarial bond	1 305	329	1 305	329
Mortgage bond	521	444	521	444
Special notarial bond	201	168	201	168
Guarantees	102	–	102	–
Other	230	–	230	–
	2 359	941	2 359	941
Gross value of loans in arrears not impaired as at 31 March	467	271	465	270

Group 2012	Level 1	Level 2	Level 3	Total
Derivative assets held for risk management	–	7	–	7
Listed equities	54 381	–	–	54 381
Unlisted equities	–	6 308	–	6 308
Preference shares	–	8 975	–	8 975
	54 381	15 290	–	69 671
Derivative liabilities held for risk management	–	5	–	5

Group 2011	Level 1	Level 2	Level 3	Total
Derivative assets held for risk management	–	10	–	10
Listed equities	56 664	–	–	56 664
Unlisted equities	–	5 007	–	5 007
Preference shares	–	8 895	–	8 895
	56 664	13 912	–	70 576
Derivative liabilities held for risk management	–	11	–	11

Company 2012	Level 1	Level 2	Level 3	Total
Derivative assets held for risk management	–	6	–	6
Listed equities	34 647	–	–	34 647
Unlisted equities	–	6 102	–	6 102
Preference shares	–	8 975	–	8 975
	34 647	15 083	–	49 730
Derivative liabilities held for risk management	–	3	–	3

Company 2011	Level 1	Level 2	Level 3	Total
Derivative assets held for risk management	–	4	–	4
Listed equities	35 811	–	–	35 811
Unlisted equities	–	4 765	–	4 765
Preference shares	–	8 895	–	8 895
	35 811	13 664	–	49 475
Derivative liabilities held for risk management	–	8	–	8

Financial: 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. The movements are mainly as a result of changes in interest rates, foreign exchange rates, liquidity position and equity prices. Also, factors such as political, social and regulatory environments may have an impact on the financial position and portfolio.

The Asset and Liability Committee (ALCO) provides the objective oversight and makes delegated decisions on all financial market risk information. The ALCO ensures that scenario planning and an analysis process on IDC's statement of financial position in respect of all key financial market risks is executed, as well as optimising the statement of financial position in that the likely effects of risk exposures on the IDC's earnings are assessed and appropriate actions taken; with particular analytical emphasis on:

- Monitoring and managing the composition, size and maturity of the IDC asset/liability portfolio
- Monitoring the investment products in terms of statement of financial position structure and risk
- Reviewing cash flow forecasts and performing liquidity, interest rates, foreign exchange rates and equity price stress
- Testing
- Ensuring that the asset/liability portfolio complies with approved policies

Equity sensitivity analysis

Sensitivity analyses were performed on the company's equity portfolio, to indicate 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 R8 322 million increase in the equity values as at 31 March 2012 (2011: R9 491 million) and a 10% decrease will lead to a R8 757 million decrease in the equity values (2011: R8 882 million):

Period	10% increase	10% decrease
31 March 2012	R8 322m	(R8 757m)
31 March 2011	R9 491m	(R8 882m)

Liquidity risk

Liquidity risk is the probability that the Group will not be able to meet its obligation promptly for all maturing liabilities, increase in financing assets, including off-balance sheet commitments or any other financial obligations the IDC may have on a cost-effective and timely basis.

The liquidity risk is governed by the Asset and Liability Management policy and measured against the risk tolerance. The daily and short-term (up to 12 months) liquidity investment management is performed by Corporate Treasury, within the IDC Board approved Treasury limits. The bank account liquidity buffer is determined as the aggregate of the rolling next three months' net cash flows. The IDC holds sufficient liquid assets to meet any shortfall in cash flow requirements.

The exposure to liquidity risk has been covered during the period ended 31 March 2012:

Period	Liquidity cover required	Performance
31 March 2012	R3 874m	2.25 times
31 March 2011	R3 304m	2.10 times

Repricing risk of assets in the liquidity buffer portfolio is kept to a minimum as it is designed to protect the cash values in a three-month horizon.

Interest rate risk management

Interest rate risk is the risk that the net value of the IDC's asset portfolio and that of the liability portfolio are negatively affected by changes in interest rates. The interest rate risk is governed by the Asset and Liability Management Policy. The principal analytical technique used to quantify and measure IDC's interest rate risk is "Gap Analysis".

All assets, liabilities and derivative instruments are categorised in gap intervals/time buckets based on their repricing characteristics. Assets and liabilities for which no specific contractual repricing or maturity dates exist, are placed in gap maturity buckets based on management's discretion and the most likely repricing behaviour.

Interest rate sensitivity mismatch – Finance activities

RSA and RSL (Rate Sensitive Assets and Rate Sensitive Liabilities)

Interest rate sensitivity mismatch – March 2012 (Rand million)	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year
Assets	7 843	2 107	2 975	3 285
Liabilities	(80)	(97)	(551)	(8 195)
Interest rate sensitivity mismatch	7 763	2 010	2 424	(4 910)
Cumulative interest rate sensitivity mismatch	7 763	9 773	12 197	7 287
Cumulative interest rate sensitivity mismatch as a % of total assets	7.1	9.0	11.2	6.7

Interest rate sensitivity mismatch – March 2011 (Rand million)	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year
Assets	6 083	1 302	4 536	3 927
Liabilities	(538)	(348)	(480)	(4 593)
Interest rate sensitivity mismatch	5 545	954	4 056	(666)
Cumulative interest rate sensitivity mismatch	5 545	6 499	10 555	9 889
Cumulative interest rate sensitivity mismatch as a % of total assets	5.2	6.1	9.9	9.3

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:

Interest rate sensitivity – Finance activities

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

2012	Rand	US Dollar	Euro	Total
+ 100 bps rate shock for assets	184.7	5.3	0.4	190.4
+ 100 bps rate shock for liabilities	(40.3)	(5.2)	(0.9)	(46.4)
Net effect				
2012				
+ 100 bps rate shock	144.4	0.1	(0.5)	144.0
– 100 bps rate shock	(144.4)	(0.1)	0.5	(144.0)

2011	Rand	US Dollar	Euro	Total
+ 100 bps rate shock for assets	133.1	3.4	0.2	136.7
+ 100 bps rate shock for liabilities	(25.6)	(3.9)	(0.8)	(30.3)
Net effect				
2011				
+ 100 bps rate shock	107.5	(0.5)	(0.6)	106.4
– 100 bps rate shock	(107.5)	0.5	0.6	(106.4)

A 100 bps increase in all rates would increase the forecasted net interest income of the IDC by R144.0 million (2011: R106.4 million).

A 100 bps decrease in all rates would result in a decrease of forecasted net interest income by R144.0 million (2011: R106.4 million).

Foreign exchange risk

Foreign exchange risk is the risk that adverse changes in exchange rates have a negative impact on the economic value of the IDC. Foreign currency risk is governed by the Asset and Liability Management policy and is also limited by the IDC Board policy which states that 100% forward exchange cover is required for all foreign currency exposure, unless the financing is made available in foreign currency and matched to foreign borrowings.

All foreign currency risk is hedged through the utilisation of FECs or cross-currency swaps where appropriate, except where there is a natural hedge.

Currency US Dollar mismatch

Finance activities 2012

Figures in Rand million	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year	Total
Assets	62.8	48.7	86.2	380.6	578.3
Liabilities	(6.3)	(7.5)	(62.6)	(438.9)	(515.3)
Currency mismatch before hedging	56.5	41.2	23.6	(58.3)	63.0
Hedging – FECs	2.6	–	–	–	2.6
Currency mismatch after hedging	59.1	41.2	23.6	(58.3)	65.6
Cumulative currency mismatch	59.1	100.3	123.9	65.6	–

Currency US Dollar mismatch

Finance activities 2011

Figures in Rand million	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year	Total
Assets	52.2	20.1	41.4	282.0	395.7
Liabilities	(70.9)	(38.8)	(93.3)	(184.0)	(387.0)
Currency mismatch before hedging	(18.7)	(18.7)	(51.9)	98.0	8.7
Hedging – FECs	2.7	3.5	–	–	6.2
Currency mismatch after hedging	(16.0)	(15.2)	(51.9)	98.0	14.9
Cumulative currency mismatch	(16.0)	(31.2)	(83.1)	14.9	–

Currency Euro mismatch
Finance activities 2012

Figures in Rand million	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year	Total
Assets	10.0	3.0	3.6	35.4	52.0
Liabilities	(3.1)	(2.0)	(5.1)	(81.3)	(91.5)
Currency mismatch before hedging	6.9	1.0	(1.5)	(45.9)	(39.5)
Hedging – FECs	50.4	–	–	–	50.4
Currency mismatch after hedging	57.3	1.0	(1.5)	(45.9)	10.9
Cumulative currency mismatch	57.3	58.3	56.8	10.9	–

Currency Euro mismatch
Finance activities 2011

Figures in Rand million	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year	Total
Assets	4.7	2.8	5.5	9.5	22.5
Liabilities	(5.3)	(4.8)	(9.9)	(57.0)	(77.0)
Currency mismatch before hedging	(0.6)	(2.0)	(4.4)	(47.5)	(54.5)
Hedging – FECs	50.6	3.8	–	–	54.4
Currency mismatch after hedging	50.0	1.8	(4.4)	(47.5)	(0.1)
Cumulative currency mismatch	50.0	51.8	47.4	(0.1)	–

Currency Japanese Yen mismatch

Finance activities 2011

Figures in Rand million	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year	Total
Liabilities	(237.0)	–	(220.0)	–	(457.0)
Currency mismatch before hedging	(237.0)	–	(220.0)	–	(457.0)
Hedging – FECs	237.0	–	220.0	–	457.0
Currency mismatch after hedging	–	–	–	–	–
Cumulative currency mismatch	–	–	–	–	–

Residual contractual maturities of financial liabilities

Finance activities – 31 March 2012

	EURO	SA RAND	FOREIGN RAND	USD	JAPANESE YEN
Principal	92	3 900	128	515	–
Interest	11	547	18	30	–
	103	4 447	146	545	–
Payable within 1 year	12	221	44	87	–
Due after 1 year but within 5 years	32	4 226	102	392	–
Due after 5 years	59	–	–	66	–

Residual contractual maturities of financial liabilities

Finance activities – 31 March 2011

	EURO	SA RAND	FOREIGN RAND	USD	JAPANESE YEN
Principal	77	2 400	164	387	457
Interest	7	395	39	17	5
	84	2 795	203	404	462
Payable within 1 year	12	100	50	194	462
Due after 1 year but within 5 years	39	2 695	135	179	–
Due after 5 years	33	–	18	31	–

Foreign rand – Rand facilities arranged with counterparties outside South Africa

Interest rates	Range
SA Rand = 3-month JIBAR	5.600% – 6.800%
EUR = 3-month EURIBOR	0.681% – 5.738%
USD = 3-month LIBOR	0.468% – 1 310%

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 a 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 dictates that IDC can be geared up to a 100% of its capital.

Risk appetite

The Board approved risk appetite limit serves as a monitoring tool to ensure that the impact of investment activities in the Corporation do not have a negative impact on the Corporation's financial position.

There were no changes to the Group's approach to capital management during the year.

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
4. Cash and cash equivalents				
Cash and balances with bank	1 035	1 503	342	912
Negotiable securities	6 790	4 325	6 775	4 325
Bank overdraft	(3)	(14)	–	–
	7 822	5 814	7 117	5 237
Current assets	7 825	5 828	7 117	5 237
Current liabilities	(3)	(14)	–	–
	7 822	5 814	7 117	5 237

Cash and cash equivalents comprises cash deposits with banks and negotiable securities maturing within three months. These attract interest at market-related rates.

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
5. Trade and other receivables				
Trade receivables	1 010	721	275	224
Pre-payments	42	21	–	–
Other receivable	215	165	–	–
	1 267	907	275	224

Trade and other receivables pledged as security

A subsidiary entered into an invoice discounting agreement with Nedbank Limited whereby it has discounted all its debtors and has given first cession of all receivables as security for a R75 million (2011: R40 million) finance facility advanced to it.

A subsidiary South African Fibre Yarn Rugs (Pty) Limited has ceded its trade and other receivables in an amount of R27 million (2011: R27 million) as security to ABSA Finance Co (Pty) Limited.

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011

6. Loans and advances

Loans and advances to clients*	18 507	13 901	17 599	11 142
Specific impairment of loans and advances	(2 307)	(1 663)	(2 307)	(1 663)
Portfolio impairment of loans and advances	(222)	(185)	(222)	(185)
	15 978	12 053	15 070	9 294

** Interest rates range between 5% and 20%.*

Reconciliation of impairment of loans and advances

Specific allowances for impairment				
Balance at 1 April	1 663	1 997	1 663	1 997
Impairment loss for the year				
• Charge/(release) for the year	925	(232)	925	(232)
• Recoveries	(67)	(21)	(67)	(21)
• Effect of foreign currency movements	(25)	(7)	(25)	(7)
Write offs	(189)	(74)	(189)	(74)
Balance at 31 March	2 307	1 663	2 307	1 663
Portfolio allowance for impairment				
Balance at 1 April	185	170	185	169
Impairment charge for the year	37	15	37	16
Balance at 31 March	222	185	222	185
Total allowances for impairment	2 529	1 848	2 529	1 848
Maturity of loans and advances				
• Due within three months	2 800	2 170	2 799	2 157
• Due after three months but within one year	2 359	1 364	2 358	1 364
• Due after one year but within two years	3 419	2 517	3 419	2 516
• Due after two years but within three years	2 774	1 887	2 774	1 887
• Due after three years but within four years	3 076	1 495	3 076	1 495
• Due after four years but within five years	2 328	1 692	2 328	1 692
• Due after five years	1 751	2 776	845	31
• Impairment of loans and advances	(2 529)	(1 848)	(2 529)	(1 848)
	15 978	12 053	15 070	9 294

The Group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
7. Investments				
Listed equities	54 428	56 846	34 694	35 993
Unlisted equities	6 335	5 099	6 129	4 857
Preference shares	8 923	8 821	8 923	8 821
Preference shares – option values	1 205	999	1 205	999
	70 891	71 765	50 951	50 670
Impairment of listed shares	(47)	(182)	(47)	(182)
Impairment of unlisted shares	(27)	(92)	(27)	(92)
Impairment of preference shares	(1 153)	(925)	(1 153)	(925)
Shares at fair value	69 664	70 566	49 724	49 471
Specific allowances for impairment:				
Listed equities				
Balance at 1 April	182	78	182	85
Impairment (reversal)/charge for the year	(135)	104	(135)	97
	47	182	47	182
Unlisted equities:				
Balance at 1 April	92	97	92	97
Impairment reversal for the year	(65)	(5)	(65)	(5)
	27	92	27	92
Preference shares:				
Balance at 1 April	925	799	925	799
Impairment charge for the year	228	126	228	126
	1 153	925	1 153	925
Comprises:				
Impairment of listed shares	(47)	(182)	(47)	(182)
Impairment of unlisted shares	(27)	(92)	(27)	(92)
Impairment of preference shares	(1 153)	(925)	(1 153)	(925)
	(1 227)	(1 199)	(1 227)	(1 199)
8. Non-current assets held-for-sale				
Assets and liabilities				
Non-current assets held for sale				
Property, plant and equipment	15	15	–	–

Certain of the assets and liabilities relating to Prilla 2000 (Pty) Limited have been presented as held-for-sale following the decision to discontinue its operation in Cape Town. The decision was made by its directors to discontinue these operations due to a fire at the branch. The non-current assets are to be sold piecemeal.

Figures in Rand million	Company 2012	2011

9. Investments in subsidiaries

	2012	2011
Fair value of investments	29 939	30 016
Impairment of shares	(58)	(58)
Loans receivable	2 807	2 065
Impairment of loans	(1 173)	(788)
	31 515	31 235

IDC subsidiaries	Share class	Issued share capital	% interest	Shares at cost and fair value Rm 2012	Rm 2011	IDC net indebtedness to the holding company Rm 2012	Rm 2011	IDC net indebtedness by the holding company Rm 2012	Rm 2011
Arengo 316 (Pty) Ltd	Ordinary	–	100	–	–	98	79	–	–
Crossley Holdings (Pty) Ltd	Ordinary	–	59	–	–	242	162	–	–
Crossley Holdings (Pty) Ltd	Preference	7	–	25	25	–	–	–	–
Dymson Nominee (Pty) Ltd	Ordinary	–	100	2	2	40	39	–	–
Findevco (Pty) Ltd	Ordinary	–	100	–	–	–	–	(274)	(274)
Foskor (Pty) Ltd	Ordinary	9	59	8	8	500	100	–	–
Herdmans SA (Pty) Ltd	Ordinary	–	100	–	–	141	–	84	–
Impofin (Pty) Ltd	Ordinary	–	100	–	–	–	–	(88)	(88)
Kindoc Investments Ltd	Ordinary	–	100	–	–	154	154	–	–
Kindoc Sandton Properties (Pty) Ltd	Ordinary	–	100	–	–	220	212	–	–
Konbel (Pty) Ltd	Ordinary	–	100	–	–	–	–	(10)	(10)
Konoil (Pty) Ltd	Ordinary	–	100	–	–	–	–	(6 919)	(6 227)
Prilla 2000 (Pty) Ltd	Ordinary	4	100	14	14	324	244	–	–
Sustainable Fibre Solutions	Ordinary	–	67	4	4	122	122	–	–
South African Fibre Yarn Rugs	Ordinary	37	69	15	15	235	229	–	–
Sheraton Textiles (Pty) Ltd	Ordinary	–	80	–	–	47	47	–	–
Other subsidiaries	Ordinary	–	100	–	1	684	593	–	(16)
				68	69	2 807	2 065	(7 291)	(6 615)
Fair value adjustment				29 871	29 947	–	–	–	–
Impairment adjustment				(58)	(58)	(1 173)	(788)	–	–
Fair value				29 881	29 958	1 634	1 277	(7 291)	(6 615)

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

Profits and losses

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

	2012	2011
Profits	845	829
Losses	(236)	(359)
	609	470

All subsidiaries have the same reporting date as the holding company, except for Sustainable Fibre Solutions (Pty) Ltd whose year-end is June. The company prepared audited IFRS compliant financials for consolidation purposes as at 31 March 2012.

