

2018

ANNUAL FINANCIAL
STATEMENTS

PARTNERING FOR INCLUSIVE INDUSTRIALISATION



Industrial Development Corporation

Your partner in development finance

C O N T E N T S

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Icons denoting assurance



Denotes Limited
Assurance



Denotes Reasonable
Assurance

CONFIRMATION OF ACCURACY AND FAIR PRESENTATION

INTEGRATED REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE 2018 FINANCIAL YEAR-END

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

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

ANNUAL FINANCIAL STATEMENTS

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

PERFORMANCE INFORMATION

The performance information fairly reflects the operations, and actual output against planned targets for performance indicators

as per the Corporate Plan of the IDC and approved amendments for the financial year ended 31 March 2018. The performance information has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

HUMAN RESOURCE MANAGEMENT

The human resource information contained in the respective tables in the integrated report, fairly reflects the information of the IDC for the financial year ended 31 March 2018.

IN RESPECT OF MATERIAL ISSUES

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

PREPARATION OF THE FINANCIAL STATEMENTS

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



MG Qhena
Chief Executive Officer
27 June 2018



BA Mabuza
Chairperson of the Board
27 June 2018

ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

The Accounting Authority is responsible for the preparation of the IDC's annual financial statements and for the judgements made in this information.

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

In my opinion, the annual financial statements fairly reflect the operations of the IDC for the financial year ended 31 March 2018.

The external auditors are engaged to express an independent opinion on the annual financial statements of the IDC.

The IDC's annual financial statements for the year ended 31 March 2018 have been audited by the external auditors and their report is presented on page 6.

The annual financial statements of the IDC set out on page 24 to page 100 have been approved.



MG Qhena
Chief Executive Officer
27 June 2018

INDEPENDENT ASSURANCE PROVIDER'S LIMITED ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS

TO THE DIRECTORS OF INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA

REPORT ON SELECTED KEY PERFORMANCE INDICATORS

We have undertaken a limited assurance engagement on selected key performance indicators (KPIs), as described below, and presented in the 2018 Integrated Report of the Industrial Development Corporation (IDC) for the year ended 31 March 2018 (the Report). This engagement was conducted by a multidisciplinary team including specialists with relevant experience in sustainability reporting.

SUBJECT MATTER

We are required to provide limited assurance on the following selected KPIs. The selected KPIs described below have been prepared in accordance with IDC's reporting criteria that accompanies the performance information on the relevant pages of the Report (the accompanying IDC reporting criteria) and the reporting boundary is IDC's operations only.

Material Issue	Key Performance Indicators	Unit of Measurement	Guideline/Criteria	Boundary	Reference page number
Industrial development	• Value of funding approved	Rand Value (ZAR)	IDC Internal Criteria	IDC only	IDC IR 2018 Page 1
Socio-economic development	• Expected direct jobs created/saved (approved) • Value of funding to Black Industrialists (approved)	Number (#)	IDC Internal Criteria	IDC only	IDC IR 2018 Page 1
		Rand Value (ZAR)	IDC Internal Criteria	IDC only	IDC IR 2018 Page 1
Human Capital	• Retention - % turnover of employees occupying critical roles • Succession - % critical roles that have identified potential successors for immediate and/or 1-3 years • Average number of hours training	Percentage (%)	IDC Internal Criteria	IDC only	IDC IR 2018 Page 57
		Percentage (%)	IDC Internal Criteria	IDC only	IDC IR 2018 Page 57
		Number (#)	GRI G4	IDC only	IDC IR 2018 Page 58
Governance, Regulation and Risk Management	• Total number and percentage of operations assessed for risks related to corruption and the significant risks identified • Communication and training on anti-corruption policies and procedures • Monitoring portfolio-high risk	Number (#) and Percentage (%)	GRI G4	IDC only	IDC IR 2018 Page 66
		Text claim	GRI G4	IDC only	IDC IR 2018 Page 66
		Text claim	IDC Internal Criteria	IDC only	IDC IR 2018 Page 61
Partners	• Stakeholder engagement strategy and process	Text claim	IDC Internal Criteria	IDC only	IDC IR 2018 Page 16

DIRECTORS' RESPONSIBILITIES

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

INHERENT LIMITATIONS

We draw your attention to inherent limitations that should be recognised in considering the potential effectiveness of any such

system. Such limitations include the following:

- The requirement that the cost of an internal control does not exceed the expected benefits to be derived;
- Most internal controls tend to be directed at routine events rather than non-routine events. The potential for human error due to carelessness, distraction, mistakes of judgment and the misunderstanding of instructions;
- The possibility of circumvention of internal controls through the collusion of a member of management or an employee with parties inside or outside the entity;
- The possibility that a person responsible for exercising an internal control could abuse that responsibility, for example, a member of management overriding an internal control; and

INDEPENDENT ASSURANCE PROVIDER'S LIMITED ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS *continued*

TO THE DIRECTORS OF INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA

- The possibility that procedures may become inadequate due to changes in conditions, and compliance with procedures may deteriorate.

Our assurance of the KPIs in the Report for the year ended 31 March 2018 would not necessarily disclose all weaknesses in the system because it is based on selective tests of records. However, the attached report summarises certain observations and recommendations which resulted from our assurance process.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

SizweNtsalubaGobodo Inc and Ngubane and Company (JHB) Inc apply the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International

Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

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

of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

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

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected KPIs;
- Performed a controls walkthrough of identified key controls;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgments made by the directors in the preparation of the selected KPIs; and
- Evaluated whether the selected KPIs presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at IDC.

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

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained [and subject to the inherent limitations outlined elsewhere in this report], nothing has come to our attention that causes us to believe that the selected KPIs as set out in the subject matter paragraph for the year ended 31 March 2018 are not prepared, in all material respects, in accordance with the accompanying IDC reporting criteria.

OTHER MATTERS

The maintenance and integrity of the IDC's Website (www.idc.co.za) is the responsibility of IDC management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on IDC website.



SizweNtsalubaGobodo Inc.

Registered Auditor

Per Fikile Zwane

Director
Chartered Accountant (SA)
Registered Auditor


31 July 2018

SizweNtsalubaGobodo Inc.

20 Morris Street East
Woodmead
2191

RESTRICTION OF LIABILITY

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



Ngubane and Company (JHB) Inc.

Registered Auditor

Per Nqabisa Ravele

Director
Chartered Accountant (SA)
Registered Auditor

31 July 2018

Ngubane and Company (JHB) Inc.

1 Superior Close, Off 16th Road
Midrand
1685

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

ON THE INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LIMITED

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of the Industrial Development Corporation of South Africa Limited and its subsidiaries (the Group) set out on pages 24 to 100, which comprise the consolidated and separate statement of financial position as at 31 March 2018, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Industrial Development Corporation of South Africa Limited and its subsidiaries as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Industrial Development Corporation Act (Act No. 22, 1940 as amended) (Industrial Development Corporation Act).

Basis for opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those

standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of this audit report.

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

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

Key audit matters

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

Key audit matter	How the matter was addressed in the audit
<p>Impairment of loans and advances Refer to note 1.8(a) and note 8 to the consolidated and separate financial statements.</p> <p>This key audit matter is applicable to both the consolidated and separate financial statements</p>	
<p>Loans and advances, represent 21% and 20% of total assets of the Group and company respectively, and are considered significant to the separate and consolidated financial statements.</p> <p>The estimation of impairment is inherently uncertain and is subject to significant judgement. Furthermore, models used by the accounting authority to determine credit impairments require certain inputs that are not fully observable.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation, and where possible the operating effectiveness, of the following controls: <ol style="list-style-type: none"> 1. the identification of impairment losses; 2. the governance processes in place for credit models, inputs and overlays; 3. the post investment monitoring forums where key judgements are considered; and 4. how the accounting authority ensured they have appropriate oversight over loan provisions.

Key audit matter	How the matter was addressed in the audit
<p>Impairment of loans and advances (continued) Refer to note 1.8(a) and note 8 to the consolidated and separate financial statements.</p> <p>This key audit matter is applicable to both the consolidated and separate financial statements</p>	
<p>The accounting authority compensates for any model and data deficiencies by applying overlays additional impairments that are over and above the numbers generated by the impairment models) to these outputs, which increase the provision. The valuation of these overlays can be highly subjective.</p> <p>This estimation uncertainty is increased due to the ongoing volatility in South Africa and wider regional economy markets.</p> <p>Impairments are calculated on a specific and portfolio basis.</p> <p>Due to the significance of these judgements on the loan impairment balance and the significance of loans and advances in the financial statements, the impairment of loans and advances was considered a key audit matter.</p>	<ul style="list-style-type: none"> • We evaluated the valuation models used by the company with specific emphasis on the assumptions used and determined whether the impairment on loans and advances has been calculated in accordance with the relevant accounting standards. • We paid particular attention to the valuation of, and rights to, security held by the Group and company by inspecting relevant supporting documentation on these securities. • Where management has used specialists to provide valuations, we assessed their competence, independence, professional qualifications and experience. • We assessed whether the credit reviews performed by accounting authority are in accordance with the company's Investment Monitoring Committee Policy by comparing the policy requirements against what has been applied during the year, and assessed whether the conclusions reached were appropriate.

Key audit matter	How the matter was addressed in the audit
<p>Valuation of unlisted investments Refer to note 1.7(a), 1.8 (b), 1.28 and note 9, 11 and 12 to the consolidated and separate financial statements for detailed disclosure of investments in unlisted shares.</p> <p>This key audit matter is applicable to both the consolidated and separate financial statements</p>	
<p>Unlisted investments are classified as available for sale investments and are significant in context of the consolidated and separate financial statements.</p> <p>For the company, significant judgement is applied by management in the valuation of unlisted equities in:</p> <ol style="list-style-type: none"> 1. subsidiaries, 2. associates, joint ventures and partnerships and 3. other entities. <p>For the Group, significant judgement is applied by management in the valuation of unlisted equities in other entities.</p> <p>Significant judgements and assumptions are applied by management in valuing these investments include the following:</p> <ul style="list-style-type: none"> • Free cash flows of investees. • Replacement values. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the models used by the accounting authority and discount rates applied at year-end, and reperformed a sample of the valuations by agreeing valuation inputs to independently sourced data. • We benchmarked inputs used for valuations to current market best practices in assessing the appropriateness of the methodologies applied. • We assessed and challenged the reasonability of cash flows and discount rates used in valuing unlisted investments by comparing them to similar instruments. • We independently recalculated the expected fair values to evaluate if the accounting authority's estimates are within a reasonable range in comparison with our independent expectation.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT *continued*

ON THE INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LIMITED

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How the matter was addressed in the audit
<p>Valuation of unlisted investments (continued) Refer to note 1.7(a), 1.8 (b), 1.28 and note 9, 11 and 12 to the consolidated and separate financial statements for detailed disclosure of investments in unlisted shares.</p> <p>This key audit matter is applicable to both the consolidated and separate financial statements</p>	
<ul style="list-style-type: none"> • Discount or premium applied to the Industrial Development Corporation of South Africa Limited's stake in investees. • Debt weighting – this is the target interest-bearing debt level. • Realisable value of assets. • Probabilities of failure in using the Net Asset Value-model. <p>Due to the significant judgment applied by accounting authority and the work effort from the audit team, the valuation of unlisted investments was considered a key audit matter.</p>	<ul style="list-style-type: none"> • We also assessed the disclosures made relating to the valuation of unlisted investments to ensure consistency with the requirements of the relevant accounting standards and with the methodologies applied by the accounting authority.
<p>Key audit matter</p> <p>How the matter was addressed in the audit</p>	
<p>Impairment of cash generating units at Foskor Refer to note 1.8 (c) and note 15 respectively of the consolidated financial statements for detailed disclosure of the impairments of assets.</p> <p>This key audit matter is applicable to the consolidated financial statements</p>	
<p>Included in (account balance) is a cash generating unit (CGU) at Foskor Proprietary Limited (Foskor), a subsidiary of the Industrial Development Corporation of South Africa Limited.</p> <p>Significant judgements and assumptions are applied by the Group, in the impairment of the CGU include the following:</p> <ul style="list-style-type: none"> • Risks specific to future cash flows • Reasonableness of net asset value • Weighted Average Cost of Capital (WACC) assessment • Reasonability of the assumptions and inputs • Sensitivity analysis <p>This estimation uncertainty is increased due to the ongoing volatility in South Africa and wider regional economy markets.</p> <p>Due to the significant judgment applied by management and the work effort from the audit team, the impairment of cash generating unit at Foskor, was considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We challenged the Group's impairment assessment by involving our own internal valuation team and recalculated the impairment assessment. • We assessed the reasonability of the Group's WACC by comparing the factors used in determining the WACC to requirements per relevant accounting standards. • We evaluated the reasonability of cash flows based on the selling price used by the Group in its assessment by independently assessing the underlying factors giving rise to these inputs and whether these factors are reasonable.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the PFMA and the Industrial Development Corporation Act and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

A further description of our responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

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

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2018:

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT *continued*

ON THE INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LIMITED

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT (CONTINUED)