10. Investments in associates, partnerships and joint ventures

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
Associated companies	10 519	11 127	12 278	13 740
Fair value of investments – listed shares in associates	–	–	1 541	1 823
Fair value of investments – unlisted shares in associates	–	–	10 194	11 000
Impairment of shares	–	–	(907)	(699)
Net asset value at acquisition	1 441	1 453	–	–
Accumulated equity-accounted income	15 767	15 313	–	–
Accumulated equity-accounted losses and impairments	(8 412)	(7 524)	–	–
Loans receivable	2 361	2 410	2 361	2 397
Impairment of loans	(638)	(525)	(911)	(781)
Partnerships and joint ventures	48	278	48	278
Partners' capital	121	158	121	158
Accumulated profits	(70)	127	(70)	127
Impairment of partners' capital	(3)	(7)	(3)	(7)
	10 567	11 405	12 326	14 018
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 (Pty) Limited – at cost	–	–	7	7
Sasol Limited – at cost	131	131	–	–
	131	131	7	7

A register of investments is available and is open for inspection at the IDC's registered office.

Equity-accounted associated entities

Companies		Accounting periods*	% interest	Total exposure Rm 2012	Total exposure Rm 2011
Broadband Infraco (Pty) Ltd	Provides telecommunication infrastructure		26.00	349	404
Broodkraal Landgoed (Pty) Ltd	Farms table grapes	1/07/10 – 30/06/11	32.00	121	125
Capensis Management	Operates a hospital	1/03/11 – 29/02/12	22.52	212	219
Savannah Consortium	Mining and processing platinum metals	1/07/10 – 30/06/11	29.46	397	532
Duferco Steel Processing (Pty) Ltd	Processes steel coil	1/10/10 – 30/09/11	50.00	114	153
Eastern Produce Malawi Ltd	Farms tea coffee and macadamia nuts	1/01/11 – 31/12/11	26.80	58	73
Hans Merensky Holdings (Pty) Ltd	Holds investments in timber and agricultural industries	1/01/12 – 31/12/11	47.10	523	460
Hernic Ferrochrome (Pty) Ltd	Operates a ferrochrome plant		21.30	450	494
Hulamin Limited	Asset-leasing company	1/01/11 – 31/12/11	29.80	1 398	1 319
Imbani Platinum SPV (Pty) Ltd	Platinum mining	1/01/11 – 31/12/11	25.00	–	170
Incwala Resources (Pty) Ltd	Platinum mining	1/10/10 – 30/09/11	23.56	836	1 859
Karsten Boerdery (Pty) Ltd	Farms table grapes and dates	1/10/10 – 30/09/11	36.56	204	187
Merafe Limited	Operates chrome and alloys plant	1/01/11 – 31/12/11	21.90	600	583
Mozal S.A.R.L.	Produces primary aluminium metal	1/07/10 – 30/06/11	24.04	2 617	2 357
Sheba's Ridge Platinum	Produce base metals and platinum group metals	1/04/11 – 31/03/12	26.00	104	44
Umicore Catalyst (Pty) Ltd	Manufactures automotive catalysts	1/01/11 – 31/12/11	35.00	408	72
York Timber Limited	Sawmilling	1/07/10 – 30/06/11	29.80	619	591
Other associates			various	1 509	1 485
				10 519	11 127

** The accounting periods for which the financial statements of the associated entities have been prepared, where they are different from that of the investor, are disclosed above.*

Notes to the financial statements *(continued)*

for the year ended 31 March 2012

Figures in Rand million	Company 2012	Company 2011
Fair value		
Opening fair value of shares	12 124	11 568
Movement in fair value during the year:		
Chuma/Malibongwe/Savannah Platinum SPV (Pty) Limited	(355)	(214)
Hans Merensky Holdings (Pty) Limited	38	(31)
Hernic Ferrochrome (Pty) Limited	(11)	(112)
Hulamin (Pty) Limited	61	(49)
Incwala Resources (Pty) Limited	(891)	(199)
Merafe Limited	(341)	(87)
Mozal S.A.R.L.	352	545
York Timber Limited	2	49
Imbani Platinum SPV (Pty) Limited	(74)	(247)
Other	(77)	901
	10 828	12 124

Figures in Rand million	Group 2012	Group 2011
The aggregate amounts attributable to the IDC were as follows:		
Non-current assets	47 822	47 470
Current assets	21 258	20 931
	69 080	68 401
Equity	38 297	41 852
Non-current liabilities	16 179	14 995
Current liabilities	14 604	11 554
	69 080	68 401
Statement of comprehensive income:		
Revenue	33 600	33 023
Profits	719	2 032
Losses	(1 162)	(858)

Partnerships and joint ventures

	Percentage interest (%)	Total exposure 2012	Total exposure 2011
Horizon TechVentures Partnership	52.29	–	87
New Africa Mining Fund	19.87	38	81
Other Wholesale Venture Capital Funds	various	10	110
		48	278
Profits		–	18
Losses		(7)	(4)
		(7)	14

	Group		Company	
Figures in Rand million	2012	2011	2012	2011

11. Inventories

Consumable stores	325	301	10	11
Raw materials, components	646	300	–	–
Finished goods	330	282	–	–
Work in progress	37	20	–	–
Phosphate rock	522	348	–	–
	1 860	1 251	10	11

Group inventory to the value of R4.7 million was written down as a net realisable value adjustment at 31 March 2012 (2011: R1.0 million).

Inventory pledged as security

General notarial bonds are registered over inventories to the value of R15 million in favour of ABSA Bank as at 31 March 2012 (2011: R40 million).

12. Deferred tax

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
Composition of deferred taxation asset is as follows:				
Capital and other losses	20	18	–	–
Calculated tax losses	2	2	–	–
	22	20	–	–
Balance at the beginning of the year	20	16	–	–
Calculated tax losses	–	(2)	–	–
Temporary differences	2	6	–	–
Other	2	6	–	–
Balance at the end of the year	22	20	–	–
Composition of deferred taxation liability is as follows:				
Capital and other allowances	227	338	(519)	(442)
Capital gains and losses and fair value adjustments	7 139	4 768	8 522	6 676
	7 366	5 106	8 003	6 234
Reduced by taxation on:				
Calculated taxation losses	(76)	(95)	–	–
	7 290	5 011	8 003	6 234
At the beginning of the year	5 011	3 795	6 234	5 223
Calculated taxation losses	19	(76)	–	–
Temporary differences	2 260	1 292	1 769	1 011
• Property, plant and equipment	42	1	16	(2)
• Provisions	(371)	(114)	(371)	(84)
• Mining assets	22	238	–	–
• Capital gains and losses and fair value adjustments	2 371	1 102	1 845	1 113
• Other	196	65	279	(16)
Balance at the end of the year	7 290	5 011	8 003	6 234

13. Investment property

Group Figures in Rand million	2012 Cost	2012 Fair value	2011 Cost	2011 Fair value
Land and buildings leased to industrialists	11	11	9	9
Land held for development	87	87	74	74
Farming land and buildings	19	19	17	17
	117	117	100	100

Company	Cost	Fair value	Cost	Fair value
Land and buildings leased to industrialists	9	9	9	9

Fair value – Group – 2012 Figures in Rand million	Opening fair value	Fair value adjustments	Additions through business combinations	Closing fair value
Land and buildings leased to industrialists	9	–	2	11
Land held for development	74	13	–	87
Farming land and buildings	17	2	–	19
	100	15	2	117

Fair value – Group – 2011 Figures in Rand million	Opening fair value	Disposals	Closing fair value
Land and buildings leased to industrialists	9	–	9
Land held for development	76	(2)	74
Farming land and buildings	17	–	17
	102	(2)	100

Fair value – Company – 2012 Figures in Rand million	Opening fair value	Closing fair value
Land and buildings leased to industrialists	9	9

Fair value – Company – 2011 Figures in Rand million	Opening fair value	Closing fair value
Land and buildings leased to industrialists	9	9

14. Property, plant and equipment

Group Figures in Rand million	2012 Cost/ Valuation	 Accumulated depreciation	 Carrying value	2011 Cost/ Valuation	 Accumulated depreciation	 Carrying value
Land and buildings	1 681	(389)	1 292	1 632	(370)	1 262
Plant and machinery	5 233	(2 659)	2 574	4 617	(2 468)	2 149
Aircraft	194	(45)	149	187	(33)	154
Furniture and fixtures	82	(47)	35	67	(33)	34
Motor vehicles	44	(12)	32	9	(7)	2
Asset under construction	690	–	690	986	–	986
Total	7 924	(3 152)	4 772	7 498	(2 911)	4 587

Company Figures in Rand million	2012 Cost/ Valuation	 Accumulated depreciation	 Carrying value	2011 Cost/ Valuation	 Accumulated depreciation	 Carrying value
Land and buildings	–	–	–	11	–	11
Plant and machinery	103	(93)	10	167	(138)	29
Aircraft	141	(42)	99	132	(34)	98
Furniture and fixtures	22	(22)	–	21	(21)	–
Motor vehicles	6	(5)	1	5	(5)	–
Asset under construction	–	–	–	12	–	12
Total	272	(162)	110	348	(198)	150

Reconciliation of property, plant and equipment – Group – 2012 Figures in Rand million	Opening balance	Additions	Disposals	Transfers	Revalu–ations	Depreci-ation	Impair–ment reversal	Carrying value
Land and buildings	1 262	173	(13)	(29)	(69)	(32)	–	1 292
Plant and machinery	2 149	571	(36)	65	–	(245)	70	2 574
Aircraft	154	–	–	–	9	(14)	–	149
Furniture and fixtures	34	13	–	2	–	(14)	–	35
Motor vehicles	2	33	–	–	–	(3)	–	32
Asset under construction	986	24	–	(320)	–	–	–	690
	4 587	814	(49)	(282)	(60)	(308)	70	4 772

Reconciliation of property, plant and equipment – Group – 2011 Figures in Rand million	Opening balance	Additions	Additions through business combin-ations	Disposals	Transfers	Revalu-ations	Depreci-ation	Impair-ment loss	Carrying value
Land and buildings	1 207	244	17	(3)	87	(232)	(38)	(20)	1 262
Plant and machinery	1 849	476	42	(3)	(6)	1	(209)	(1)	2 149
Aircraft	176	–	–	–	–	–	(11)	(11)	154
Furniture and fixtures	7	39	–	–	–	–	(12)	–	34
Motor vehicles	2	3	–	–	–	–	(3)	–	2
Assets under construction	895	172	–	–	(81)	–	–	–	986
	4 136	934	59	(6)	–	(231)	(273)	(32)	4 587

Reconciliation of property, plant and equipment – Company – 2012 Figures in Rand million	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land and buildings	11	–	(11)	–	–	–	–
Plant and machinery	29	3	(26)	12	–	(8)	10
Aircraft	98	–	–	–	9	(8)	99
Furniture and fixtures	–	5	–	–	–	(5)	–
Motor vehicles	–	1	–	–	–	–	1
Asset under construction	12	–	–	(12)	–	–	–
	150	9	(37)	–	9	(21)	110

Reconciliation of property, plant and equipment – Company – 2011 Figures in Rand million	Opening balance	Additions	Depreciation	Impairment loss	Total
Land and buildings	11	–	–	–	11
Plant and machinery	29	5	(5)	–	29
Aircraft	118	–	(8)	(12)	98
Furniture and fixtures	–	11	(11)	–	–
Motor vehicles	–	1	(1)	–	–
Asset under construction	–	12	–	–	12
	158	29	(25)	(12)	150

Annual financial statements

A register containing the information required by Regulation 25(3) of the Companies Regulations 2011 is available for inspection at the registered office of the company.

Figures in Rand million	Group 2012	2011
Cost – capitalised finance lease	42	42
Accumulated depreciation	(16)	(14)
Carrying amount	26	28

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

15. Biological assets

Group Figures in Rand million	2012 Cost	 Accumulated depreciation	 Fair value	2011 Cost	 Accumulated depreciation	 Fair value
Maize	8	–	8	4	–	4
Planted walnut trees*	4	–	4	4	–	4
Pecan nuts**	2	–	2	–	–	–
Total	14	–	14	8	–	8

Company Figures in Rand million	2012 Cost	 Accumulated depreciation	 Fair value	2011 Cost	 Accumulated depreciation	 Fair value
Maize	–	–	–	4	–	4

Reconciliation of biological assets – Group – 2012 Figures in Rand million	Opening fair value	Additions	Gains or losses arising from changes in fair value	Closing fair value
Planted pecan nut trees	–	2	–	2
Maize	4	3	1	8
Planted walnut trees	4	–	–	4
	8	5	1	14

Reconciliation of biological assets – Group – 2011 Figures in Rand million	Opening fair value	Additions	Decreases due to harvest /sales	Disposals	Farming development cost	Closing fair value
Maize	3	4	–	(3)	–	4
Planted pistachio trees	2	–	(2)	–	–	–
Planted walnut trees	3	–	–	–	1	4
	8	4	(2)	(3)	1	8

Reconciliation of biological assets – Company – 2012 Figures in Rand million	Opening fair value	Disposals	Closing fair value
Planted walnut trees	4	(4)	–

Reconciliation of biological assets – Company – 2011 Figures in Rand million	Opening fair value	Additions	Decreases due to harvest/sales	Disposals	Closing fair value
Planted walnut trees	3	4	–	(3)	4
Planted pistachio trees	2	–	(2)	–	–
	5	4	(2)	(3)	4

* *Biological assets comprise planted walnut trees and because there is no other commercial crop grown in South Africa or anywhere in the world with the same climate conditions or even the same tree cultivars – it is thus not possible to benchmark this project on the basis of a similar project elsewhere in the world. This is a green field project with high levels of uncertainty/risk. Although the revised project cash flow model is the best estimate available at this time, it has a high degree of risk and past reviews indicate that the cash flows could vary significantly over time. Therefore biological assets are carried at cost less accumulated depreciation and impairment losses.*

No depreciation has been expensed to date as the planted walnut trees are not yet producing significant quantities of walnuts.

** *Biological assets comprises pecan nut trees and because the trees were only planted during the current financial year, there was too much uncertainty regarding the assumptions that would need to be made to perform an expected valuation. Therefore the pecan nut trees are carried at cost less accumulated depreciation and impairment losses.*

No depreciation has been expensed to this date as the planted pecan nut trees are not yet producing any quantities of pecan nuts.

16. Intangible assets

Group	2012			2011		
Figures in Rand million	Cost/ Valuation	Accumulated amortisation	Carrying value	Cost/ Valuation	Accumulated amortisation	Carrying value
Goodwill	829	(829)	–	820	(820)	–
Computer software, other	6	(5)	1	6	(5)	1
Total	835	(834)	1	826	(825)	1

Reconciliation of intangible assets – Group – 2012 Figures in Rand million	Opening balance	Additions	Amortisation	Total
Computer software, other	1	1	(1)	1

Reconciliation of intangible assets – Group – 2011 Figures in Rand million	Opening balance	Additions	Disposals	Impairment loss	Total
Goodwill	–	202	–	(202)	–
Computer software, other	2	–	(1)	–	1
Total	2	202	(1)	(202)	1

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011

17. Share capital

Authorised				
A shares of R1 each – 1 000 000	1	1	1	1
B shares of R1 each – 1 499 000 000	1 499	1 499	1 499	1 499
	1 500	1 500	1 500	1 500
Issued				
Ordinary Type A	1	1	1	1
Ordinary Type B	1 392	1 392	1 392	1 392
	1 393	1 393	1 393	1 393

A shares are not transferable 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.