Introduction and scope (continued)

Predetermined objectives	Unit of measurement	Guideline/ Criteria	Boundary	Pages in the annual performance report
Value of funding disbursed	Rand Value (ZAR) bn	IDC Internal Criteria	IDC only	20
Funding leveraged	Ratio	IDC Internal Criteria	IDC only	20
Expected jobs created/saved	Number (#)	IDC Internal Criteria	IDC only	20
Expected direct jobs created	Number (#)	IDC Internal Criteria	IDC only	20
Value of funding to black Industrialists	Rand Value (ZAR) million	IDC Internal Criteria	IDC only	20
Value of funding women empowered businesses	Rand Value (ZAR) million	IDC Internal Criteria	IDC only	20
Value of funding for youth empowered businesses	Rand Value (ZAR) million	IDC Internal Criteria	IDC only	20
Funding for transactions for localisation initiatives	Rand Value (ZAR) million	IDC Internal Criteria	IDC only	20
Level of impairments	Rand Value (ZAR) bn	IDC Internal Criteria	IDC only	21
Revenue generation from assets	Percentage (%)	IDC Internal Criteria	IDC only	21
Customer satisfaction index	Overall customer satisfaction rating (1-10)	IDC Internal Criteria	IDC only	21
SEFA balanced score card	SEFA's performance rating	IDC Internal Criteria	IDC only	21
Foskor profitability	Rand Value (ZAR) million	IDC Internal Criteria	IDC only	21
Scaw profitability	Rand Value (ZAR) million	IDC Internal Criteria	IDC only	21
Scaw Restructuring	Rating as per milestones achieved	IDC Internal Criteria	IDC only	21
Cost to income ratio	Percentage (%)	IDC Internal Criteria	IDC only	21
Growth in levels of jobs supported by IDC clients	Percentage (%)	IDC Internal Criteria	IDC only	22
Increased number of jobs created per unit of funding by IDC (reduce cost per job)	Percentage (%)	IDC Internal Criteria	IDC only	22
Increase in levels of empowerment in IDC's portfolio	Percentage (%)	IDC Internal Criteria	IDC only	22
Growth rate in IDC's reserves	Percentage (%)	IDC Internal Criteria	IDC only	23

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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

Other matters

We draw attention to the matter below.

Achievement of planned targets

Refer to the Director's report on the performance information on pages 20 to 23 for information on the achievement of planned targets for the year.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

We did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information comprises of the confirmation of accuracy and fair presentation report, the independent assurance providers' limited assurance report on selected performance information, the accounting officer's statement of responsibility for annual financial statements, the report of the Board Audit Committee and the Directors' Report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.



SizweNtsalubaGobodo Inc.

Registered Auditor

Per Nhlanhla Sigasa

Director
Chartered Accountant (SA)
Registered Auditor

31 July 2018

SizweNtsalubaGobodo Inc.

20 Morris Street East
Woodmead
2191

Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

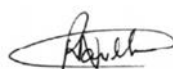
If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

We considered internal control relevant to our audit of the consolidated and separate financial statements, reported performance information with applicable legislation, however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control.

AUDITOR TENURE

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Inc. and Ngubane & Company (JHB) Inc. have been the auditors of Industrial Development Corporation for 11 years and 1 year respectively.



Ngubane and Company (JHB) Inc.

Registered Auditor

Per Nqabisa Ravele

Director
Chartered Accountant (SA)
Registered Auditor

31 July 2018

Ngubane and Company (JHB) Inc.

1 Superior Close, Off 16th Road
Midrand
1685

ANNEXURE – AUDITOR’S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- conclude on the appropriateness of the board of directors, which constitutes the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to

events or conditions that may cast significant doubt on the Industrial Development Corporation of South Africa Limited and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause the public entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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

REPORT OF THE BOARD AUDIT COMMITTEE

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 IV Code of Governance.

BACKGROUND

The Board Audit Committee (BAC) oversees the Corporation's financial reporting process on behalf of the Board of Directors, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls, risk management and financial reporting processes. In addition, the BAC assesses the effectiveness of the Internal Auditors and the independence and effectiveness of the External Auditors.

The Corporation's management has the primary responsibility for the financial statements, maintaining effective internal control over financial reporting and assessing the effectiveness of internal control over financial reporting.

RESPONSIBILITIES, COMPOSITION AND FUNCTIONS OF THE COMMITTEE

The Committee's role and responsibilities include its statutory duties as per the Public Finance Management Act, 1 of 1999 (as amended), the requirements of the King IV Code of Governance, Companies Act, 71 of 2008 (as amended) and the responsibilities assigned to it by the Board.

As a Committee, we therefore report that we have adopted appropriate formal terms of reference as approved by the Board and are satisfied that we have discharged our responsibilities as per the Companies Act, King IV and PFMA.

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

We meet at least four times per annum, with authority to convene additional meetings as circumstances require.

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

- Assisted the Board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, risk management and auditing processes applied within the Corporation in the day-to-day management of its business
- Facilitated and promoted communication between the Board, management, the external auditors and Internal Audit Department on matters that are the responsibility of the Committee
- Introduced measures that, in the opinion of the Committee, may enhance the credibility and objectivity of the financial statements and reports prepared with reference to the affairs of the Corporation (and IDC Group)
- Nominated and recommended for appointment as the Corporation's external auditors the firms of registered auditors,

SizweNtsalubaGobodo Inc. and Ngubane & Company (JHB) Inc., who, in the opinion of the Committee, are independent of IDC

- Determined the fees to be paid to the external auditors and the auditors' terms of engagement
- Ensured that the appointment of the external auditors comply with the Companies Act and any other legislation relating to the appointment of auditors.

INTERNAL CONTROL

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

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

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

To formulate its opinion, the Committee:

- Monitored the identification and correction of weaknesses and breakdowns of systems and internal controls
- Monitored the adequacy and reliability of management information and efficiency of management information systems
- Reviewed quarterly, interim and final financial results and statements and reporting for proper and complete disclosure of timely, reliable and consistent information
- Evaluated on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards, as well as any changes
- Discussed and resolved any significant or unusual accounting issues
- Reviewed reports supplied by management regarding the effectiveness and efficiency of the credit monitoring process, exposures and related impairments and adequacy of impairment provisions to discharge its obligations satisfactorily

REPORT OF THE BOARD AUDIT COMMITTEE

continued

- Reviewed and monitored all key financial performance indicators to ensure that they are appropriate and that decision-making capabilities are maintained at high levels
- Reported to the Board on the effectiveness of the Corporation's internal reporting controls.

EXTERNAL AUDITORS

As a Committee, we recognise the importance of maintaining the independence of the Corporation's Independent Auditor, both in fact and appearance. Each year, the Committee evaluates the qualifications, performance and independence of the Corporation's Independent Auditor and determines whether to re-engage the current Independent Auditor. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' capabilities and the auditors' technical expertise and knowledge of the Corporation's operations and industry. Based on this evaluation, the Audit Committee has retained both SizweNtsalubaGobodo Inc. and Ngubane & Company (JHB) Inc. as the auditors.

The Committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and audit fees for the financial year ended 31 March 2018.

The Committee:

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

FINANCIAL STATEMENTS

We have reviewed the financial statements of the Corporation and IDC Group and are satisfied that they comply in all material respects with IFRS and the requirements of the Companies Act and PFMA. During the period under review the Committee:

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

EXPERTISE AND EXPERIENCE OF FINANCE FUNCTION

We have considered and have satisfied ourselves of the overall appropriateness of the expertise and adequacy of resources of IDC's finance function and experience of the senior members of management responsible for the financial function.

DUTIES ASSIGNED BY THE BOARD

Integrated and Sustainability Reporting

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

We considered the Corporation's information as disclosed in the Integrated Report and have assessed its consistency with operational and other information known to Committee members and for consistency with the Annual Financial Statements. We have discussed the information with management and have considered the conclusions of the external assurance provider.

The Committee is satisfied that the sustainability information is, in all material respects, reliable and consistent with the financial results. Nothing has come to the attention of the Committee to indicate any material deficiencies in this regard.

Combined assurance

The Committee is responsible for monitoring the combined assurance model detailing significant processes, line management monitoring, Internal Audit and external assurances. This model is used to assess the appropriateness of assurance over risks/controls provided to the Board.

Engagement regarding the extent to which the various assurance providers rely on each other's work takes place continuously and we are of the view that a better coordination between External and Internal Audit has been achieved.

A Combined Assurance Plan integrating Internal Audit, Compliance and Risk Management Plans have been drafted for use in the next financial year to monitor the activities that relate to the Combined Assurance Process.

Going concern

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

Governance of risk

The Board has assigned oversight of the Corporation's risk management function to a separate Board Risk and Sustainability Committee. The Chairperson of the BAC attends the Board Risk

Committee meetings as an ex-officio member to ensure that information relevant to these committees is shared regularly.

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

Internal Audit

Internal audit forms part of the third line of defence as set out in the ERMF and engages with the first and second lines of defence to facilitate the escalation of key control breakdowns.

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

The Audit Committee is responsible for ensuring that the Corporation's internal audit function is independent and has the necessary resources, standing and authority within the Corporation to discharge its duties. We approved the internal audit function's annual audit plan, and as a Committee, we monitored and challenged, where appropriate, action taken by management with regard to adverse internal audit findings.

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

CONCLUSION

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

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

Following our review of the financial statements for the year ended 31 March 2018, we are of the opinion that they comply with the relevant provisions of the PFMA, as amended, and IFRS and that they fairly present the results of the operations, cash flow and financial position of the Corporation.

We have complied with all the King IV principles, with the inclusion of integrated reporting, evidenced by this issue of the Corporation's Integrated Report for the financial year ended March 2018. The Committee is satisfied that it has complied in all material respects, with its legal, regulatory and other responsibilities.

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



Ms NP Mnxasana
Chairperson of the Board Audit Committee
27 June 2018

DIRECTORS' REPORT

INTRODUCTION

The Industrial Development Corporation of South Africa Limited was established in 1940 by the Industrial Development Corporation Act, No 22 of 1940. It is a registered public corporation and a Schedule 2 listed entity in terms of the Public Finance Management Act (PFMA), No 1 of 1999, and the related Treasury regulations. This report is presented in accordance with the provisions of the prescribed legislation and addresses the performance of the IDC, as well as relevant statutory information requirements. The Board of Directors is the Accounting Authority as prescribed in the PFMA.

NATURE OF BUSINESS

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

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

As part of its industry development activities, the IDC has equity interests in several companies operating in a range of industries throughout the economy. Although we aim to keep our shareholding in these companies to levels below 50%, we do in some instances gain control of these businesses for various reasons. Details of trading subsidiaries and joint ventures are set out in the notes to the financial statement on pages 68 to 74.

PUBLIC FINANCE MANAGEMENT ACT

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

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

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

We have a comprehensive system of internal controls designed to ensure that we meet corporate objectives and the requirements of the PFMA.

Processes are in place to ensure that where controls fail, the failure is detected and corrected.

PERFORMANCE MANAGEMENT

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

Our primary performance evaluation focus is on our financing activities. The performance measurement system ensures that the IDC remains aligned to its mandated objectives. We review performance indicators annually to account for changes in our external and internal environments and ensure that long-term objectives will be achieved. Performance indicators and targets form part of our annual Corporate Plan and are approved by the Shareholder Representative prior to the start of a financial year. Targets may also be reviewed mid-year to take into account performance achievement in the previous year and potential changes in the environment.

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

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

PERFORMANCE INDICATORS

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

- Development impact
- Financial sustainability
- Customers/stakeholders
- Human capital
- Internal processes
- Subsidiaries.

The performance measurement process and outcomes are audited by internal and external auditors in line with the requirements set by the Auditor General to ensure that targets are achieved accordingly and that the overall performance is a fair reflection of the Corporation's activities during the period. Detailed performance against predetermined indicators for both short- and long-term targets are shown on pages 20 to 23.

PERFORMANCE OVERVIEW

IDC's 2018 performance results are encouraging, especially in light of significant increases in target levels for key indicators such as jobs and disbursements, and the challenges posed by the current operating environment.

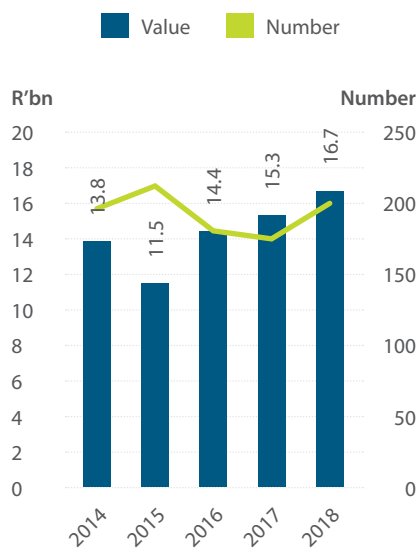
DEVELOPMENT OUTCOMES

The value of funding approvals net of cancellations has been on an upward trend since 2016, with R16.7 billion approved in 2018. This is a 9% increase in the value of approvals compared to 2017. In addition, the number of approvals also increased by 15%, from 175