18. Derivative financial instruments

Derivative assets				
Foreign exchange contract assets	7	10	6	4
Derivative liabilities				
Foreign exchange contract liability	5	11	3	8

19. Trade and other payables

Trade payables	1 927	1 152	551	433
Accrued leave pay	91	84	59	52
Accrued bonus	268	308	236	207
	2 286	1 544	846	692
Movement in accruals:				
Bonuses				
Balance at the beginning of the year	308	208	207	150
Additional accruals raised during the year	228	219	196	117
Utilised during the year	(268)	(119)	(167)	(60)
Balance at the end of the year	268	308	236	207
Leave pay				
Balance at the beginning of the year	84	76	52	48
Additional accruals raised during the year	51	47	18	15
Utilised during the year	(44)	(39)	(11)	(11)
Balance at the end of the year	91	84	59	52

Figures in Rand million		Group 2012	Group 2011	Company 2012	Company 2011

20. Other financial liabilities

		Group 2012	Group 2011	Company 2012	Company 2011
Foreign loans		6 423	4 959	6 384	4 895
Domestic loans		3 500	1 718	11 430	9 000
		9 923	6 677	17 814	13 895
Non-current liabilities					
Foreign loans		5 675	3 595	5 685	3 560
Domestic loans		2 404	962	2 355	907
		8 079	4 557	8 040	4 467
Current liabilities					
Foreign loans		748	1 364	699	1 335
Domestic loans		1 096	756	9 075	8 093
		1 844	2 120	9 774	9 428
		9 923	6 677	17 814	13 895
Foreign Loans	**Interest rate**				
• US Dollar	0.35% to 2.355%	3 956	2 618	3 917	2 554
• Euro	0.67% to 5.738%	938	740	938	740
• Japanese Yen	1.4% to 1.45%	–	37	–	37
• SA Rand-denominated	5.5% to 6.795%	1 529	1 564	1 529	1 564
		6 423	4 959	6 384	4 895
Maturity of foreign loans					
• Due within one year		748	1 364	699	1 335
• Due after one year but within five years		4 610	3 051	4 620	3 016
• Due after five years		1 065	544	1 065	544
		6 423	4 959	6 384	4 895
Maturity of domestic loans					
• No set dates of repayment		–	–	9 075	8 093
• Due within one year		1 096	756	–	–
• Due after one year but within five years		2 369	928	2 355	907
• Due after five years		35	34	–	–
		3 500	1 718	11 430	9 000

Notes to the financial statements *(continued)*

for the year ended 31 March 2012

Figures in Rand million		Group 2012	Group 2011	Company 2012	Company 2011
Long-term domestic loans:					
Secured loans					
Mhlatuzi Water Board	14.4%	20	22	–	–
DEG	6-month EURIBOR rate + 2.75%	–	6	–	–
The Standard Bank of South Africa Limited	Prime	2	2	–	–
Eastern Cape Development Corporation	Prime – 2% to Prime + 2%	5	5	–	–
Thyssen Krupps	Interest free	5	5	–	–
Unsecured loans					
Other	various	17	15	–	–
UIF Bond	5%	2 355	907	2 355	907
		2 404	962	2 355	907
Short-term domestic loans:					
Unsecured loans from subsidiaries					
– Loans with no fixed terms of repayment	Interest free	–	–	7 291	6 615
Secured loans					
• Loans with no fixed terms of repayment	Money market-related	1 096	749	1 249	943
• Loans with no fixed terms of repayment	Interest free	–	–	535	535
• Loans with no fixed terms of repayment	10.071%	–	7	–	–
		1 096	756	9 075	8 093
Interest and non-interest-bearing loans					
• Long-term interest-bearing loans		8 055	4 532	8 040	4 467
• Short-term interest-bearing loans		1 844	2 120	1 948	2 278
		9 899	6 652	9 988	6 745
• Long-term interest-free loans		24	25	–	–
• Short-term interest-free loans		–	–	7 826	7 150
		24	25	7 826	7 150
		9 923	6 677	17 814	13 895

21. Provisions

Reconciliation of provisions – Group – 2012 Figures in Rand million	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	301	6	(5)	12	314
Trust fund	(100)	(6)	–	–	(106)
	201	–	(5)	12	208

Reconciliation of provisions – Group – 2011 Figures in Rand million	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	298	–	(1)	(2)	6	301
Trust fund	(85)	(15)	–	–	–	(100)
	213	(15)	(1)	(2)	6	201

Reconciliation of provisions – Company – 2012 Figures in Rand million	Opening balance	Utilised during the year	Total
Environmental rehabilitation	53	(5)	48

Reconciliation of provisions – Company – 2011 Figures in Rand million.	Opening balance	Utilised during the year	Total
Environmental rehabilitation	54	(1)	53

Environmental rehabilitation liability

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 that was estimated at 4.3 million tonnes, which were not included in the sale of the Middleburg Stainless Steel in January 2002, and accordingly each partner was liable for its share of the rehabilitation. The rehabilitation is expected to be completed in 2016.

African Chrome

As a result of the processes used in the manufacture of the chemical products of the company, the ground water has become contaminated with a by-product Chrome 6. In terms of minimum requirements of the National Water Act, 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 Corporation, as primary shareholder, stands security for the entire environmental provision until the land is fully rehabilitated.

Assumptions taken into account

The rehabilitation process comprises two phases, namely Phase 1 and Phase 2.

The entire process is expected to take a period of three years; with Phase 1 having commenced on 1 March 2012 and Phase 2 expected to be completed on 28 February 2015.

Phase 1 activities are expected to be completed by 31 October 2012. The amount expected to be incurred for Phase 1 was based on contract agreements from suppliers. The expenditure for Phase 1 is expected to be settled once the work required for Phase 1 has been completed.

Phase 2 activities will commence once Phase 1 has been completed. The expected date of commencement is therefore 1 November 2012. An amount of R25 million is expected to be incurred for Phase 2 activities, this provisional amount was based on previous historical costs and was adjusted for annual increases in disposal costs. It is assumed that the amount incurred each year for Phase 2 activities will be settled at each respective year-end.

Uncertainty regarding the timing and amount to be incurred for Phase 2 of the rehabilitation process still exists as Phase 2 will be affected by the outcome of Phase 1.

The R186 government bond rate was used as the discount rate. The rate was not adjusted for risks as there is no risk relating to the technology used to rehabilitate the land.

Foskor

A Group 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 company's control. This note compares the net present value of the rehabilitation liability to the assets held by the Trust.

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.

The directors are aware of the estimated cost of rehabilitation and are satisfied that adequate provision is being made to meet this obligation. A contingent liability has been recognised for the issuing of guarantees to the Department of Mineral Resources.

	Group		Company	
Figures in Rand million	2012	2011	2012	2011

22. Revenue

	Group 2012	Group 2011	Company 2012	Company 2011
Dividends received	3 273	2 271	2 663	1 895
Interest received	1 562	1 318	1 572	1 329
Fee income	349	276	349	277
Farming manufacturing and mining income	5 801	5 100	–	23
	10 985	8 965	4 584	3 524
Dividends received on available-for-sale financial assets				
Listed	2 858	2 183	2 166	1 773
Unlisted	60	72	108	72
Associated companies	–	–	34	34
Preference shares income – options	355	16	355	16
	3 273	2 271	2 663	1 895
Dividends received from the investments made in terms of section 3(a) of the Industrial Development Act.				
Sasol Ltd	692	410	–	–

23. Investment revenue

	Group 2012	Group 2011	Company 2012	Company 2011
Interest income				
Cash and cash equivalents	293	247	280	225
Loans and advances to clients	1 243	944	1 288	992
Other	26	127	4	112
	1 562	1 318	1 572	1 329

	Group		Company	
Figures in Rand million	2012	2011	2012	2011

24. Finance costs

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
Current borrowings	334	181	347	205
Finance leases	3	4	–	–
Loss on foreign currency borrowings	58	110	–	110
Other interest paid	51	51	–	–
	446	346	347	315

25. Fee income

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
Fee income				
Metal fees	142	118	142	118
Guarantee fees	27	21	27	21
Other contract-related fees	165	114	165	115
Other fees	15	23	15	23
Total fee income	349	276	349	277

26. Net capital gains

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
Profit and loss on sale of non-current assets held-for-sale and net assets of disposal groups	1 053	50	1 053	361
Capital losses on disposal of available-for-sale investments	(175)	(14)	(175)	(8)
	878	36	878	353

27. Operating profit

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
Is arrived at after taking into account the following:				
Loss on sale of investment property	–	2	–	–
Revaluation of investment property	(15)	–	–	–
Depreciation on property, plant and equipment	308	273	21	25
Impairment on property, plant and equipment	–	32	–	12
Reversal of impairment on property, plant and equipment	(70)	–	–	–
Loss/(profit) on sale of property, plant and equipment	3	(15)	–	–
Amortisation on intangible assets	1	–	–	–
Research and development	1	2	–	–
Project feasibility expenses	109	11	153	163
Impairment on other financial assets	1 048	671	1 616	1 026
Employee costs	1 636	1 449	750	610
Operating lease rentals	18	12	5	4
Profit on sale of non-current assets held-for-sale	9	–	–	–

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
Net increase/(decrease) in impairments				
Agro-Industries	22	(96)	13	(64)
Public Private Partnerships	–	(357)	–	(357)
Strategic High Impact Projects	(2)	–	(2)	–
Mining and Mineral Beneficiation	253	(13)	306	38
Chemicals and Allied Industries	18	29	71	16
Metals, Transportation and Machinery Products	138	38	177	98
Textiles	82	25	420	36
Forestry and Wood Products	(21)	(39)	(2)	58
Media and Motion Pictures	151	1	198	40
Tourism	84	106	94	103
Healthcare	(8)	(43)	(14)	(68)
Information Communication Technology	26	103	65	103
Franchising	(21)	4	(21)	4
Transportation, Financial Services and Other	35	68	35	68
Construction	141	97	141	97
Venture Capital	(5)	(72)	(8)	18
Green Industries	35	10	37	10
Other	(51)	113	(51)	104
	877	(26)	1 459	304
Bad debts written off/(recovered)				
Agro-Industries	35	41	35	41
Public Private Partnerships	–	453	–	453
Strategic High Impact Projects	6	–	6	–
Mining and Mineral Beneficiation	(21)	11	(21)	11
Chemicals and Allied Industries	18	43	18	43
Metals, Transportation and Machinery Products	5	13	5	13
Textiles	4	44	4	44
Forestry and Wood Products	17	5	18	5
Media and Motion Pictures	–	37	–	37
Tourism	21	2	21	2
Healthcare	(7)	17	(7)	17
Information Communication Technology	4	4	4	6
Franchising	45	22	45	22
Transportation, Financial Services and Other	44	5	44	5
Other	–	–	(15)	23
	171	697	157	722

28. Directors' emoluments

Non-executive

Fees for services as directors:

Name (Rand thousand)		2012	2011
MW Hlahla*	Chairman	292	542
MC Nkuhlu**	Resigned 25 November 2011	250	409
LI Bethlehem***		229	163
LR Pitot		196	241
LL Dhlamini		192	208
JC Mtshali	Resigned 25 November 2011	190	314
SK Mapetla		167	272
MS Moloko	Resigned 25 November 2011	148	205
JR Barton	Resigned 25 November 2011	137	261
NG Nika	Resigned 25 November 2011	117	286
BA Mabuza	Appointed 25 November 2011	52	–
SM Rensburg	Appointed 25 November 2011	45	–
BA Dames	Appointed 25 November 2011	45	–
NN Nokwe	Resigned 25 November 2011	39	195
MP Buthelezi	Appointed 25 November 2011	33	–
RM Godsell	Appointed 25 November 2011	21	–
JA Copelyn*****	Appointed 25 November 2011	21	–
BN Njobe	Resigned 10 January 2011	–	107
ZJ Vavi	Appointed 25 November 2011	–	–
NE Zalk****		–	–
		2 174	3 203

* *MW Hlahla was appointed Chairman on 25 November 2011.*

** *MC Nkuhlu does not derive any financial benefit for services rendered to the IDC. His fees are paid directly to Nedbank Limited.*

*** *LI Bethlehem does not derive any financial benefit for services rendered to the IDC. Her fees are paid directly to Standard Bank Limited.*

**** *NE Zalk is employed by the dti and does not earn director's fees for services rendered to the IDC.*

***** *JA Copelyn does not derive any financial benefit for services rendered to the IDC. His fees are paid directly to JCI Limited.*

28. Directors' emoluments *(continued)*

Executive

2012 (Rand thousand)	Emoluments	Long-term incentive bonus*	Performance bonuses*	Contributions to medical aid, retirement benefits, insurance and other benefits	Total
IDC	20 591	11 490	17 729	5 280	55 090
Mr MG Qhena	3 557	2 728	3 575	886	10 746
Mr GS Gouws	2 404	1 578	2 143	743	6 868
Mr U Khumalo	1 765	1 174	1 651	588	5 178
Mr G van Wyk	1 739	1 162	1 517	595	5 013
Ms K Schumann	1 534	956	1 376	513	4 379
Mr SAU Meer	1 768	990	1 307	207	4 272
Mr LP Mondi	1 435	927	1 164	474	4 000
Ms JM Modise	1 865	242	1 473	340	3 920
Ms NV Mokhesi	1 384	838	1 166	415	3 803
Mr AP Malinga	1 527	442	1 226	303	3 498
Mr P Makwane	1 613	453	1 131	216	3 413
Foskor	17 881	6 904	–	3 311	28 096
Mr AM Pitse	2 983	1 545	–	792	5 320
Mr JW Horn	2 252	948	–	94	3 294
Mr SMS Sibisi	1 782	988	–	355	3 125
Mr TJ Koekemoer	1 767	874	–	418	3 059
Mr K Cele	1 850	834	–	286	2 970
Ms XS Luthuli	1 835	811	–	304	2 950
Mr MP Mosweu	1 876	529	–	362	2 767
Mr G Skhosana	1 912	–	–	455	2 367
Mr N Nkomzwayo	1 624	375	–	245	2 244
	38 472	18 394	17 729	8 591	83 186

** Represents amounts payable to executive members for achieving certain objectives that are aligned to the corporate objectives (targets). These objectives are approved by the Board at the beginning of each period. The amount paid is based on the corporate, team and individual's performances.*

28. Directors' emoluments *(continued)*

2011 (Rand thousand)	Emolu-ments	Long-term incentive bonus*	Performance bonuses*	Contributions to medical aid, retirement benefits, insurance and other benefits	Total
IDC	17 503	7 548	13 131	5 200	43 382
Mr MG Qhena	3 330	1 976	2 661	828	8 795
Mr GS Gouws	2 209	1 102	1 739	880	5 930
Mr G van Wyk	1 598	818	1 245	671	4 332
Mr U Khumalo	1 587	806	1 364	531	4 288
Mr SAU Meer	1 641	675	1 170	272	3 758
Ms K Schumann	1 376	666	1 064	459	3 565
Mr LP Mondi	1 357	665	918	447	3 387
Ms JM Modise	1 681	–	1 210	382	3 273
Ms NV Mokhesi	1 283	596	862	434	3 175
Mr P Makwane	1 441	244	898	296	2 879
Foskor	16 279	8 009	13 569	4 997	42 854
Mr AM Pitse	2 748	1 830	2 867	731	8 176
Mr JW Horn	2 095	1 021	1 619	85	4 820
Mr G Skhosana	1 759	914	1 538	350	4 561
Mr MP Mosweu	1 740	472	1 535	358	4 105
Mr K Cele	1 694	884	1 475	281	4 334
Ms XS Luthuli	1 652	852	1 491	295	4 290
Mr SMS Sibisi	1 647	1 102	1 486	340	4 575
Mr TJ Koekemoer	1 632	934	1 558	380	4 504
Mr JWT Potgieter	1 312	–	–	2 177	3 489
	33 782	15 557	26 700	10 197	86 236

** Represents amounts payable to executive members for achieving certain objectives that are aligned to the corporate objectives (targets). These objectives are approved by the Board at the beginning of each period. The amount paid is based on the corporate, team and individual's performances.*

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
29. Taxation				
Major components of the tax expense/(income)				
Current				
Local income tax – current period	132	90	130	88
Local income tax – recognised in current tax for prior periods	(6)	89	(5)	89
Dividend tax on companies	7	–	–	–
Foreign income tax or withholding tax – current period	–	8	–	8
	133	187	125	185
Deferred				
Deferred tax – current year	(26)	23	(96)	(98)
Deferred tax – prior year	–	(4)	–	(4)
	(26)	19	(96)	(102)
	107	206	29	83
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate:				
South African normal tax rate	28.00%	28.00%	28.00%	28.00%
The normal rate of taxation for the year has been adjusted as a consequence of:				
• Dividend income	(30.00)%	(18.00)%	(29.00)%	(46.00)%
• Capital gains and losses	(7.00)%	(3.00)%	(11.00)%	(1.00)%
• Provisions and impairments	9.00%	9.00%	20.00%	14.00%
• Other permanent differences	3.00%	(9.00)%	(7.00)%	11.00%
Effective tax rate	3.00%	7.00%	1.00%	6.00%

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011

30. 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 2012	Group 2011	Company 2012	Company 2011
Land and buildings				
• Due within one year	5	5	–	–
• Due after one year but within five years	16	17	–	–
• Due after five years	16	20	–	–
Total minimum lease payments	37	42	–	–
Amount representing finance charges	(17)	(20)	–	–
Present value of minimum lease payments	20	22	–	–
Current portion	2	2	–	–
Long-term portion	18	20	–	–
	20	22	–	–

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 14 years remaining at 31 March 2012. 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.

Operating leases – Group as lessee

Certain items of computer and office equipment are leased by the Group.

	Group 2012	Group 2011	Company 2012	Company 2011
Commitments for future minimum rentals payable under non-cancellable leases are as follows:				
• Due within one year	6	5	3	3
• Due after one year but within five years	6	7	3	6
	12	12	6	9

The company leases network printers and scanners under one agreement, which terminates in 2013.

Annual financial statements

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
31. Cash (used in)/generated from operations				
Profit before taxation	3 410	2 918	2 222	1 381
Income from equity accounted investments	2	(633)	6	7
Adjustments for:				
Impairment of goodwill relating to associated entities	(149)	388	–	–
Impairment of goodwill relating to subsidiaries	–	202	–	–
Amortisation of intangibles assets	1	–	–	–
Depreciation of property, plant and equipment	308	273	21	25
Loss/(profit) on sale of assets	3	(15)	–	–
(Reversal)/impairment of property, plant and equipment	(70)	32	–	12
Net capital gains	(878)	(36)	(878)	(353)
Interest received	(1 562)	(1 318)	(1 572)	(1 329)
Dividends received	(3 273)	(2 271)	(2 663)	(1 895)
Finance costs	446	346	347	315
Project feasibility expenses	31	(3)	31	149
Specific and portfolio impairments	1 048	671	1 616	1 026
Fair value adjustment on share-based payment	9	–	70	–
Changes in working capital:				
Inventories	(609)	(375)	1	9
Trade and other receivables	(360)	(34)	(51)	(4)
Derivative assets	3	(6)	(2)	(1)
Trade and other payables	742	324	154	(294)
Movements in retirement benefit assets and liabilities	51	22	23	12
Movements in provisions	7	(12)	(5)	(1)
Decrease in non-current assets held-for-sale	–	1	–	–
	(840)	474	(680)	(941)
32. Taxation paid				
Net owing at the beginning of the year	37	460	(16)	450
Normal tax provided in income statement (refer to note 29)	(133)	(187)	(125)	(185)
Net owing at the end of the year	(121)	(37)	(56)	16
	(217)	236	(197)	281
33. Acquisition of subsidiaries				
Property, plant and equipment	–	59	–	–
Other receivables	–	2	–	–
Cash and cash equivalents	–	5	–	–
Inventories	–	16	–	–
Other payables	–	(48)	–	–
Loans	–	(29)	–	–
Total purchase consideration	–	5	–	–
Less: Cash and cash equivalents acquired	–	(5)	–	–
Cash outflow on acquisition of shares	–	–	–	–

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011

34. Commitments

	Group 2012	Group 2011	Company 2012	Company 2011
In respect of:				
Undrawn financing facilities approved	34 268	20 621	31 913	20 621
Undrawn guarantee facilities approved	1 947	1 182	1 947	1 182
Capital expenditure approved by subsidiaries	357	178	–	–
• Contracted	357	168	–	–
• Not contracted	–	10	–	–
Capital expenditure approved by equity-accounted investments	319	256	–	–
• Contracted	94	109	–	–
• Not contracted	225	147	–	–
Total commitments	36 891	22 237	33 860	21 803
Less: Counter-guarantees obtained from partners in respect of financing and guarantees to be provided to major projects	(465)	(86)	(465)	(86)
Commitments net of counter-guarantees	**36 426**	22 151	**33 395**	21 717

Commitments will be financed by loans and internally generated funds.

35. Guarantees and counter-guarantees

	Group 2012	Group 2011	Company 2012	Company 2011
Guarantees in respect of foreign loans taken up by wholly-owned subsidiaries			40	64
Guarantees issued in favour of third parties in respect of finance provided to industrialists	1 431	2 529	1 441	2 539
Total industrial financing guarantees	1 431	2 529	1 481	2 603
Less: Counter-guarantees obtained from partners in respect of financing and guarantees to be provided to major projects	–	(616)	–	(616)
	1 431	1 913	1 481	1 987
Sundry guarantees issued by subsidiaries	436	403	–	–
Guarantees issued by equity-accounted investments	59	40	–	–
Guarantees net of counter-guarantees	1 926	2 356	1 481	1 987

36. Contingencies

Contingent liabilities of subsidiaries

Foskor (Pty) Ltd

The Group had mine rehabilitation guarantees amounting to R365 million at year-end (refer above). In line with the requirements set out by the Department of Mineral Resources (DMR), this amount of R365 million (2010: R365 million) was in place at 31 March 2011. These guarantees and the agreement reached with the DMR were based on the environmental rehabilitation and closure costs assessment that was performed during the 2011 financial year. The assessments are performed on a three-year rolling basis, with the next assessment due in 2013. Estimated scheduled closure costs for the mine are R409 million.

For unscheduled or premature closure, the DMR, in accordance with the Minerals and Petroleum Resources Development Act, requires Foskor (Pty) Ltd to provide for the liability of R486 million in the form of guarantees and cash.

Prilla 2000 (Pty) Ltd

Cotton contracts entered into with various cotton suppliers are binding and could result in liabilities for the company if they are cancelled or if they are not utilised for operational purposes but instead realised for a price lower than their cost.

Contingent liabilities of equity-accounted investments

Duferco (Pty) Ltd

ABSA Bank has provided guarantees of R2 110 000 for the Saldanha Bay Municipality, Transnet and Eskom accounts.

Hans Merensky Holdings (Pty) Ltd

Land claims against property held by the Group have been gazetted in terms of the Restitution of Land Rights Act, 1994. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions cannot be reliably predicted and measured at reporting date and consequently no impairment charge has been recognised. Until the land claim has become gazetted, no assessment can be made of the possible impact of any such claims. Gazetted land claims will have a financial impact if it is probable that there will be an outflow of economic interest from the Hans Merensky Group. When the financial loss becomes probable and can be reliably measured, an impairment charge will be recognised.

Hulamin Ltd

The Department of Trade and Industry has raised a dispute with the Hulamin Group relating to previous GEIS claims in the amount of R5 162 000 (prior year: R4 794 000). A date for a court hearing for the matter is still to be set.

Sahara Aluminium Works, a toll processor of the company's coated scrap, has claimed that there existed a long-term constructive contract with Hulamin Ltd, formerly Hulett Aluminium (Pty) Ltd, which would require a ten-year notice period be given before this contract could be terminated. Sahara has thus claimed R17.8 million from Hulamin, largely in respect of the loss of profits that Sahara would have earned over ten years, arising from the early termination of the purported constructive contract. A liability has not been raised for this amount as there is only a remote possibility that Sahara will succeed in its claim.

A fire in February 2002 at the S6 Cold Mill resulted in the death of a contractor and injuries to his assistant. The wife of the deceased and the injured assistant have lodged civil claims amounting to R1.6 million plus interest. Judgement was delivered in September 2009 in the matter between Hulamin and the injured assistant and the court ruled in favour of Hulamin and the case was dismissed with costs. An application for leave to appeal was heard and granted in March 2010. A liability of R3 million which was previously raised for this matter was reversed in December 2009 following the favourable court ruling in September 2009.

Karsten Group Holdings (Pty) Ltd

The company provided warranties in favour of Eskom and Caltex Oil SA (Pty) Ltd:

- R1 005 220 in favour of Eskom
- R350 000 in favour of Caltex Oil SA (Pty) Ltd

The company has given the following suretyship to ABSA Bank for related companies:

- Unlimited suretyship for Karsten Boerdery (Wes-Kaap) (Pty) Ltd
- Unlimited suretyship for Karsten Boerdery (Pty) Ltd
- Unlimited suretyship for Karsten SA Holdings (Pty) Ltd
- Unlimited suretyship for New Vision Fruit (Pty) Ltd

Karsten Boerdery (Pty) Ltd has provided a limited suretyship of R6.8 million for Karsten Fruit Packers (Pty) Ltd.

New Vision Fruit provided warranty in favour of ABSA Bank for: Perishable Products Export Contractors (Pty) Ltd; National Ports Authority and SARS Customs.

Mozal SARL

The contingent liability relates to a bank dispute guarantee lodged for a dispute between Mozal and the Labour Minister regarding the redundancy of 80 employees in February 2009.

Imbani Platinum SPV

Guarantees amounting to R14 298 631 have been provided by a financial institution in favour of the Department of Minerals and Resources and Eskom.

The York Timber Organisation Ltd (York)

Suretyship: York participates in the pooled banking facilities granted by the FirstRand Bank Limited. As such, York has provided unlimited suretyship in favour of the FirstRand Bank Limited in respect of its obligations to the bank.

37. 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 2011.

The figures below relate only to the Group.

The amounts recognised in the statement of financial position are as follows:

Figures in Rand million	Group 2012	2011
Present value of funded obligations	399	341
Fair value of plan assets	(374)	(336)
Present value of unfunded obligations	25	5
Liability recognised	25	5
Experience adjustments on plan liabilities	11	16
Experience adjustments on plan assets	(2)	6
The movement in the defined benefit obligation:		
Opening balance	341	320
Current – service cost	46	1
Interest – cost	30	32
Actuarial losses	11	16
Benefit paid	(29)	(28)
Closing balance	399	341
Movement in asset plan:		
Fair value of plan assets at the beginning of the year	336	328
Expected return on asset	68	29
Actuarial (loss)/gain recognised during the year	(2)	6
Contributions paid into plan	1	1
Benefits paid	(29)	(28)
Fair value of plan assets at the end of the year	374	336

Figures in Rand million	Group 2012	2011
The amounts recognised in profit or loss are as follows:		
Current – service cost	46	1
Interest cost	30	32
Expected return on assets	(68)	(29)
Net actuarial loss recognised during the year	10	22
Total included in operating expenses	18	26
The actual return on plan assets was:		
Expected return on plan assets	68	29
Actuarial (losses)/gains on plan assets	(2)	6
Actual return on plan assets	66	35
Plan assets are comprised as follows:		
Equity instruments (%)	46	35
Cash (%)	20	31
Debt instruments (%)	13	11
Other (%)	21	23
	100	100
The principal actuarial assumptions for accounting purposes were:		
Discount rate (%)	8.75	8.50
Expected return on plan assets (%)	8.75	8.50
Future salary increases (%)	7.50	6.75
Future pension increases (%)	5.53	4.89
Normal retirement age	60	60

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

	Impact on overall liability 2012	2011
Inflation rate (increase of 1%)	8% increase	8% increase
Inflation rate (decrease of 1%)	6% decrease	7% decrease

The expected contributions to the post-employment pension scheme for the year ending 31 March 2013 are R0.2 million (2012: R0.4 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.

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
The amounts recognised in the statement of financial position are as follows:				
Present value of unfunded obligation:				
Discovery Health members	265	214	135	112
Movement in the liability recognised in the statement of financial position:				
At the beginning of the year	214	192	112	100
Contributions paid	(11)	(11)	(6)	(5)
Current – service costs	2	2	2	2
Interest cost	44	15	10	10
Non-current medical obligation classified as held-for-sale	–	1	–	–
Deficit	16	15	17	5
Balance at the end of the year	265	214	135	112
The principal actuarial assumptions used for accounting purposes were:				
Discount rate (%)	9.00	9.00	9.00	9.00
General inflation rate (%)	6.25	5.25	6.25	5.00
Medical inflation rate (%)	7.25	7.25	7.25	7.25
Normal retirement age	58/60/64	58/60/64	58/60/64	58/60/64

	Group	Company
2008	200	133
2009	206	139
2010	192	100
2011	214	112
2012	265	135

	Change in past-service liability	Change in service cost plus asset
Inflation rate (increase of 1%)	14.3% increase	15.5% increase
Inflation rate (decrease of 1%)	11.7% decrease	12.5% decrease

The expected contributions to post-employment medical plans for the year ended 31 March 2012 are R11.1 million (2011: R3.4 million).

38. Related parties

Ultimate holding company: Economic Department of Development
Holding company: Industrial Development Corporation

(Rand million) Director	Company	Financing approved	Financing balance 2012	Financing balance 2011	Interest/ funding rate	Type of financing/ repayment terms	Director's interest	Year of approval
CURRENT DIRECTORS WITH INTERESTS IN RELATED PARTIES								
Mr SK Mapetla	Afrika Biopharma Investment	18	18	18	7%	Working capital facility	Mr S Mapetla owns 41% of Afrika Biopharma Investment	2010
Ms MW Hlahla	Clidet 688 T/A Praxley Consortium Five (Pty) Ltd	14	14	14	RATIRR of 8%	Redeemable preference shares	14% in Praxley Consortium Five (Pty) Ltd	2007
CURRENT DIRECTORS WHO NO LONGER HAVE INTERESTS IN RELATED PARTIES								
Ms MW Hlahla	On Digital Media (Pty) Ltd	100		100	N/A	Equity	5.56% holding in Lereko Investments (Pty) Ltd, which has a 6.67% stake in First Aone which in turn has a 10% stake in On Digital Media (Pty) Ltd. The director's effective stake in On Digital Media (Pty) Ltd, through Lereko, is 0.37%. Ms Hlahla resigned as a shareholder from Lereko Investments August 2010	2008
Ms MW Hlahla	First Aone Trade and Investments 12 (Pty) Ltd	95		95	RATIRR of 12% plus 50% upside	Redeemable preference shares		2009
Ms LI Bethlehem	Hans Merensky Holdings (Pty) Ltd	100		73	N/A	Equity	Was a trustee of The Hans Merensky Foundation until November 2010, the controlling body with a 57.4% interest in Hans Merensky Holdings (Pty) Ltd. The IDC holds the remaining 42.6% interest in Hans Merensky Holdings (Pty) Ltd	1999

(Rand million) Director	Company	Financing approved	Financing balance		Interest/ funding rate	Type of financing/ repayment terms	Director's interest	Year of approval
			2012	2011				
PREVIOUS DIRECTORS WITH INTERESTS IN RELATED PARTIES								
Ms NN Nokwe	Nexus Connection (Pty) Ltd	151	146	146	N/A	Equity	Nexus Connection (Pty) Ltd's existing shareholding includes various Provincial Consortia. Ms Nokwe, a non-executive IDC director has an effective 0.333% shareholding in Nexus through the Western Cape Provincial Consortium; Prospects SA Investments 50 having a 5% shareholding in Nexus Connection (Pty) Ltd	2006
Ms NN Nokwe	Neotel (Pty) Ltd	600	–	–	Three-month JIBAR rate + 1.25%	Redeemed March 2009	Nexus has a 19% shareholding in Neotel (Pty) Ltd	2006
		100	99	86	Three-month JIBAR rate + 4.75%	Loan repayable after June 2013		2008
		800	797	691	Three-month JIBAR rate + 6%	Loan repayable after June 2013		2008
		366	366	293	Minimum of 8% of RATIRR + 50% of market value	Loan repayable after June 2019		2008
		90	57	57	N/A	Equity		2008
Mr JR Barton	Bell Equipment Company SA (Pty) Ltd	595	303	99	10%	Working capital facility	Mr Barton is a director of Bell Equipment Company SA (Pty) Ltd. Mr Barton resigned as a director of IDC on 25 November 2011	2009
National sphere of government (Rand million)								
The Land and Agricultural Development Bank of SA Ltd		100	34	–	0%	Loan: Repayable on 31 March 2022		2011
The Land & Agricultural Development Bank of SA Ltd		50	–	–	0%	Loan: Repayable on 31 March 2022		2012

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
Non-financing transactions				
Rendering of services				
Transnet Ltd	732	602	–	–
South African Airways (Pty) Ltd	9	10	8	10
Telkom Ltd	7	6	4	4
National Ports Authority	23	21	–	–
SA Post Office Ltd	1	1	1	1
	772	640	13	15
Non-financing transactions – Purchase of goods				
Eskom Ltd	306	204	–	–

39. Other comprehensive income

Components of other comprehensive income Group – 2012 Figures in Rand million	Gross	Tax	Share of other compre-hensive income of associates	Net
Exchange differences on translating foreign operations				
Exchange differences arising during the year	340	–	–	340
Available-for-sale financial assets adjustments				
Losses arising during the year	(214)	(2 317)	(1 902)	(4 433)
Movements on revaluation				
Losses on property revaluation	(62)	–	–	(62)
Total	64	(2 317)	(1 902)	(4 155)

Components of other comprehensive income Group – 2011 Figures in Rand million	Gross	Tax	Share of other compre-hensive income of associates	Net
Exchange differences on translating foreign operations				
Exchange differences arising during the year	(242)	–	–	(242)
Available-for-sale financial assets adjustments				
Gains/(losses) arising during the year	12 244	(614)	(317)	11 313
Movements on revaluation				
Losses on property revaluation	(185)	–	–	(185)
Total	11 817	(614)	(317)	10 886

Components of other comprehensive income Company – 2012 Figures in Rand million	Gross	Tax	Share of other compre-hensive income of associates	Net
Available-for-sale financial assets adjustments				
Gains/(losses) arising during the year	543	(1 865)	(38)	(1 360)
Movements on revaluation				
Gains on property revaluation	9	–	–	9
Total	552	(1 865)	(38)	(1 351)

Components of other comprehensive income Company – 2011	Gross	Tax	Share of other compre-hensive income of associates	Net
Available-for-sale financial assets adjustments				
Gains/(losses) arising during the year	11 639	(1 113)	22	10 548
Movements on revaluation				
Losses arising during the year	(12)	–	–	(12)
Total	11 627	(1 113)	22	10 536

40. Auditors' remuneration

Fees	13	14	8	8

41. Share-based payments

On 7 July 2009 Foskor and the IDC, as the controlling shareholder of Foskor, entered into a BEE transaction. In terms of the transaction the IDC legally sold a 12% 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 is 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. While some 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 BEE Participants. The value of the share-based payment is determined using an appropriate valuation technique.

Figures in Rand million	Group 2012	Group 2011	Company 2012	Company 2011
Equity-settled share-based payment reserve				
At the beginning of the year	304	304	–	–
Granted	–	–	–	–
At the end of the year	304	304	–	–
Cash-settled share-based payment liability				
At the beginning of the year	48	23	374	374
Cash-settled share-based payment expense	9	25	–	–
Fair value adjustment through profit or loss	–	–	(70)	–
At the end of the year	57	48	304	374

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 during the year:

Grant date	31 Dec 2009	31 Dec 2009
Initial company value – exercise price (R'm)	3 500	3 500
Average share price at grant date (R)	382.19	382.19
Annualised expected volatility (%)	43.00	43.00
Risk-free interest rate (%)	8.54	8.54
Dividend yield (%)	2.25	2.25
Strike price (R)	655.68	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:

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 (%)	41.69	43.51	37.06	43.19
Risk-free interest rate (%)	7.43	8.75	7.11	8.54
Dividend yield (%)	2.51	2.64	2.17	2.25
Strike price (R)	566.51	498.27	504.19	617.45

The volatility indicator used in the calculation was based on the market prices of globally listed proxy companies that are in the same industry as Foskor and the changes in their share prices over the last 10 years was used to determine the volatility in their share prices.

The transaction fees incurred in the last financial year of R8.6 million mainly comprise the abort fees incurred in respect of the cancellation of the Foskor listing.