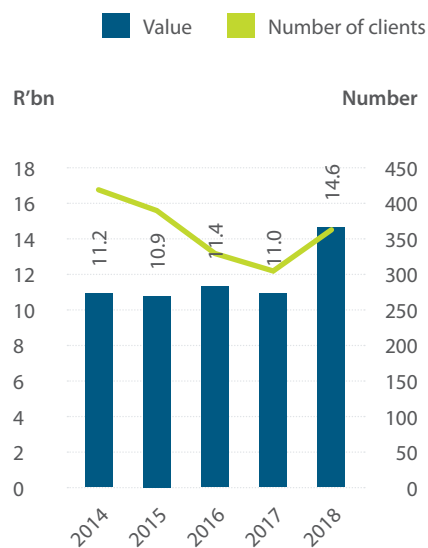
to 202. R269 million of off-balance sheet funding, not included in the total value above, mostly related to MCEP, was also approved. IDC was not, however, able to leverage external funding to the extent targeted. This can be attributed to lower appetite for private investors to invest in the economy, requiring IDC to increase its share of funding to ensure that projects are fully funded.

R15.4 billion was disbursed in 2018. This was a turnaround in the trend witnessed in the previous four years (2014 to 2017) which saw the value of disbursements remaining relatively flat with the annual value ranging between R10.9 billion and R11.4 billion.

Funding approvals



Value of funding disbursed and number of clients disbursed to ¹

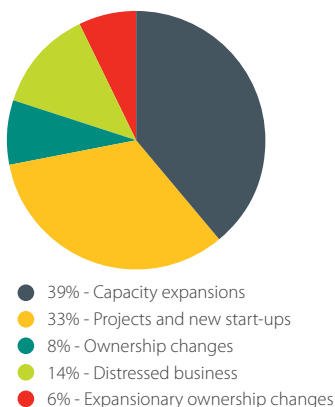


As in 2017, the largest share of the funding was for capacity expansions, projects, and start-ups (2018: 72%; 2017: 75% of total). Funding for transactions which combined capacity expansions with the acquisition of a company increased from 2% to 6%. These transactions are done to assist Black Industrialists enter into

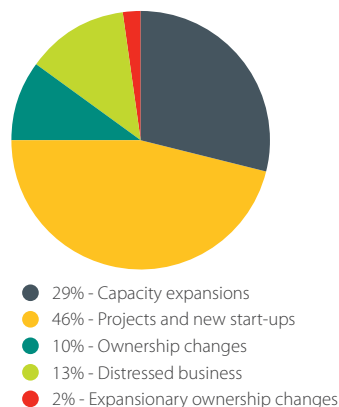
or increase their presence in an industry. The share of funding for ownership changes that does not have an expansionary component decreased from 10% to 8% while the share of funding to distressed businesses remained at a similar level to last year.

UTILISATION OF FUNDING APPROVED

2018



2017



¹ For measurement against predetermined objectives, R741 million of disbursements for subsidiaries which did not relate to expansions or capital equipment purchases was excluded from the total amount of funding disbursed.

DIRECTORS' REPORT continued

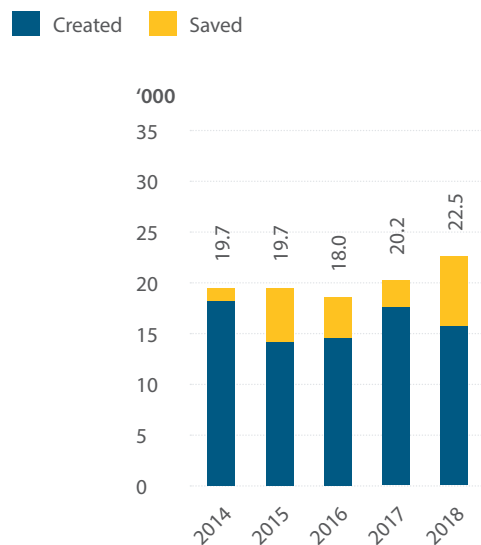
Good performances were recorded on other development indicators¹. The total number of jobs expected to be created and saved from IDC's funding approvals that were signed during the year increased by 10% to 22 193. Of the total number of jobs, 15 656 are expected to be created and 6 537 saved. The impact of the operating environment is evident as jobs saved, mainly because of support to the construction and clothing and textiles industries, increased and contributed more to IDC's total jobs impact. Significantly higher jobs numbers were recorded in several of the areas that IDC funds including the Metals and Mining Value Chain, the Agro-Processing and Agriculture Value Chain, the Clothing and Textiles SBU, and the Heavy Manufacturing SBU.

The numbers of jobs expected to be created and saved increased at a lower rate than the value of funding approved. This resulted in the jobs per million rand of IDC funding approved (including indirect jobs) decreasing from 5.36 to 6.44. This number was impacted negatively by the exclusion of a transaction for performance purposes.

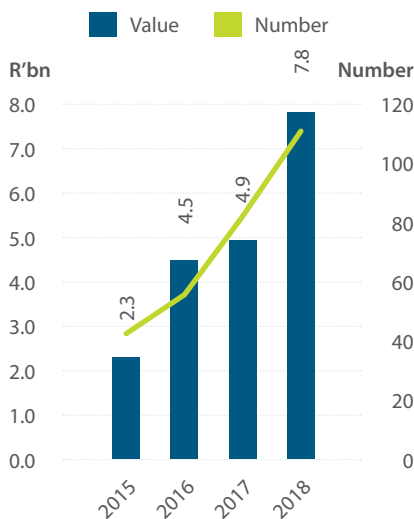
Actual jobs at clients are gathered annually to determine the actual jobs that have been created during the year. This information indicates that clients employed c.a. 184 000 jobs in 2018 compared to c.a. 178 000 in 2017. When the indirect impact is also included, there was a 4.3% increase in IDC's employment impact. This is significantly higher than the 0.9% increase in non-government employment over the same period.

The trend in the value of funding approved for Black Industrialists continued to increase, with R7.8 billion transactions signed in 2018 – 59% higher than in 2017. The increased funding to this group of entrepreneurs was also reflected in the number of transactions approved with 108 deals signed compared to 86 in 2017. The value of funding for women and youth entrepreneurs declined as there were no very large projects with shareholding by these groups. Despite this, the number of deals signed for women entrepreneurs increased, meaning more entrepreneurs are being reached.