Acronyms

AADFI – Association of African Development Finance Institutions
ADS – Agency Development and Support Department
AIDS – Acquired Immune Deficiency Syndrome
ARV – Anti-Retro Virals
ACT – Artemesinin Combination Therapy

B-BBEE – Broad-Based Black Economic Empowerment
BIC – Board Investment Committee
BRICS – Brazil, Russia, India, China and South Africa
BSP – Business Support Programme

CDM – Clean Development Mechanism
CEO – Chief Executive Officer
COSATU – Congress of South African Trade Unions
COSO – Committee of Sponsoring Organisations of the Treadway Commission
CSI – Corporate Social Investment
CTCIP – Clothing and Textile Competitiveness Improvement Programme
CTFL – Clothing, Textile, Footwear and Leather Scheme

DFD – Development Funds Department
DFI – Development finance institution
DoE – Department of Energy
DPPP – Designated Preferential Procurement Plan
the dti – Department of Trade and Industry
DEFRA – Department for Environment, Food and Rural Affairs (UK)

EDD – Economic Development Department
EHS – Environmental Health and Safety Department
ERM – Enterprise Risk Management
ESCO – Energy servicing companies
EV – Electric vehicle
EWP – Employee wellness programme

GBCSA – Green Building Council of South Africa
GDP – Gross domestic product
GEC – Governance and Ethics Committee
GEEF – Green Energy Efficiency Fund
GRI – Global Reporting Initiative

HCNC – Human Capital and Nominations Committee
HIPO – High Potential Staff
HIV – Human Immuno Deficiency Virus

IA – Internal Audit
ICT – Information and communication technologies
IDC – Industrial Development Corporation
IFAC – International Federation of Accountants
IMC – Investment Monitoring Committees
IPAP – Industrial Policy Action Plan
IRP – Integrated Resource Plan

KfW – Kreditanstalt für Wiederaufbau
KZN – KwaZulu-Natal

LED – Local Economic Development
LPSWH – Low Pressure Solar Water Heaters

MCC – Medicines Control Council
MHCV – Medium and heavy commercial vehicle
MOU – Memorandum of understanding

NGO – Non-governmental organisation
NGP – New Growth Path
NHI – National Health Insurance
NIPF – National Industrial Policy Framework
NTSS – National Tourism Sector Strategy

PFMA – Public Management Finance Act
PHC – Primary Health Care
PICC – Presidential Infrastructure Co-ordinating Commission
PICS – Pharmaceutical Inspection Co-operation Scheme
PIMD – Post Investment Monitoring Department
PPP – Public Private Partnerships
PRASA – Passenger Rail Agency of South Africa
PTIP – Photovoltaic Technology Intellectual Property

REPP – Renewable Energy Procurement Programme
RMD – Risk Management Department

SACTWU – South African Textile Workers Union
SADC – Southern African Development Community
SASSA – Solar Academy of sub-Saharan Africa
SBU – Strategic Business Units
SE – Social enterprise
SED – Socio-economic Development
sefa – Small Enterprise Finance Agency
SHIP – Strategic High Impact Projects
SME – Small and medium enterprises
SMME – Small medium and micro enterprises
SOC – State-owned companies

TES – Transformation and Entrepreneurial Scheme
TIPS – Trade and Industrial Policy Strategies
TRS – Thelo Rolling Stock

UNEP-FI – United Nations Environmental Programme

VCT – Voluntary Counselling and Testing
VER – Verified Emission Reductions

WWF – World Wildlife Fund
W&R – Workout and Restructuring Department

Administration

Directors

Executive
MG Qhena
GS Gouws (alt)

Non-executive
MW Hlahla (Chairman)
LI Bethlehem
PM Buthelezi
JA Copelyn
BA Dames
LL Dhlamini
RM Godsell
BA Mabuza
SK Mapetla
LR Pitot
SM Rensburg
ZJ Vavi
NE Zalk

Auditors

KPMG (Johannesburg)
SizweNtsalubaGobodo (Johannesburg)

Registered office

IDC
19 Fredman Drive
Sandton 2146

PO Box 784055
Sandton 2146

Telephone: +24 (11) 269 3000
Fax: +27 (11) 269 3116
Website: www.idc.co.za/IR2012

Company Secretary

E Moeti

Registration number

1940/014201/06

Contact us

Head office

19 Fredman Drive, Sandown
PO Box 784055, Sandton 2146, South Africa
Telephone: +27 11 269 3000 | Fax: +27 269 3116
Email: call centre@idc.co.za | Call Centre: 0860 693 888

Regional and satellite offices

Eastern Cape: East London
1st Floor, Hammer Mill House, The Quarry Office Park, Lukin Road, Berea, East London
Tel: (043) 721 0733/4777 | Fax: (043) 721 0735

Eastern Cape: Port Elizabeth
Southern Life Gardens, Block B (Ground), 70, 2nd Avenue, Newton Park, Port Elizabeth
Tel: (041) 363 1640 | Fax: (041) 363 2349

Free State: Bloemfontein
1st Floor, PKF Building, 46, 1st Avenue, Westdene, Bloemfontein
Tel: (051) 411 1450 | Fax: (051) 447 4895

KwaZulu-Natal: Durban
Suite 2305, 23rd Floor, The Embassy Building, 199 Anton Lembede Street, Durban
Tel: (031) 337 4455 | Fax: (031) 337 4790

KwaZulu-Natal: Pietermaritzburg
Suite 101, First Floor, 161 Pietermaritz Street, Pietermaritzburg
Tel: (033) 328 2563

Limpopo: Polokwane
Suite 18, Biccard Office Park, 43 Biccard Street Polokwane
Tel: (015) 299 4080/4099 | Fax: (015) 295 4521

Limpopo: Groblersdal
1st Robinson Street, Groblersdal
Tel: (015) 299 4080/4099 | Fax: (015) 295 4521

Limpopo: Thohoyandou
Old Mutual Building, Old Group Scheme Offices, Mphephu Road, Thohoyandou
Tel: (015) 299 4080/4099 | Fax: (015) 295 4521

Limpopo: Tzaneen
1st Floor, Prosperitas Building, 27 Peace Street, Tzaneen
Tel: (015) 299 4080/4099 | Fax: (015) 295 4521

Mpumalanga: Mbombela
Upper Level, Nelcity Building, Samora Machel and Paul Kruger Streets, Nelspruit
Tel: (013) 752 7724 | Fax: (013) 752 8139

Mpumalanga: eMalahleni
Hi-Tech House, 23 Botha Avenue corner Rhodes Street, Witbank
Tel: (013) 752 7724 | Fax: (013) 752 8139

Mpumalanga: Secunda
South Wing, Municipal Building, Lurgi Square, Secunda
Tel: (013) 752 7724 | Fax: (013) 752 8139

Northern Cape: Kimberley
Block D, Sanlam Business Complex, 13 Bishops Avenue, Kimberley
Tel: (053) 807 1050/1/2/3 | Fax: (053) 832 7396

Northern Cape: Upington
Block 6, Lot 1070, Olyvenhoutsdrift Settlement, Louisvale Avenue, Upington
Tel: (053) 807 1050/1/2/3 | Fax: (053) 832 7396

North West: Rustenburg
1st Floor, Sunetco Building, 32B Heystek Street, Rustenburg
Tel (014) 591 9660/1 | Fax: (014) 592 4485

North West: Brits
Suite 108, Safari Centre, 28 van Velden Street, Brits
Tel (012) 252 9599 | Fax: (086) 751 4743

North West: Klerksdorp
Office 35, West End Building, 51 Leask Street, Klerksdorp
Tel (014) 591 9660/1 | Fax: (014) 592 4485

North West: Mafikeng
1B Mikro Plaza, corner First and Bessemer Streets, Industrial Sites, Mafikeng
Tel (014) 591 9660/1 | Fax: (014) 592 4485

North West: Vryburg
83 Vry Street, Vryburg
Tel (014) 591 9660/1 | Fax: (014) 592 4485

Western Cape: Cape Town
Office 2817, 28th Floor, ABSA Centre, 2 Riebeek Street, Cape Town
Tel: (021) 421 4794 | Fax: (021) 419 3570

Western Cape: George
Beacon Place, 125 Meade Street, George
Tel: (021) 421 4794 | Fax: (021) 419 3570

For more information please visit our website www.idc.co.za/IR2012

Cover printed on magno ECF EMAS ISO chlorine free 14001

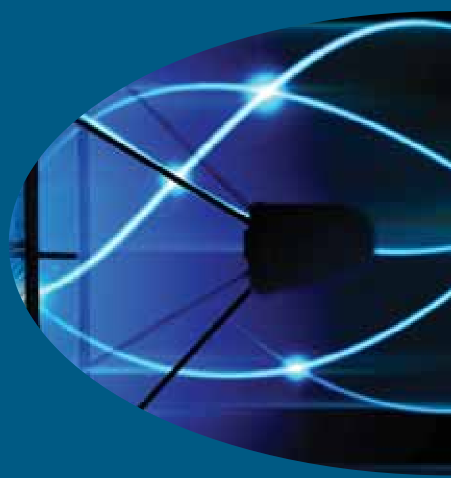
Printed on Magno Satin, produced in EMAS-accredited facilities ensuring all processes involved in production are of the highest environmental standards.

Text pages printed on triple green ECF ISO chlorine free 14001

Printed on Triple Green: chlorine-free, made in South Africa with 60% sugar cane fibre, using sustainable afforestation methods.
Triple Green is recyclable and biodegradable.

ince

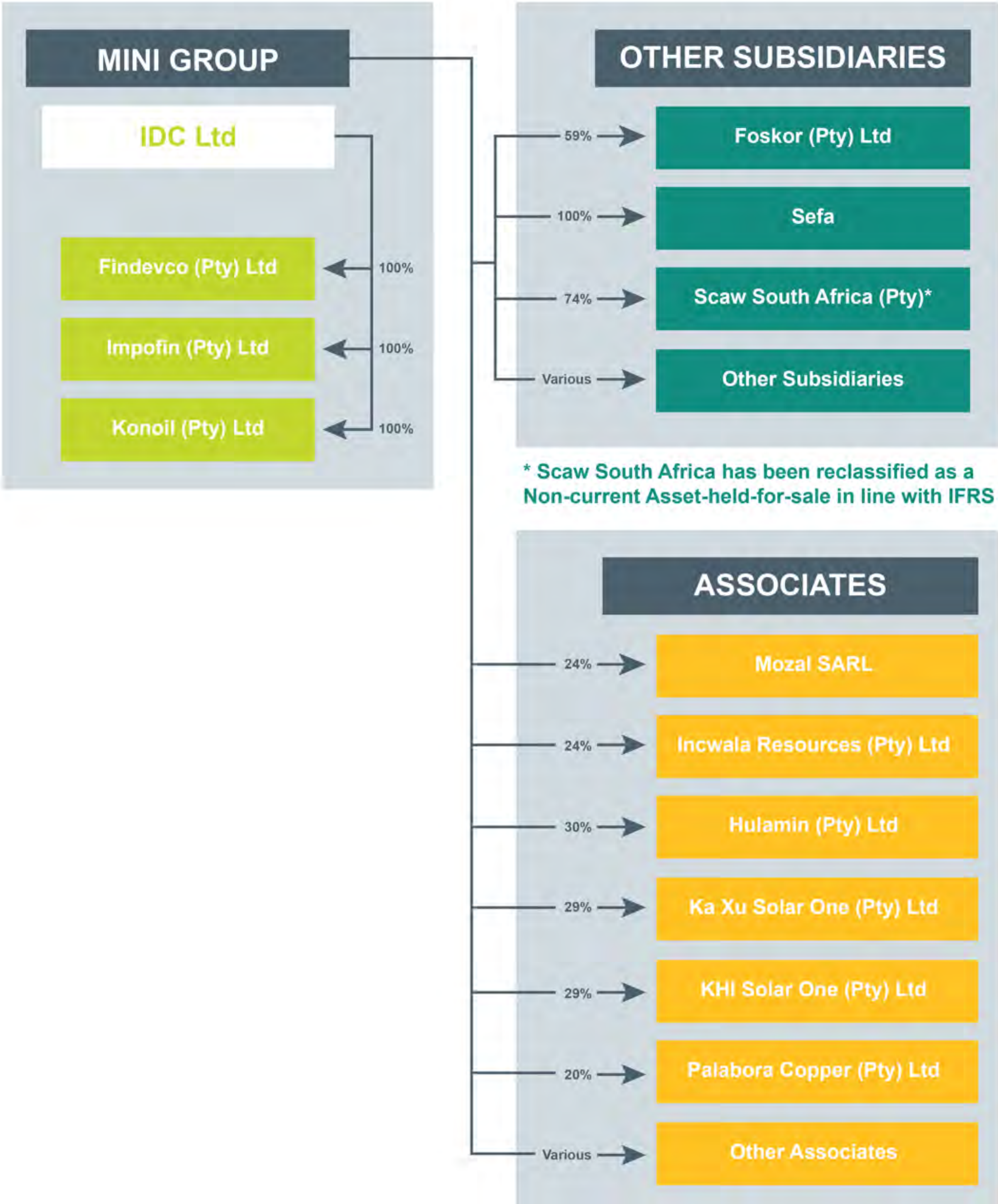
IDC Integrated Annual Report 2012



For more information please visit our website
www.idc.co.za

ADDITIONAL ONLINE INFORMATION

1. GROUP STRUCTURE



2. STAKEHOLDER ENGAGEMENT

Stakeholder	How we engage with them	What matters to them	How we respond to matters	Impact of our actions	Material matters being addressed
EMPLOYEES	• Combination of face-to-face, written, electronic and print communication. • Employee engagement surveys • CEO engagement sessions • Divisional Executive feedback sessions • Regular line manager meetings	• Transparent communication • Information on IDC's strategy and their link to the strategy • Work/life balance and a conducive working environment • Market-related remuneration and benefits • Personal development and career advancement • Making a difference	• Regular employee information sharing sessions • Annual Star Awards to recognise top performers • Market-related employee benefits, rewards and recognition • Learning and development opportunities • Leadership assessments • Regular performance assessments	• Defined culture vision and transformation journey, focusing on customer-centricity • Improved employee engagement • Talent management through improved skills and capacitation • Certification as a Top Employer	• Customer expectations • Governance regulation and risk management • Human Capital • Financial sustainability
ECONOMIC DEVELOPMENT DEPARTMENT	• Ongoing and an annual strategic meeting with Minister of EDD and IDC Board • Ongoing and Quarterly meetings with Director General and other officials • Meetings between IDC employees and EDD officials	• Increased levels of industrial financing, especially to women, youth and Black Industrialists • Job creation through beneficiation, regional development and labour-rich sectors of the economy • Proactively identifying investment opportunities across value chains • Assistance in policy research and coordination of projects	• Increased marketing towards women, youth and Black Industrialists through CEO regional road shows and Youth conference • Funding for local suppliers to the government infrastructure programme • Collaboration with government on its Strategic Integrated Projects (SIP 5 & 8). • Contributing to the formulation and implementation of policies • Pro-actively identifying funding opportunities	• Increased levels of industrial financing • Increased impact on development outcomes • Balancing pro-active funding, whilst keeping funding competitive • Managing the IDC's balance sheet for responsible lending • Improved understanding of IDC's mandate and subsequent impact	• Industrial development • Socio-economic development • Financial sustainability • Partners
POTENTIAL AND EXISTING CLIENTS / PROJECT PARTNERS	• Various media platforms including print, radio, TV and online (email, website) • Meetings, interactions through sectoral / industry bodies • Written correspondence such as information emailers and financial statements • Annual and interim customer surveys • Client site visits to showcase IDC's impact • Media briefings and press releases	• A clear and easy to understand application process • Upfront communication of the application/ information requirements • Prompt responses to queries/requests/ service issues • Timeous and effective evaluation of funding applications • Regular updates and communication on the application process	• Monitoring client performance • Organisation-wide Customer Centricity training • Customer service excellence employee recognition • Streamlining application processes • Dedicated email address to report service issues • Secondments, participation in AGM's, Board representivity	• Simplified and streamlined application process • Increased focus on turnaround times • Improved customer service • Improved levels of communication • Strengthened influencer role • Pro-active industry development • Opinion pieces by industry experts	• Customer expectations • Industrial development • Socio-economic development • Financial sustainability

Stakeholder	How we engage with them	What matters to them	How we respond to matters	Impact of our actions	Material matters being addressed
NATIONAL, PROVINCIAL & LOCAL GOVERNMENT	• Meetings with relevant portfolio and select committees • Meetings between IDC employees and government officials • Interviews with industry experts	• Development of rural areas and townships • Broad-based black economic empowerment • Opportunities for women, youth and Black Industrialists • Development of SMMEs • Assistance with projects related to industrial development	• Pro-actively identifying projects in poor provinces and townships • Expansionary Black Economic Empowerment (BEE) • Skills development initiatives for youth and women co-operatives • Leveraging relationships with provincial, local and rural development bodies	• Local economic and rural development • Increased job creation • Expanding industrialisation to less-industrialised regions • Improved accuracy of reporting on IDC	• Socio economic development • Industrial development • Partners • Financial sustainability
COMMERCIAL BANKS, DFIS & RATING AGENCIES	• Due-diligences • Annual ratings review • Interviews with industry experts	• Good governance • Financial sustainability and liquidity • Satisfactory levels of debt • Viable strategy	• Compliance to systems and procedures • Prudent management of IDC finances • Instilling a culture of governance and ethics among employees • Transparent presentation of financial results	• Financial sustainability, enabling IDC to honour its financial commitments • Strong governance structures	• Governance regulation and risk management • Financial sustainability • Partners
BROADER COMMUNITY IMPACTED BY IDC-FUNDED PROJECTS	• Meetings with community leaders and traditional authorities • Local Economic Development Forums • Meetings with the Department of Rural Development and Land Reform • Various media platforms, segmented for specific target audiences	• Sustainable socio-economic development • Responsible utilisation of community land and other assets • Community participation • Assistance in forming, registering and managing community trusts and cooperatives • Corporate Social Investment initiatives • Empowering local people • Transformation • Factual and transparent information • Timeous feedback	• Undertaking LED initiatives • Appointment of specialists and consultants • Establishing and registering community trusts and providing relevant training • Compiling socio-economic needs assessments • Community engagements • Showcasing IDC's impact through client case studies on regional and national media platforms.	• Job creation • Township development • Productive utilisation of community land and other assets • Improved skills and increased community participation • Successful CSI initiatives • Empowered local people • Progress towards transformation of the rural economy • Enhanced reputation • Improved understanding of IDC's mandate and impact	• Socio-economic development • Financial sustainability • Partners • Governance, regulation and risk management • Industrial development

3. BOARD AND EXECUTIVE MANAGEMENT DIRECTORSHIPS

Director	Significant Directorships
BA MABUZA (54) **Chairperson of the Board** **(Non-Executive Director)**	• Afgri Operations Limited • Absa Financial Services • Africa Business News (Pty) Ltd • Tsogo Sun Holdings
LI BETHLEHEM (50) **(Non- Executive Director)**	• City Power (Pty) Ltd (Chairperson of the Board) • HCI Sun Energy (Pty) Ltd • HCI Propco (Pty) Ltd • Sedibelo Platinum Mines Limited
BA DAMES (52) **(Non-Executive Director)**	• African Rainbow Energy & Power (Pty) Ltd (CEO) • Nedbank Limited • Nedbank Group Limited
RM GODSELL (65) **(Non-Executive Director)**	• Polymetal International PIC (Chairman of the Board)
AT KRIEL (55) **(Non-Executive Director)**	• South African Clothing and Textile Workers' Union (General Secretary)
SM MAGWENTSHU-RENSBURG (58) **(Non-Executive Director)**	• Rensiza Business Partners (Managing Director) • Merseta Finance and Grants Committee • Ministerial Advisory Committee on SME
NP MNXASANA (61) **(Non-Executive Director)**	• Nedbank Limited • Nedbank Group Limited • JSE Limited • ArcelorMittal South Africa Limited • Barloworld Limited
M MORE (37) **(Non-Executive Director)**	• Public Investment Corporation SOC Limited (Chief Financial Officer) • Independent Regulatory Board for Auditors
PM MTHETHWA (54) **(Non- Executive Director)**	• The National Empowerment Fund (CEO) • Group Five Limited
ND ORLEYN (62) **(Non-Executive Director)**	• Peotona Group Holdings (Pty) Ltd (Executive Director) • Toyota SA (Pty) Limited • Toyota SA Financial Services Limited • Impala Platinum Holdings Limited • Reunert Limited • Ceramic Industries (Pty) Ltd • Lafarge Industries SA (Pty) Ltd • BP SA (Pty) Ltd
NE ZALK (49) **(Non-Executive Director)**	

4. CARBON FOOTPRINT

Improving climate performance has been an integral part of the IDC's climate change mainstream strategy. This critical bold step has been demonstrated in the past by tracking and monitoring of its climate related assets in terms of GHG emissions disclosure. The intention being to commit to climate change, promote and embrace investment lending in projects that promotes the transition to low carbon economy, account for climate change actions, support the government emission reduction target and demonstrates corporate environmental leadership.

This past financial year ending March 2018, the IDCs' GHG emissions inventory has remained marginally stable. However, its consolidation based on financial approach, the emissions increase to 1 445 653 tCO_2e. These emissions exceed 0.1Mt CO_2e threshold limit prescribed in the Air Quality Act of 2004 as amended. Companies exceeding such threshold limit are expected to annually report on their carbon management plan. The individual material business partners showed GHG emissions below 0.1 Mt CO_2e. It is thought that such increase in emissions may be attributable to energy intensive processes or inefficient processing technology.

The IDC alone showed a GHG inventory of 6 503 tCO_2e, a marginal increase of 0.8 % compared to the recalculated baseline of a 6 450 tCO_2e reported in the previous FY ending March 2013/14. This translated into associated emission intensity of 7.66. Such increase has been observed to be associated aircon gas (R22 Gas) which appear to have increased substantially from 165 tCO_2e to 215 tCO_2e due to frequent maintenances. The consumption of R22, though very small, its contribution is high (GWP 1810 times higher than CO_2).
Segmentation of the total carbon footprint estimate reveals that scope 1 emissions increased from 3 % to 16 % on addition of the emission data from subsidiaries (Fig 1). While scope 2 emissions increased from 56 % to 84 % on addition of emission data from subsidiaries. Scope 3 emission data has been excluded from the discussion due to its complexity in nature and various challenges in data collection by subsidiaries. However, the scope 3 emission contribution is 41 %.
The IDC continuously monitors the implementation of its carbon management strategy to ensure that all material subsidiaries are transparent in their carbon footprint disclosure and voluntary commit to reduction.

Active energy data	Energy used (GJ)		Energy intensity
IDC AND MATERIAL BP ENERGY DATA			
IDC only	23 034	<1%	EI
Scaw energy used**	2 148 046	51.8%	5.0
Foskor energy used**	1 973 623	47.6%	1.0

Table 1: IDC Energy intensity

The IDCs energy consumption amount to less than 1 % of the total energy contribution by material business partners. The consumption of energy (GJ) by material business partners amount to 4 144 703 GJ. Scaw Metal showed the highest energy consumption of 52 % translating into an intensity of 5, typical of metal recycling operations. Whilst Foskor energy consumption of 42 % at an intensity of 1.0 . This energy consumption efficiency reflects the nature of the individual operation in which the energy consumption drives the production (see table 1).

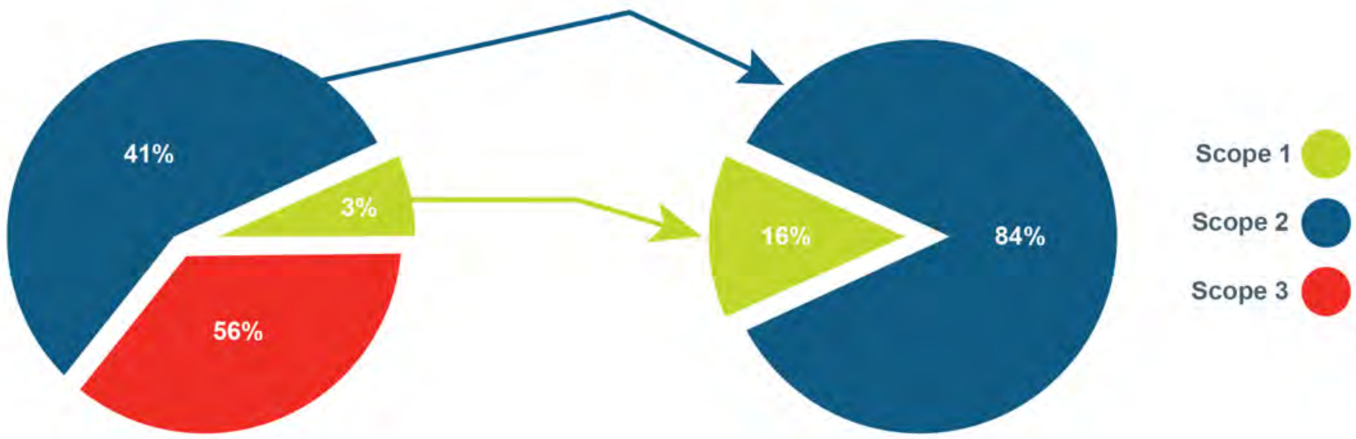


Figure 1: Changes in the GHG emissions of IDC on addition of Emissions from Subsidiaries

Table 2: GHG emissions data for period 1st April 2017 - 31st March 2018

	Verified	Unverified	Unverified
Base year	**2013/14**	**2016/17**	**2017/18**
	Baseline Recalculated	**Update**	**Projection**
SCOPE 1			
FLEET CARS	68	75	84
GENERATOR FUEL	9	59	24
AIRCON GAS (R22)	98	165	215
JET FUEL	(230)	0	0
REFRIGERATION GAS (R134A)*	2	0	35
REFRIGERANT (410)*		0	0.02
SUBTOTAL (SCOPE 1)	**407**	**299**	**358**
SCOPE 2			
ELECTRICITY	6 043	5 339	6 145
SUBTOTAL (SCOPE 1&2)	**6450**	**5638**	**6503**
SCOPE 3			
NEWSPAPER	5	5	5
STATIONARY	20	16	18
MIXED WASTE	13	251	251
CAR RENTALS	35	20	27
BUSINESS AIR TRAVEL	2 343	1 833	2 088
STAFF COMMUTE	1 280	1 954	1 975
BUSINESS MILEAGE CLAIM	174	127	1 833
WATER	55	31	45
SUBTOTAL 2 (SCOPE 3)	**3804**	**4217**	**4516**
TOTAL IDC (SCOPE 1, 2 & 3)	**10 254**	**9 856**	**11 019**
SCOPE 1 (IDC & BP**)	421 601	194 215	232 258
SCOPE 2 (IDC & BP)	1 383 435	1 032 086	1 213 396
TOTAL SCOPE 1, 2 (IDC & BP)	**1 805 036**	**1 226 301**	**1 445 653**
EMIS INT (IDC SCOPE 1, 2 & 3)	12.38	12.00	13.00
EMIS INT (IDC SCOPE 1, 2)	7.79	6.64	7.66
EMIS PER M^2 (IDC ONLY)	**0.29**	**0.22**	**0.26**

BROAD-BASED BLACK ECONOMIC EMPOWERMENT RATING

IDC B-BBEE Scorecard

BEE elements	Weighting	Indicators	Indicator weighting	Target	Actual %	Score	Total score
Management control	20	Exercisable Voting Rights of Black Board Members	2.00	50.00%	75.00%	2.00	16.69
		Exercisable Voting Rights of Black Women Board Members	1.00	25.00%	50.00%	1.00	
		Black Executive Directors	2.00	50.00%	100.00%	2.00	
		Black Women Executive Directors	1.00	25.00%	0.00%	0.00	
		Black Other Executive Management	2.00	60.00%	72.73%	2.00	
		Black Female Other Executive Management	1.00	30.00%	36.36%	1.00	
		Black Senior Management	2.00	60.00%	50.72%	1.69	
		Black Women in Senior Management	1.00	30.00%	28.44%	0.95	
		Black Middle Management	2.00	75.00%	62.54%	1.67	
		Black Female Middle Management	1.00	38.00%	22.39%	0.59	
		Black Junior Management	2.00	88.00%	78.05%	1.77	
		Black Female Junior Management	1.00	44.00%	41.87%	0.95	
		Black Disabled Employees	2.00	2.00%	1.07%	1.07	
Skills Development	25	Skills Development Expenditure in the Learning Matrix for Black People	9.00	6.00%	4.18%	6.27	22.40
		Skills Development Expenditure in the Learning Matrix for Black Disabled People	4.00	0.30%	0.02%	0.25	
		Number of black people participating in learnerships, Apprenticeships or Internships	6.00	2.50%	2.27%	5.44	
		Number of unemployed black people participating in learnerships, Apprenticeships or Internships	6.00	2.50%	2.27%	5.44	
		Bonus Points: Number of Black People absorbed by the Measured and Industry Entity at the end of the Learnership programme	5.00	100.00%	100.00%	5.00	
Enterprise and Supplier Development	50	B-BBEE Procurement Spend from all Empowering Suppliers	5.00	80.00%	56.80%	3.55	36.53
		B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises	4.00	15.00%	3.56%	0.95	
		B-BBEE Procurement Spend from all Empowering Suppliers that are Exempt Micro-Enterprises	5.00	15.00%	2.06%	0.69	
		B-BBEE Procurement Spend from all Empowering Suppliers that are at least 51% black owned	11.00	40.00%	15.80%	4.35	
		B-BBEE Procurement Spend from all Empowering Suppliers that are at least 30% black women owned	5.00	12.00%	12.61%	5.00	
		Bonus Points: B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black Owned	2.00	2.00%	0.00%	0.00	
		Annual value of all Supplier Development Contributions	15.00	2.00%	63.85%	15.00	
		Annual value of Enterprise Development Contributions and Sector Specific Programmes	5.00	1.00%	2.71%	5.00	

		Bonus Point: Graduation of one or more Enterprise Development beneficiaries to graduate to Supplier Development Level	1.00	Yes	Yes	1.00	
		Bonus Point: Creating one or more jobs directly as a result of Supplier Development & Enterprise Development	1.00	Yes	Yes	1.00	
Socio-Economic Development	5	Average annual value of all Socio-Economic Development Contributions	5.00	1.00%	2.65%	5.00	5.00
Total							**80.62**

Measurement options	
FINAL SCORE	80.62
APPLICABLE DENOMINATOR	100.00
RECOGNITION LEVEL	Level Four Contributor
B-BBEE STATUS LEVEL	Level Four Contributor

5. CORPORATE SOCIAL INVESTMENT

Beneficiary/Project Name	Location
Education and Skills Development	
Adopt-a-School Foundation	National
National Education Collaboration Trust	National
Higher Education	
Targeting Talent Programme: University of Witwatersrand	National
Vhembe TVET College	Limpopo
Central Johannesburg College	Gauteng
Maluti TVET College	Free State
I Do Care	
Sathya Sai International Organisation of South Africa	Gauteng
The Rivers Foundation	Gauteng
Ramakrishna Centre of South Africa	Kwazulu-Natal
Mercy Shelter for Homeless	Gauteng
Impophomo Rushing Waters	Gauteng
Siyaphambili Orphan Village	Western Cape
Kidz Care Trust	Free State
Kids Haven	Gauteng

Beneficiary/Project Name	Location
Employee Volunteer and Giving	
CellC - Take a Girl Child to work	Gauteng
Stop Hunger Now - World Hunger Month	Gauteng
Stop Hunger Now - Sandton Convention Centre	Gauteng
Stop Hunger Now - Cape Town Mandela Day	Cape town
Casual Day	Gauteng
Habitat for Humanity - Mandela Day	Gauteng
S.A.M.E Foundation - Mandela Day	Gauteng
Tshedisanang Day Care Centre for Disabled - Mandela Day	Free State
Rotarus Home for Senior Citizens - Mandela Day	North West
Mamadila Community Development - Mandela Day	Limpopo
Sterkfontein Hospital - Mandela Day	Gauteng
Uthando Children’s Drop in Centre - Mandela Day	Mpumalanga
Esandleni Somusa Matsulu Centre - Mandela Day	Mpumalanga

Beneficiary/Project Name	Location
Entrepreneurship Development	
Kusile Mzantsi Community Development	Eastern Cape
Food and Trees for Africa	Mpumalanga & Limpopo
Reakgona Disability Centre - University of Limpopo Trust	Limpopo
Y-BECA Youth Entrepreneurship	Gauteng
Sinakho Skills Development Centre	Western Cape
Pneuma Academy of Excellence	Gauteng
Thanda Community Project	Kwazulu-Natal
Amahlubi Chairman's Foundation	North West
TML Foundation	Free State
Mayine Imvula Cooperative	Eastern Cape
Rivoni School for the Blind	Limpopo

Beneficiary/Project Name	Location
Strategic Special Interventions	
SheEO SleepOut	Gauteng
New Brighton SDA Primary School	Eastern Cape
Empilisweni Centre	Eastern cape
Buhle Farmers Academy - Graduation	National
Young Voice Academy	Gauteng
Knowledge Hub Youth Empowerment	Gauteng
Sonke Gender Justice	National
Kakamas - Emmanual House	Northern cape
IDC Gallery - Art Market	Gauteng
IDC Gallery - Curaror	Gauteng
2017 Top Learner Awards	National
Rashid Cassim Sports Kits	Kwazulu-Natal
Traditional HIV and Aids Home Based Care	North West

6. HUMAN CAPITAL

OCCUPATIONAL LEVELS		MALE				FEMALE				FOREIGN NATIONALS		
		African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	TOTAL
Top management (E band)	Actual March 2018	4	0	1	3	4	0	0	0	0	0	**12**
	Target 2018	4	0	1	3	4	0	0	0	0	0	**12**
Senior management (Heads & champions)	Actual March 2018	13	3	4	18	17	1	1	3	0	0	**60**
	Target 2018	11	3	4	19	18	1	1	3	1	0	**60**
Professional qualified & mid-management (M band)	Actual March 2018	82	12	20	34	45	4	12	13	6	4	**232**
	Target 2018	96	12	19	38	71	9	10	14	7	5	**281**
Skilled technical (P band)	Actual March 2018	108	12	7	14	125	19	16	20	7	2	**330**
	Target 2018	129	19	10	21	128	18	22	25	8	3	**383**
Semi-skilled & discretionary decision-making (A band)	Actual March 2018	34	0	0	2	128	15	5	19	0	2	**205**
	Target 2018	37	5	0	1	121	15	5	23	0	2	**209**
Unskilled & defined decision-making (S band)	Actual March 2018	8	0	0	0	2	0	0	0	0	0	**10**
	Target 2018	10	0	0	0	3	0	0	0	0	0	**13**
TOTAL PERMANENT	Actual March 2018	**249**	**27**	**32**	**71**	**321**	**39**	**34**	**55**	13	8	**849**
	Target 2018	**287**	**39**	**34**	**82**	**345**	**43**	**38**	**65**	15	10	**958**

Staff numbers per region, excluding head office employees

Regional office	2018	2017
Eastern Cape	13	11
Free State	5	5
KwaZulu-Natal	10	10
Limpopo	7	6
Mpumalanga	7	5
North West	7	8
Northern Cape	8	7
Western Cape	9	7
Total	**66**	**59**

Staff movement for the period 2016 to 2018

Staff actuals	2018	2017	2016
Employees as at 1 April	839	848	825
Added through recruitment	79	54	76
Lost through resignation	52	51	47
Lost through death	2	3	3
Lost through retirement	10	5	3
Lost through dismissal	4	1	0
Lost through ill-health	0	0	0
Lost through contract expiry	0	1	0
Lost through other reasons (I.e. - subsidiary deployment)	1	2	0
Total employees at end of period	**849**	**839**	**848**

Comparative summary of investment in staff training

Indicator	2018	2017	2016
Number of employees trained	375	708	673
Staff costs (R million)	1 031	998	1 011
Training expenditure as a % of total staff costs	1	2	2
Average cost of training per employee (R)	13 100	10 000	11 513
Black employees as a % of employees trained	74	86	83
% of female employees trained	56	56	52

Talent attraction and retention rates

Staff actuals	2018	2017	2016
Overall staff turnover	8.1	7.5	5.6
Turnover of female employees	7.5	6.2	5.2
Turnover of male employees	8.7	8.9	7.6
Employee turnover younger than 29	5.0	8.1	1.0
Employee turnover between 30 and 50	8.4	8.8	8.0
Employee turnover over the age of 50	8.0	2.0	3.7
Turnover in specialist/expertise, management and executive roles	7.6	6.7	7.7
Female new employees	53.8	51.9	44.7
New employees in provincial offices	11.8	5.5	11.8
New employees from designated groups	96.2	96.3	90.8
New employees younger than 29	32.8	33.3	30.3
New employees between 30 and 50	64.4	66.7	6.7
New employees over the age of 50	2.8	0	2.6
Permanent employees younger than 29	9.4	9.6	11.3
Permanent employees between 30 and 50	71.0	71.4	71.8
Permanent employees over the age of 50	19.6	19.0	16.9

7. INFORMATION TECHNOLOGY

STRATEGIC INITIATIVES

Once again, the IT department received a clean annual external audit report for the 2018 financial year. The external auditors concluded that the IT environment at the IDC could be relied upon for financial reporting purposes. The clean audit was as a result of the department adhering to industry best practices and stringent IT governance process controls.