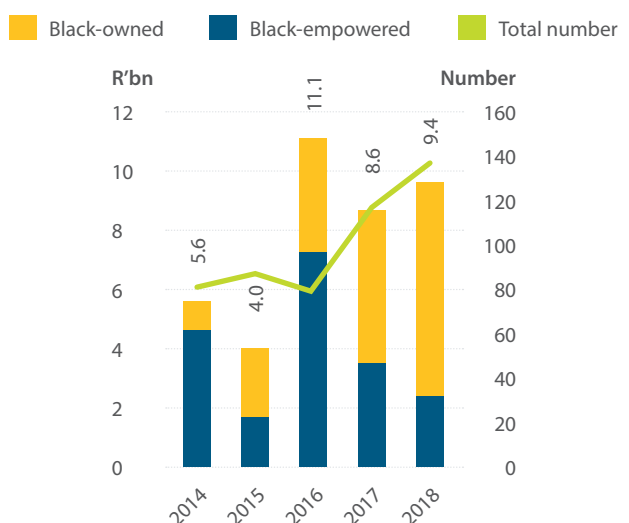
Number of jobs expected to be created and saved²



Funding to Black Industrialists²



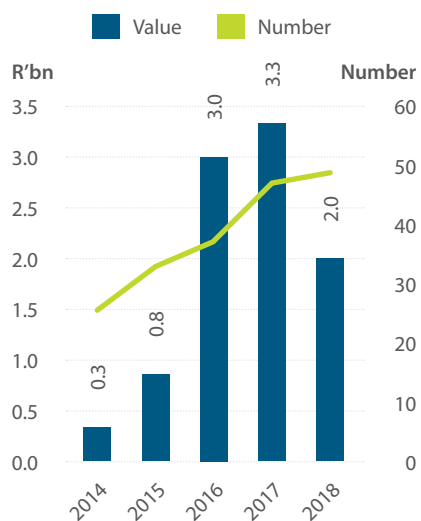
Funding for black economic empowerment²



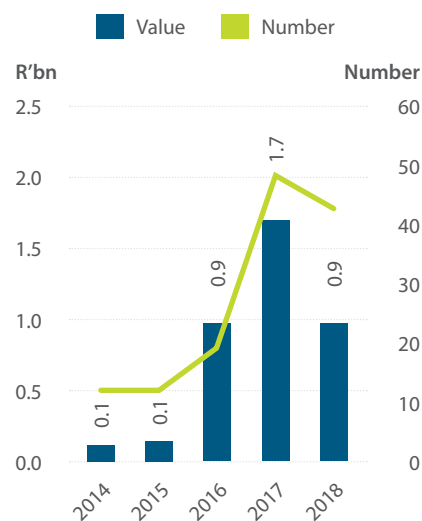
¹ For measurement against predetermined objectives, a funding approval of R100 million in the construction sector was excluded as it is not part of IDC's priority approved sectors. This approval to a women-empowered company is expected to create 5 298 jobs.

² For measurement against predetermined objectives, development impact indicators are defined to only take into account a funding approval when an agreement is signed. In the Integrated Report, numbers are typically reported on deals that have been approved by the relevant credit committee.

Funding to women entrepreneurs ²



Funding to youth entrepreneurs ²



FINANCIAL PERFORMANCE

The IDC mini-group recorded a R2.8 billion profit (after capital profits), the same as the previous year. Net interest, dividend and fee income increased by 35% compared to the previous year. Increases in operating costs were contained at 1.5%. The cost-to-income ratio (excluding cash resource income, impairments costs, and income from mature listed investments) improved to 39% from 46% in 2017.

Of concern is impairments and write-offs which more than doubled from the previous year. This increase was impacted by Scaw where the introduction of strategic equity partners resulted in a significant write-off (R1.6 billion) and a R1.8 billion impairment of Foskor facilities. Higher levels of impairments resulted in the ratio for impairments as a percentage of the portfolio at cost increasing to 17.4% from 16.7% in the previous year. The interventions currently underway at these two subsidiaries, which both recorded losses higher than expected, as well as the establishment of a dedicated department to monitor and manage subsidiaries and other material investments is expected to address this issue.

The value of IDC's reserves increased by 5.5%, significantly lower than the comparator yield of 9.2% on long-term government bonds. This can be ascribed to the higher risk profile that the Corporation takes compared to commercial funders.

OTHER PERFORMANCE AREAS

The results from the customer satisfaction survey were in line with expectations. Turnaround times continue to be given as one of the key areas of customer dissatisfaction. A key focus of the Corporation is to continue to improve its processes to ensure a more efficient organisation.

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The tables on the next pages show performance against objectives for short- and long-term targets.

DIRECTORS' REPORT continued

Performance against short-term targets

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement	
Development Impact	Funding activity	Value of funding disbursed	Total value of funding disbursed by IDC	20%	R14.5 billion	R18.5 billion	R14.6 billion ¹	Base achieved	RA
		Funding leveraged	Amount of outside total funding attracted for each rand of IDC funding. Guarantees considered as fully leveraged funding. 10% Not weighted.	Not weighted	2:1		0.87:1	Not achieved	RA
	Jobs	Expected jobs created / saved	Expected direct jobs created/saved for funding approvals with agreements signed	20%	23 951	29 488	22 193	Not achieved	RA
		Expected direct jobs created	Expected direct jobs created for funding approvals with agreements signed as a percentage of total jobs created/saved	Not weighted	80%		71%	Not achieved	RA
	Economic empowerment	Value of funding to black industrialists	Value of funding approvals with agreements signed for transactions benefiting black industrialists	5%	R4 873 million	R7 383 million	R7 811 million	Target achieved	RA
			Value of funding approvals with agreements signed for transactions benefiting black woman industrialists	Not weighted	R598 million		R1 290 million	Achieved	RA
		Value of funding for women empowered businesses	Value of funding approvals with agreements signed for transactions benefiting businesses where women have more than 25% shareholding and are operationally involved in the business	5%	R1 200 million	R1 500 million	R1 959 million	Target achieved	RA
		Value of funding for youth empowered businesses	Value of funding approvals with agreements signed for transactions benefiting businesses where youth have more than 25% shareholding and are operationally involved in the business	5%	R770 million	R1 000 million	R919 million	Base achieved	RA
	Localisation	Funding for transactions for localisation initiatives	Value of funding agreements signed for transactions aimed at inputs into infrastructure or other government procurement and components for motor vehicles	5%	R4 400 million	R5 100 million	R7 009 million	Target achieved	RA

¹ For measurement against predetermined objectives, R741 million of disbursements for subsidiaries which did not relate to expansions or capital equipment purchases was excluded from the total amount of funding disbursed.

Performance against short-term targets (continued)

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement	
Financial Sustainability	Impairments	Level of impairments	Impairments as a percentage of the portfolio at cost	10%	18.4%	16.4%	17.4%	Base achieved	RA
			Moderation of 10% on rating for indicator if rand value of cumulative impairments as per balance sheet exceeded	Not weighted	R15.4 billion		R14.2 billion	Achieved	RA
	Cost and income management	Revenue generation from assets	Net interest, dividends, fees and money market income as a percentage of total assets	5%	3.9%	4.4%	5.3%	Target achieved	RA
Customers/ Stakeholders	Customers	Customer Satisfaction Index	Overall customer satisfaction rating (1-10)	5%	7.8	8.5	7.8	Base achieved	RA
Subsidiaries	sefa	sefa balanced scorecard	sefa performance rating	5%	sefa's performance rating		3.3	Base achieved	RA
	Foskor	Foskor profitability	Foskor operating losses before capital gains	5%	(R216 million)	(R194 million)	(R763 million)	Not achieved	RA
	Scaw	Scaw profitability	Scaw operating losses before capital gains	2.5%	(R97 million)	(R87 million)	(R538 million)	Not achieved	RA
		Scaw restructuring	Implementation of divestment strategy	2.5%	Rating as per milestones achieved		Rating of 3.5 on a scale of 1 to 5 <ul style="list-style-type: none"> Grinding Media and Cast Products carved out into separate units Competition Commission approval Appointment of Board and Management Conclusion of one of the three strategic equity partner transactions. 		
Internal processes	Efficiencies	Cost to income ratio	Administration costs, excluding impairments and project costs as a percentage of net interest, dividend and fee income (excl. dividend income from Sasol, Kumba Iron Ore, BHP Billiton, South 32, Arcelor Mittal SA and Sappi)	5%	35.7%	25.7%	39.2%	Not achieved	RA

DIRECTORS' REPORT continued

Performance against long-term targets

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement	
Development Impact	Industrial capacity development	Growth in funding disbursed to investments in SA	Value of IDC funding in SA (excluding funding in the rest of Africa)	20%	Growth in gross fixed capital formation in manufacturing (-0.9%)	Growth in gross fixed capital formation in manufacturing + 10% (9.1%)	19.9%	Target achieved	
				Not weighted	Funding disbursed should not fall below 3 year historical average		Disbursement above three-year average	Achieved	
		Growth in funding disbursed to rest of Africa	Value of IDC funding in rest of Africa	5%	5% increase in the percentage of disbursement into RoA (9.6%)	7.5% increase in the percentage of disbursement into RoA (9.8%)	26.3%	Target achieved	
Development Impact (continued)	Job creation	Growth in levels of jobs supported by IDC clients	Number of people employed at SA companies in IDC's portfolio and calculated impact on indirect jobs	15%	Growth in levels of employment the economy (excl. govt. employment) (0.9%)	Growth in levels of employment in the economy (excl. govt. employment) + 7% (7.9%)	4.3%	Base achieved	RA
				Not weighted	No net job losses in IDC clients and calculated impact on indirect jobs		Jobs at IDC clients including indirect impact increased	Achieved	RA
		Increased number of jobs created per unit of funding by IDC (reduce cost per job)	Number of jobs expected to be created, including calculated indirect jobs divided by the value of IDC's SA funding approvals (excluding funding in the rest of Africa, and jobs saved)	10%	Change in the labour/capital ratio of the economy + 5% (-2.5%)	Change in the labour/capital ratio of the economy + 15% (7.5%)	-11.0%	Not achieved	RA
				Not weighted	The number of jobs created per unit of funding should not reduce below three year average		Number of jobs created per unit of funding above three-year historical average	Achieved	
	Economic empowerment	Increase in levels of empowerment in IDC's portfolio	% of number of SA companies with more than 50% black shareholding for which funding is approved	10%	Up to 2.5% increase in the percentage of black-owned businesses per annum (54.7%)	Up to 10% increase in the percentage of black-owned businesses per annum (58.7%)	58.9%	Target achieved	RA
				Not weighted	Number of IDC funding approvals to companies with more than 50% black shareholding falls below three year average		Number above three-year average	Achieved	RA

Performance against long-term targets (continued)

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement
Financial Sustainability	Strength of balance sheet	Growth rate in IDC's reserves	% growth in IDC's reserves	30%	Yield on long-term govt. bonds (9.2%)	Yield on long-term govt. bonds + 2% (11.2%)	5.5%	Not achieved
Human Capital	HC sustainability	People Sustainability Index (PSI)	Composite index measuring sustainability of IDC's human capital	10%	5% increase in PSI score per annum (74.8%)	10% increase in PSI score per annum (78.3%)	67.4%	Not achieved

RA

FUNDING

The IDC sources loan funding mainly from international development agencies, facilities from commercial banks and bond issuances. The general 2018 funding requirements for the IDC Mini Group to, inter alia, finance advances of R15.3 billion and borrowing redemptions of R4.4 billion, amounted to R19.8 billion (2017: R22.0 billion). These requirements were met partly out of R3.4 billion of internally generated funds, namely repayments received and profits. New borrowings amounted to R8.5 billion for the year.

CORPORATE GOVERNANCE

The IDC's directors endorse the King IV Report on Corporate Governance and, during the review period, implemented these proposals. Our performance in this regard is outlined in the Corporate Governance section of the Integrated Report with more detail provided online.

DIVIDENDS

A dividend of R50 million was paid during the financial year. On 27 June 2018, the directors declared a dividend of R50 million.

VALUATION OF SHARES

The value of the Group's investment in listed shares increased to R47.3 billion at the end of the 2018 financial year (2017: R44.8 billion).

POST REPORTING DATE EVENT

Listed shares

The value of the Group's listed shares increased by R4.3 billion between financial year-end and approval date.

Sale of a major subsidiary: Scaw ('Remainco')

At the end of March 2018, the IDC Group accounted one of its major subsidiaries, Scaw as a non-current asset held for sale (see note 10 to the Annual Financial Statements). Subsequently, Scaw was sold on the 1st of May 2018 and the IDC shareholding decreased from 100% to 26%.

SHARE CAPITAL

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

AUDIT COMMITTEE INFORMATION

The names of the Audit Committee members are reflected on page 53 of the Integrated Report.

GOING CONCERN

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

DIRECTORS AND SECRETARY

The current directors of the IDC and the name and registered office of the Secretary appears on the inside back cover of the Integrated Report. Further details of directors are available on page 20 of the Integrated Report.