The provisioning of IT Security interventions and fourth industrial Revolution (4IR) digital technology solutions by the IT department to protect and enable the corporation's business value chain is a priority. The rollout of improved end user cloud services such as 0ffice 365 and mobile video conferencing solutions has further enabled and improved customer centricity and expanded market/ client reach.

IT AND BUSINESS ALIGNMENT

The IT department continues to upgrade technological infrastructure and services at our Head and Regional offices to improve service presence, availability and unified communication (for voice and video).

The key IT strategic initiatives achieved during the year under review included:

- Successful disaster recovery testing of critical business systems;
- Installation and rollout of new and improved audio visual and telephony technologies for improved business communication/ collaboration, service availability, accessibility and performance;
- Further strengthening of detective, forensic, audit and preventative cyber security controls to protect the corporation against new and evolving security threats, such as unauthorized access to the corporation's information assets, and
- Improved business intelligence capability to improve organizational decision making.

8. PROCUREMENT

The IDC is committed to promoting economic growth through the advancement of preferential procurement and the promotion of local production. Spend with local suppliers refers to all discretionary procurement spend facilitated through the IDC Procurement department with suppliers of materials, products and services trading from premises which are physically located within the borders of South Africa.

IDC is a Level 4 BEE Contributor based on an independent review undertaken by a SANAS (South African National Accreditation System) accredited rating agency as assessed under the Amended Financial Sector Codes for B-BBEE that came into effect in December 2017. In the year under review, the Corporation spent more than 90% of its total discretionary procurement spend with locally-based suppliers.

The introduction of the revised Preferential Procurement Regulations which came into effect in April 2017, now enables the IDC to channel its procurement spend to BEE compliant companies which resulted in the Corporation appointing Black Owned External Audit firms for the 2017/18 financial audit. In addition, the IDC approved a panel of mainly Black Owned marketing agencies to provide marketing services to the Corporation to promote its transformation objectives through the procurement function.

The IDC's Supplier Development (SD) Program aims to accelerate sustainable development and to support small and emerging black-owned suppliers of the IDC. Beneficiaries of the SD Program were assisted with essential business support interventions which included business skills training, mentoring, coaching and the supply of essential business tools. To that end, the SD Program generally supported the creation of new job opportunities for the SD Beneficiary companies and also resulted in access to new business opportunities. During the year under review, the IDC added an SD Beneficiary to its program which is a Black youth owned company, and as a result of the IDC's contribution and association with this firm, the company attained a new cleaning services contract resulting in more jobs being created.

Through its commitment to Government's national broad-based black economic empowerment ("B-BBEE") and transformation goals, the IDC is playing an important role in supporting Government's initiatives towards a sustainable economy and people who actively participate in it.

9. SPECIAL FUNDING SCHEMES

	Fund	Purpose	Fund size	Financial instrument	Fund inception	Amount approved since inception until 31 march 2018
	CROSS SECTORAL					
1	GRO-E YOUTH	Assist youth owned companies that create jobs at a cost per job of less than or equal to R750 000 per job.	R950M	loan/equity	2013/01/04	R553m
2	YOUTH PIPELINE DEVELOPMENT PROGRAM	Assist youth applicants with a wide-ranging set of non-financial support at pre-investment and post investment stages.	R50m	loan/grants	2016/03/31	R4m
3	UIF2	Assist companies that save or create jobs at a cost per job of less than or equal to R600 000 per job	R5b	loans	2017/03/31	R655m
4	EIB SME MIDCAP FUND	Assisting SMEs and MIDCAP companies to access loan financing for CAPEX. medium and long-term working capital	ca R750m (variable - exchange rate dependent)	loans	2015/11/23	R519m
5	TECHNOLOGY VENTURE CAPITAL	Commercialisation of innovative products. processes and technologies	R165m	loan/equity/ quasi-equity	2012/04/01	R128m
6	MANUFACTURING COMPETITVENESS ENHANCEMENT PROGRAM	To assist manufacturers under SIC 3 to access more affordable working capital and plant and equipment facilities	R1.5b	loans	2012/01/09	R1.9b
7	AFD FUND	Stimulate small scale Power Purchase Agreement based renewable energy and greenfield energy efficiency investments in commercial and industrial sectors.	R790 ($66.6m)	loans	2012/06/27	R213m
	INDUSTRY SECTOR SPECIFIC					
8	PRO-FORESTRY SCHEME	Support new afforestation and transformation projects in the Forestry sector	R200m	loan/equity	2008/07/01	R113.2m
9	AGRO-PROCESSING COMPETITIVENESS FUND	Facilitate increased competition. growth and development in agro-processing sector; through provision of finance to non-dominant players	R250m	loan/equity	2012/01/07	R286.2m
10	CLOTHING.TEXTILES.LEATHER AND FOOTWEAR SCHEME	To fund local players to upgrade their P/E to become globally competitive	R750m	loans	2008/09/08	R714.9m

11	CLOTHING AND TEXTILES COMPETIVENESS PROGRAMME (CTCP)	To improve the overall competitiveness of the local Clothing. Textiles. Footwear. Leather and Leather goods manufacturing industries	R6.59b			R6.76b
11.A	COMPETITIVENESS IMPROVEMENT PROGRAMME (CIP)	Improve product. processes and people on a cluster basis	R931m	grants	2009/01/04	R956m
11.B	PRODUCTION INCENTIVE PROGRAMME (PIP)	Funding provided to individual companies for plant and equipment upgrade as well as improvement of product. processes and people	R5.57b	grants	2010/01/04	R5.8b
12	EMERGING BLACK FILMAKERS FUND	The EBFTF is envisaged to provide opportunities to SA Black Filmmakers. who are black directors directing films where the majority of the film rights are owned by Black Filmmakers to gain experience. to build a track record and to establish a brand.	R77.2m	loan/equity	2014/06/18	R8.6m
13	DOWNSTREAM STEEL INDUSTRY COMPETITIVENESS FUND	To assist qualifying enterprises in the downstream steel sectors to improve their competitiveness. as well as companies in distress with bankable turnaround strategies in order to survive the current downturn.	R95m	loan/quasi-equity	2017/07/07	R5.9m
14	TIRISANO CONSTRUTION FUND	To promote the development and enhancement of the Construction Industry and. in particular. transformation objectives in the Construction Industry. including promoting social infrastructure.	R1.5b	loan/grant/ quasi-equity/ equity	2018/03/31	0

10. MEMBERSHIPS

Company Details	Benefits to the IDC
WORLD ECONOMIC FORUM -REGIONAL PARTNERSHIP	• Opportunity to register five (5) Executives and one (1) admin staff of the partner company to attend a Regional Forum meeting; • Executive members have the opportunity to speak at these Regional meetings; • Provide input to the programme and influence the agenda of the Regional Forum; • Access to Forum Affiliates' networks; and • Participate in regional projects and initiatives.
ASSOCIATION OF AFRICAN DEVELOPMENT FINANCE INSTITUTIONS (AADFI)	• This platform does not only profile the IDC but also enables information sharing of best practices in development finance; • Participating in workshops and conferences; • Participating in study tours organised by AADFI; and • Take part in the peer review exercises.
AFRICAN PROJECT ACCESS (APA)	• Visibility and networking of the IDC.
BUSINESS WOMEN'S ASSOCIATION	• Networking opportunities.
ASSOCIATION OF BLACK SECURITIES INVESTMENT PROFESSIONAL (ABSIP)	• The IDC leadership gets to share their experiences with prospective professionals and impart skills. At the same time, the members get to know about the important role that the IDC plays in shaping South Africa's economy; • This approach lends itself to business development through promoting IDC products and services to ABSIP members; • IDC professionals also get to attend conferences/seminars that are organised by ABSIP on pertinent issues that face the financial services sector
EASTERN CAPE FORESTRY DEVELOPMENT FORUM	• Opportunities to profile IDC; • Networking opportunities; and • Project pipeline and deal generation.
AGRICULTURAL BUSINESS CHAMBER (ABC)	• To communicate the important role that the IDC plays in shaping South Africa's economy; • For IDC leadership to share its plans for the agricultural sector with members of the chamber; • Business development through promoting IDC products and services to ABC members; • To source opportunities to fund businesses; and • Attendance of conferences/seminars – includes speaking opportunities.
BLACK MANAGEMENT FORUM (BMF)	• Profiling the IDC through speaking opportunities at BMF seminars, conferences and workshops.
AHI BLOEMFONTEIN BUSINESS CHAMBER	• Networking with various industries that are members of the chamber; • Speaking at seminars, conferences and workshops; and • Profiling the IDC.
BORDER KEI CHAMBER OF COMMERCE - EAST LONDON	• Corporate branding on chamber promotional brochures & catalogues; • Branding /sponsorship of events; • Branding on electronic media (website, e-mail, newsletters); • Advertising in The Business Hi- Lite magazine; and • Complimentary places chamber dinners or breakfasts for IDC staff
DURBAN CHAMBER OF COMMERCE AND INDUSTRY	• Networking opportunities; • Marketing - dissemination of information to members of the chamber; and • Business referrals via the chamber.

CAPE REGIONAL CHAMBER	• Access to corporate members for potential funding; • Speaking opportunities; and • Stakeholder relations.
LOWVELD CHAMBER OF BUSINESS AND TOURISM	• Networking opportunities; • IDC is featured in the Lowveld Business and Investment Guide.
MCCI (BUSINESS CHAMBER)	• Networking with Industries; • Speaking at seminars, conferences and workshop; and • Profiling the IDC.
SOUTH AFRICAN CHAMBER OF COMMERCE AND INDUSTRIES (SACCI)	•Through its membership, the IDC is able to participate in issues that affect the business environment and in the national economy; •The IDC to help shape and formulate policy positions on business issues of national importance; •The IDC gets to showcase its position as a leading development finance institution, in line with its Leadership in Development strategy; and •A by-product of this is that the business community gets exposed to the IDC's product offerings and creates a better understanding of its leadership role; and •SACCI's various seminars and presentations where top speakers share important business insights.
POLOKWANE CHAMBER OF COMMERCE	• IDC has access to members from different subsectors thus providing investment opportunities for the corporation.
PIETERMARITZBURG CHAMBER OF BUSINESS	• Networking opportunities; • Marketing by dissemination of information to members of the chamber; and • Business referrals via the chamber.
NELSON MANDELA BAY CHAMBER	• Branding opportunity on the business chamber website; • Branding on the business chamber's newsletter; and • Advertising in their magazine.
CORPORATE EXECUTIVE BOARD (CEB)	• Adoption and utilisation of best practice information, benchmarking information, and people practice trends and analyses in the new world of work, understanding of lessons learnt and implementation advice, risks and considerations; • The membership affords the organisation opportunities to engage with specialist Human Capital advisers as and when required; • Guidance on where best practice information can be sourced; and • Opportunities for IDC to engage and network with other entities on people-related issues.
FOREST SECTOR BBBEE CHARTER COUNCIL	• Networking and profiling IDC (through Forestry and Wood Products SBU) Information sharing within the sector.
EXPORTERS CLUB (PORT ELIZABETH)	• Networking opportunities at its events; • Opportunity to gain information on export related matters; • Strengthening the bonds between members with interests similar to those of the IDC; • Opportunities for open debate on subjects of general interest to the export fraternity; and • Marketing exposure through the awards.
PROUDLY SOUTH AFRICAN	• The main benefit is that the IDC is at the forefront of efforts to turn around South Africa's economy for sustainable economic development; • To position the IDC as a home-grown, patriotic development finance institution in South Africa and the continent; • The showcase the corporation's efforts to fund and promote local manufacturing through local business that have been funded by the corporation, and thus lead by example; and • The corporation is able to promote its products and services amongst businesses that have similar localisation objectives.
KZN GROWTH COALITION	• Public private partnership networking opportunities; and • Dissemination of information between IDC and members of this organisation.
SOUTH AFRICAN DEVELOPMENT COMMUNITY-DEVELOPMENT FINANCE RESOURCE CENTRE(SADC-DFRC)	•Institutional support, including capacity building; • Infrastructure and public private partnerships delivery; •Through its work in capacity building, research and contribution to policy formulation, the IDC has an opportunity to exchange information with fellow SADC development finance institutions and thereby contribute to SADC's goals of economic growth and sustainable development; •For the IDC to work closely with the SADC-DFRC to build capacity and develop strategies to strengthen the development finance sector; •The IDC also benefits from the SADC Region's goal of regional integration, as spearheaded by the DFRC; and •Belonging to the network ensures that the IDC is at the forefront, keeping up with developments in the DFI space.
SOUTHERN BIOGAS INDUSTRY ASSOCIATION (SABIA)	• Profile IDC as a funder of green (Biogas) projects; • Share IDC requirements for financing green projects; and • Networking opportunities with the industry.
SOUTH AFRICAN INDEPENDENT POWER PRODUCERS ASSOCIATION (SAIPPA)	• Networking with the renewable energy industry; and • IDC is updated on regulatory matters that are relevant to the industry.
SAPVIA	• The association is devoted to promoting the growth of the country's solar photovoltaic (PV) electricity market, and aims to contribute to the country's renewable energy roll-out.
SOUTH AFRICAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION (SAVCA)	• IDC get to participate in the SAVCA Venture Capital subcommittee; • IDC also benefits from venture capital-specific research conducted by SAVCA on behalf of its members; • Benefits from the research and lobbying done by SAVCA on behalf of all its members (including both Private Equity and Venture Capital participants); • To stimulate the growth of the SA Venture Capital Industry by playing a part in strengthening the overall SA venture capital ecosystem through collaboration with other venture capital funders and investors; and • Gain insight into the funding mandates, focus areas, and approach to new and follow-on investments of other venture capital funders.

SOUTH AFRICAN SAVINGS INSTITUTE(SASI)	•The Institute is committed to playing a meaningful role in securing sustained growth in the national savings rate to enhance the financial health of the nation and the well-being of its citizens; and •The institute foster a culture of savings through initiatives that: raise levels of awareness, cause debate and develop savings outlook that will influence decision-making by public and private sector institutions and consumers.
UNITED NATIONS ENVIRONMENT PROGRAM FINANCIAL INITIATIVE (UNEPFI)	• This membership positions the IDC as an environmentally responsible DFI; and • Membership provides the IDC with an opportunity to participate in the formulation of UPEPFI guidelines • Networking, and knowledge sharing.
CHAMBER OF COMMERCE AND INDUSTRY –JOHANNESBURG (JCCI)	• This membership assist the IDC to engaging with a key player in the promotion and facilitation of international trade; • The membership also promote enterprise development, skills development training and business advisory services; and • Networking, participate in the chambers programmes.
BLACK BUSINESS COUNCIL BBC	• Complimentary participation in the workshops organised by the chamber; • Contribution in the formulating policies; and • Participation in special Investment meetings with chamber board.
AFRICAN WOMEN CHARTERED ACCOUNTANTS (AWCA)	• The IDC gets the advantage of sourcing talent directly from a pool of highly qualified professionals seeking quality advancement in the financial services sector; • Access to groomed and fully vetted AWCA bursary recipients for possible training contracts. • Inclusion on AWCA's CSI initiatives; • Three complementary individual memberships, • Recognition and profiling of the organisation and its selected employees at AWCA events throughout the year; • An opportunity to further demonstrate a commitment to transformation policies in the corporate environment and alignment with the progressive AWCA brand; • Standing invitation to regular events held i.e. Power Tea, Out to Lunch, Roundtable Discussion, and Celebrate Success; • Preferential rates for staff on AWCA endorsed training and development programmes such as the Duke Women Leading Africa programme and the Fordham University- Emerging markets and Country Risk courses programme; and • Tailor-made collaborative initiatives, focusing on each individual corporate sponsor's current vision.

11. CUSTOMER RELATIONSHIP MANAGEMENT

ANNUAL CUSTOMER SATISFACTION SURVEY

Understanding our customers' needs is part of our customer experience strategy and works as a yard stick to measure and improve our service levels. The approach assists us towards continuous service improvements at every interaction. For this purpose, we conduct customer satisfaction surveys to measure the satisfaction levels of our clients and use the feedback to address service issues, including implementing remedial actions.

The Annual Customer Satisfaction Survey focusses on existing clients (clients who have gone through the entire IDC application process, including disbursement of funding). The survey excludes clients who are in Legal and Workout & Restructuring.

The study is conducted by an independent research agency, which uses a 10-point scale where a score of 7/10 is considered good, 8-9/10 as very good and 10 as excellent.
The Corporation scored 7.8 for the overall service experience in the 2017/2018 financial year. A total of 231 respondents, contacted randomly, participated in the survey with a representative sample across the various Strategic Business Units.

Respondents were also asked to rate the IDC on specific service attributes that were categorised under four dimensions, namely; (a) Solutions/Products and Services, (b) Service Efficiency, (c) Customer Interface, and (d) Business Approach. The overall score for the four dimensions are depicted below.

SUMMARY OF THE KEY RESEARCH FINDINGS

OVERALL, CLIENTS ARE SATISFIED WITH THE AREAS OF CONCERN BEING TURNAROUND, RESPONSIVENESS AND COMMUNICATION.

KEY STRENGTHS

- High level of professionalism in business dealings
- A supportive business partner and funder
- Competitive pricing/good interest rates
- Availability of applicable solutions/products that meet the clients' requirement
- Satisfactory service levels

SUGGESTIONS FOR IMPROVEMENTS

- Turnaround time
- Improve communication
- Improve internal processes
- Simplify rigid/not flexible contracts
- Streamline the application process

BENEFITS

The findings enable the IDC to have a full view and understanding of the customer experience through the application and after-care journey. This has equipped the corporation to implement remedial actions to meet and exceed the clients' expectations.

PLANS FOR THE 2018/19 FINANCIAL YEAR

The key focus is to enhance client interactions through face-to-face contact as well as through our online platforms. In addition, we see opportunities to create avenues for our clients to interact with each other and in that manner facilitate mutual business relationships.

12. KING IV CHECKLIST

Key		Application of the king IV report focus on
✓	Applied	• Ethical culture • Good performance • Effective control • Legitimacy
★	Partially applied	
♦	Not applied	
X	In progress	
☐	Not applicable	

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP			
Leadership	Principle 1	The board should lead ethically and effectively	2-5, 51-54
Organisational ethics	Principle 2	The board should govern the ethics of the company in a way that supports the establishment of an ethical culture	51, 55-57
Responsible corporate citizenship	Principle 3	The board should ensure that the company is and is seen to be a responsible corporate citizen	60-61

STRATEGY, PERFORMANCE AND REPORTING			
Strategy and performance	Principle 4	The board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	6, 9, 13-14, 18-19, 26-49
Reporting	Principle 5	The board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium and long term prospects	66-72
GOVERNING STRUCTURES AND DELEGATION			
Primary role and responsibilities of the board	Principle 6	The board should serve as the focal point and custodian of corporate governance in the company	51-53
Composition of the board	Principle 7	The board should compromise the appropriate balance of knowledge, skills, expertise, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	20-21, 51
Committees of the board	Principle 8	The board should ensure that its arrangements for delegation within its own structures promote independent judgment and assist with balance of power and the effective discharge of its duties	52-56
Evaluations of the performance of the board governing body	Principle 9	The board should ensure that the evaluation of its own performance and that is committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	54-55
Appointment and delegation to management	Principle 10	The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	15, 22-25, 52-56
GOVERNANCE FUNCTIONAL AREAS			
Risk governance	Principle 11	The board should govern risk in a way that supports the company in setting and achieving its strategic objectives	10-11, 63-65
Technology and information governance	Principle 12	The board should govern technology and information in a way that supports the company setting and achieving its strategic objectives	62-63
Compliance governance	Principle 13	The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen	65-66
Remuneration governance	Principle 14	The board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives an positive outcomes in the short, medium and long term	57-60
Assurance	Principle 15	The board should ensure that assurance services and functions enable an effective control environment , and that these support the integrity of information for internal decision-making and of the company's external reports	63, 66, 79-82
Stakeholders	Principle 16	The execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interest and expectations of material stakeholders in the best interest of the company over time	26-50, 60-61
Institutional investor	Principle 17	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.	61-62

13. GRI TABLE

GLOBAL REPORTING INITIATIVE (GRI) G4 INDEX 2018

GENERAL STANDARD DISCLOSURES

INDICATOR	DESCRIPTION	PAGE	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS			
G4-1	**Leadership Commentary:** • Minister's Foreword • Chairperson's Statement • Chief Executive Officer's Statement	 2-3 4-5 22-23	*
G4-2	**Key impacts, risks and opportunities:** • Economic, environmental and social impacts • Materiality • Strategy • Stakeholders • Financial sustainability • Risk management • Targets and performance	 1, 2-5, 7-9, 12-14, 48-50 16-17 6, 13-14 16-17 12, 73-78 10-11, 61-66 12, 18-19	Selected indicators are assured
ORGANISATIONAL PROFILE			
G4-3	The Industrial Development Corporation of South Africa Limited	79	*
G4-4	**The primary brands, products and services:** • Group overview and operational structure • Approach to sector development • Business model • The IDC funding model	 14-15, 79 and online 13-14 8-9 6 and online section on special schemes	*
G4-5	The location of the organization's headquarters: 19 Fredman Drive, Sandton, Johannesburg, South Africa	84	*
G4-6	**Significant locations of operation:** • Operational footprint	 7	*
G4-7	**The nature of ownership and legal form:** • Mandate • Group structure	 6 Online	*
G4-8	**Markets served, geographic breakdown and sectors served:** • Group overview and operational structure Business model • Approach to sector development • Geographical breakdown • The IDC funding model	 15 and online 8-9 13 7 and online	*
G4-9	**The scale of the organization:** •Total number of employees • The operational and project footprint in South Africa and the rest of the continent • Products and services provided • Net revenues and capitalization • Business model	 59 and online 7 and online 6 69-75 8-9	*
G4-10	Staff profile	59, online	*

G4-11	The IDC operates within the provisions of all relevant labour legislation including the provision of minimum notice periods regarding operational changes should these arise	57-61	*
G4-12	The organization's supply chain is discussed under the IDC funding process and the online section on Procurement	6 and online	*
G4-13	There were no significant changes during the reporting period regarding size, structure or ownership. The aim of Project Evolve was to identify the sectors where the IDC will be playing a proactive role in developing industry.	13	*
G4-14	**The IDC's Environmental and Social (E&S) framework is aligned to the Precautionary Principle:** • Mitigating key risks • IDC funding process and business support • Natural environment (indirect risks) • Enterprise risk management	61-65 6 61-62 63-65	*
G4-15	Externally developed charters, principles, or other initiatives to which the IDC subscribes or which it endorses: B-BBEEE ratings, Signatory to UNEP-FI, Guided by the PFMA, King III checklist, GRI G4 reporting guidelines	Online	*
G4-16	Associations and national or international advocacy organizations of which IDC is a member, special funds, building partnerships, assisting government/public sector	Online	*
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Investments in subsidiaries	16-17, 62, 65, 72-74, notes to the annual financial statements	Yes, Consolidated and separate financial statements independently audited
G4-18	Explain the process for defining the report content	79	*
G4-19	List all the material aspects identified in the process for defining report content	16-17 and online - GRI Aspects can be found in the GRI checklist in the online section	*
G4-20	The boundary for each material aspect is explained throughout the report as referenced in this GRI index	Throughout the report and online - GRI Aspects can be found in the GRI checklist in the online section	*
G4-21	The boundary for each aspect is explained throughout the report at each indicator	Throughout the report	*
G4-22	There were no re-statements of information and no restatements of information were required	79	*
G4-23	Using the GRI 4 format, we continue to expand boundary to include more material subsidiaries in some aspects	79	*
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder engagement table	Online	*
G4-25	Stakeholder identification	16-17 and online	*
G4-26	Stakeholder engagement practices, feedback surveys and ethics	17 and online	*

G4-27	Key topics and concerns that have been raised through stakeholder engagement and the organisation's response to those key topics and concerns, including the identification of material issues, material issues table, the risk review, Directors' Report	22-23, 2-5, 10-11, 22-23, 57-65, throughout the report	*
REPORT PROFILE			
G4-28	The reporting period is for the fiscal year 1 April 2016 to 31 March 2017	79	*
G4-29	The last report was issued for the year ended 31 March 2016	79	*
G4-30	The reporting cycle is annual	79	*
G4-31	Key contacts are listed on the inside back cover of the report	84-85	*
G4-32	The report contains Standard Disclosures from the GRI G4 Core Sustainability Guidelines	79, GRI table online	*
G4-33	External assurance	80, 69	*
G4-34	Governance structure	53-56	*
ETHICS AND INTEGRITY			
G4-56	Ethics and Values	6, 54-56	*

SPECIFIC STANDARD DISCLOSURES

DMA AND INDICATORS	STANDARD DISCLOSURE TITLE	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)		PAGE	EXTERNAL ASSURANCE
CATEGORY: ECONOMIC						
MATERIAL ASPECT: ECONOMIC PERFORMANCE						
G4-DMA	Economic overview, Policy environment, Our mandate, Governance	Fully disclosed			1-9, 12-14, 18-19, 22-23, 48-56	*
G4-EC1	Direct economic value generated and distributed	Fully disclosed			73-78	Yes
G4-EC2	Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure	Fully disclosed			38-39	*
MATERIAL ASPECT: MARKET PRESENCE						
G4-DMA	The IDC attempt to eliminate all forms of discrimination against minority groups through the Minority Fund Schemes and the application of the BEE scorecard	Fully disclosed			1, 7-9, 18-19, 50 and online section on the special funds	*
G4-EC6	The IDC provide percentages of designated groups in senior management positions, in line with South Africa's B-BBEE aspirations	Fully disclosed			57-59 and online	*

MATERIAL ASPECT: PROCUREMENT PRACTICES						
G4-DMA	Procurement				56 and online	*
G4-EC9	Proportion of spending on local suppliers at significant locations of operation, B-BBEEE code of good practice and preferential procurement				Online	*
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS						
G4-DMA	An economic overview and the policy environment are addressed in the Leadership Commentary.	Fully disclosed			2-5	*
G4-EC8	Performance highlights, SBU sector-specific performance reports, Development funds, Investing in communities, B-BBEE, Indirect impacts	Fully disclosed			1-5, 26-47, 48-50, online section on special funds	*
CATEGORY: ENVIRONMENTAL						
MATERIAL ASPECT: ENERGY						
G4-DMA	Natural Environment	Fully disclosed			61 and online	*
G4-EN3	Energy consumption within the organization	Fully disclosed			61 and online	*
G4-EN5	Energy intensity	Fully disclosed			61 and online	*
MATERIAL ASPECT: WATER						
G4-DMA	Natural Environment	Partially disclosed			61 and online	*
G4-EN9	Water sources significantly affected by withdrawal of water	Partially disclosed	The information is currently unavailable		61 and online	*
MATERIAL ASPECT: EMISSIONS						
G4-DMA	Natural Environment				61 and online	*
G4-EN15	Direct GHG emissions (Scope 1)	Partially disclosed	The information is currently unavailable	Courier services not included in Scope 1 calculations as the couriers are expected to report on their impact separately.	61 and online	
G4-EN16	Energy indirect GHG emissions (Scope 2)	Fully disclosed			61 and online	
MATERIAL ASPECT: EFFLUENTS AND WASTE						
G4-DMA	Natural environment	Partially disclosed			61 and online	*
G4-EN22	Total water discharged by quality and destination	Partially disclosed	The information is currently unavailable		61 and online	*

CATEGORY: SOCIAL						
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK						
MATERIAL ASPECT: EMPLOYMENT						
G4-DMA	Human Capital	Fully disclosed			57-61 and online	*
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Fully disclosed			57-61 and online	*
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Partially disclosed			57-61 and online	*
MATERIAL ASPECT: LABOUR/MANAGEMENT RELATIONS						
G4-DMA	Human Capital - Minimum notice periods regarding operational changes, and whether these are specified in collective agreements.	Fully disclosed		The IDC operates within the provisions of all relevant labour legislation including the provision of minimum notice periods regarding operational changes should these arise.		*
G4-LA4	Minimum notice periods regarding operational changes and whether these are specified in collective agreements.	Fully disclosed		The IDC operates within the provisions of all relevant labour legislation including the provision of minimum notice periods regarding operational changes should these arise.		*
MATERIAL ASPECT: LABOUR/MANAGEMENT RELATIONS						
G4-DMA	Natural environment	Fully disclosed			Online	*
G4-LA5	Percentage of total workforce represented in formal joint management-worker H&S committees that help monitor and advise on OHS programs	Fully disclosed			Online	*
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender	Fully disclosed			Online	*
MATERIAL ASPECT: TRAINING AND EDUCATION						
G4-DMA	Human Capital - Growing and developing our talented workforce	Fully disclosed			57-59	*
G4-LA9	Average hours of training per year per employee by gender and by employee category	Fully disclosed			58 and online	Yes
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Fully disclosed			57-59	Yes

G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Fully disclosed			57-59	*
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY						
G4-DMA	Human capital	Fully disclosed			57-61 and online	*
G4-LA12	Human Capital - Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Fully disclosed			57-61 and online	Yes
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOUR PRACTICES						
G4-DMA	Procurement	Fully disclosed		Assessing our suppliers' labour practices is not material to the IDC's business	56 and online	
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	Fully disclosed			56 and online	
MATERIAL ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS						
G4-DMA	Human capital	Fully disclosed			57-61	*
G4-LA16	Human Capital - Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Fully disclosed			57-61	*
MATERIAL ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS						
SUB-CATEGORY: HUMAN RIGHTS						
MATERIAL ASPECT: INVESTMENT						
G4-DMA	Natural environment	Not disclosed	The information is currently unavailable			*
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not disclosed	The information is currently unavailable			*
MATERIAL ASPECT: NON-DISCRIMINATION						
G4-DMA	Human capital	Fully disclosed			57-61	*
G4-HR3	No instances of discrimination were found	Fully disclosed			57-61 and online	*
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING						
G4-DMA	Human capital	Not disclosed	The information is currently unavailable			*

G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Not disclosed	The information is currently unavailable			*
SUB-CATEGORY: SOCIETY						
MATERIAL ASPECT: LOCAL COMMUNITIES						
G4-DMA	Our mandate and strategic pillars, Satisfying Customers, Investing in Communities	Fully disclosed			6, 13, 17, 48-49	*
G4-FS13	Access points in low populated or economically disadvantaged areas by type	Fully disclosed			7	*
MATERIAL ASPECT: ANTI-CORRUPTION						
G4-DMA	Mitigating key risks, Material issues, Governance	Fully disclosed			10-12 and online	*
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Partially disclosed	The information is subject to specific confidentiality constraints		61-63	Yes
G4-SO4	Communication and training on anti-corruption policies and procedures	Fully disclosed			64 and online	Yes
MATERIAL ASPECT: COMPLIANCE						
G4-DMA	Governance - Compliance with relevant laws and regulations	Fully disclosed			66-67	*
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully disclosed		There were no contraventions, penalties, sanctions or fines imposed on the IDC due to non-compliance with regulatory requirements		*
SUB-CATEGORY: PRODUCT RESPONSIBILITY						
MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING						
G4-DMA	Our main business and funding activities, satisfying Customers	Fully disclosed			6, 8-9, 13	*
G4-PR5	Customer satisfaction survey results	Fully disclosed			17 and online	*
MATERIAL ASPECT: PRODUCT PORTFOLIO						
G4-DMA	IDC's mandate, Strategic pillars, Funding model, Operational structure, Strategic Business Units, Investing in communities, Corporate governance	Fully disclosed			6, 8-9, 13-14, 15, 26-47, 48-49, 51-57	*
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Fully disclosed			6, 8-9 and online section on special funds	*

G4-FS8	Monetary value of products and services designed to deliver an environmental benefit for each business line broken down by purpose	Fully disclosed			6, 8-9 and online section on special funds	*
MATERIAL ASPECT: CUSTOMER PRIVACY						
G4-DMA	Satisfying Customers	Partially disclosed	The information is currently unavailable	IT systems are being implemented for the protection of personal information	17 and online	*
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Not disclosed	The information is currently unavailable	Processes to register customer complaints being implemented		*
MATERIAL ASPECT: ACTIVE OWNERSHIP						
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Fully disclosed		All transactions for this financial year and a percentage of our existing clients were monitored for EHS performance	61-62 and online - GRI Aspects can be found in the GRI checklist in the online section	*
G4-FS11	Percentage of assets subject to positive and negative environmental and social screening	Partially disclosed	The information is currently unavailable	Only high risk clients are currently assessed	61-62 and online	*
MATERIAL ASPECT: COMPLIANCE						
G4-DMA	Governance	Fully disclosed			51-57	*
G4-PR9	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations concerning the provision and use of products and services	Fully disclosed		There were no contraventions, penalties, sanctions or fines imposed on the IDC due to non-compliance with regulatory requirements	51-57	*

*** INDICATOR NOT EXTERNALLY ASSURED OR NO EXTERNAL ASSURANCE REQUIRED.**

- END -

Your partner in development finance

IDC

Industrial Development Corporation