STATEMENT OF FINANCIAL POSITION

Figures in Rand million	Note(s)	Group		Company	
		2018	2017	2018	2017
Assets					
Cash and cash equivalents	5	6 156	7 699	5 726	6 660
Derivative financial instruments	19	142	76	108	70
Trade and other receivables	6	3 351	2 224	1 257	609
Inventories	7	1 748	2 771	4	4
Current tax receivable		270	478	270	471
Loans and advances	8	30 660	26 673	28 564	25 802
Investments	9	57 516	57 635	35 941	36 810
Non-current assets held for sale	10	4 508	1 676	-	67
Investments in subsidiaries	11	-	-	46 395	44 183
Investments in associates	12	23 972	20 361	23 623	19 182
Deferred tax	13	487	169	-	-
Investment property	14	403	366	32	15
Property, plant and equipment	15	7 683	9 613	54	54
Biological assets	16	52	51	-	-
Intangible assets	17	10	44	-	-
Total Assets		136 958	129 836	141 974	133 927
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital	18	1 393	1 393	1 393	1 393
Reserves		45 097	44 561	59 094	57 166
Retained income		45 533	42 143	27 298	25 255
		92 023	88 097	87 785	83 814
Non-controlling interest		84	193	-	-
Total Equity		92 107	88 290	87 785	83 814
Liabilities					
Bank overdraft	5	19	103	-	-
Derivative financial instruments	19	139	27	126	16
Trade and other payables	20	3 379	4 051	1 097	1 489
Current tax payable		8	5	2	-
Retirement benefit obligation	21	384	588	188	180
Liabilities of disposal groups	10	2 108	368	-	-
Other financial liabilities	22	33 217	30 367	46 723	42 553
Deferred tax	13	4 707	4 874	6 012	5 820
Provisions	23	888	1 137	41	28
Share-based payment liability	24	2	26	-	27
Total Liabilities		44 851	41 546	54 189	50 113
Total Equity and Liabilities		136 958	129 836	141 974	133 927

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Rand million	Note(s)	Group		Company	
		2018	2017	2018	2017
Continuing operations					
Revenue	25&26	14 223	17 372	6 638	6 459
Cost of sales		(6 226)	(9 010)	-	-
Gross profit		7 997	8 362	6 638	6 459
Finance costs	27	(2 433)	(2 607)	(2 492)	(2 679)
Gross profit after financing costs		5 564	5 755	4 146	3 780
Other income		1 594	329	1 423	213
Net capital gains	29	2 383	1 688	2 383	1 688
Operating expenses		(6 957)	(6 416)	(6 438)	(3 702)
Operating profit (loss)	31	2 584	1 356	1 514	1 979
Non-administrative income/(expenses)	30	378	(378)	378	(378)
Profits/(losses) from equity accounted investments		419	963	-	-
Profit before taxation		3 381	1 941	1 892	1 601
Taxation	32	381	621	201	194
Profit from continuing operations		3 762	2 562	2 093	1 795
Loss from discontinued operations	10	(538)	(362)	-	-
Profit for the year		3 224	2 200	2 093	1 795
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains (losses) on property revaluation		-	(6)	-	(6)
Remeasurements on net defined benefit liability/asset		2	(4)	12	(4)
Share of comprehensive income of associates and joint ventures		5	(4)	-	-
Income tax relating to items that will not be reclassified		1	1	-	1
Total items that will not be reclassified to profit or loss		8	(13)	12	(9)
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(149)	(23)	-	-
Available-for-sale financial assets adjustments		937	3 648	2 187	5 997
Share of comprehensive income of associates and joint ventures		(405)	(370)	60	6
Income tax relating to items that may be reclassified		145	(2 286)	(331)	(1 955)
Total items that may be reclassified to profit or loss		528	969	1 916	4 048
Other comprehensive income for the year net of taxation	33	536	956	1 928	4 039
Total comprehensive income for the year		3 760	3 156	4 021	5 834
Attributable to:					
Profit for the year attributable to :					
Owners of the parent		3 440	2 446	2 093	1 795
Non-controlling interest		(216)	(246)	-	-
		3 224	2 200	2 093	1 795
Total comprehensive income for the year attributable to:					
Owners of the parent		3 976	3 402	4 021	5 834
Non-controlling interest		(216)	(246)	-	-
		3 760	3 156	4 021	5 834

STATEMENTS OF CHANGES IN EQUITY

Group

	Total share capital	Foreign currency translation reserve	Associated entities reserve	Revaluation reserve	Common control reserve	Other reserve	Share-based payment reserve	Retained income	Total attributable to equity holders of the Group / company	Non-controlling interest	Total equity
Figures in Rand million											
Balance as at 31 March 2016	1 393	2 139	913	38 594	1 657	(2)	304	39 717	84 715	102	84 817
Changes in equity											
Total comprehensive income for the year	-	(393)	(4)	1 357	-	(4)	-	2 446	3 402	(246)	3 156
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	337	337
Dividends	-	-	-	-	-	-	-	(20)	(20)	-	(20)
Total changes	-	(393)	(4)	1 357	-	(4)	-	2 426	3 382	91	3 473
Balance at April 1, 2017	1 393	1 746	909	39 951	1 657	(6)	304	42 143	88 097	193	88 290
Changes in equity											
Total comprehensive income for the year	-	(548)	5	1 077	-	2	-	3 440	3 976	(216)	3 760
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	107	107
Dividends	-	-	-	-	-	-	-	(50)	(50)	-	(50)
Total changes	-	(548)	5	1 077	-	2	-	3 390	3 926	(109)	3 817
Balance at March 31, 2018	1 393	1 198	914	41 028	1 657	(4)	304	45 533	92 023	84	92 107
Note(s)	18	33	33	33	33	33	24	33			

Company

	Total share capital	Foreign currency translation reserve	Associated entities reserve	Revaluation reserve	Common control reserve	Other reserve	Share-based payment reserve	Retained income	Total attributable to equity holders of the Group / company	Non-controlling interest	Total equity
Figures in Rand million											
Balance as at 31 March 2016	1 393	-	(41)	51 924	1 222	22	-	23 480	78 000	-	78 000
Changes in equity											
Total comprehensive income for the year	-	-	6	4 037	-	(4)	-	1 795	5 834	-	5 834
Dividends	-	-	-	-	-	-	-	(20)	(20)	-	(20)
Total changes	-	-	6	4 037	-	(4)	-	1 775	5 814	-	5 814
Balance at April 1, 2017	1 393	-	(35)	55 961	1 222	18	-	25 255	83 814	-	83 814
Changes in equity											
Total comprehensive income for the year	-	-	60	1 856	-	12	-	2 093	4 021	-	4 021
Dividends	-	-	-	-	-	-	-	(50)	(50)	-	(50)
Total changes	-	-	60	1 856	-	12	-	2 043	3 971	-	3 971
Balance at March 31, 2018	1 393	-	25	57 817	1 222	30	-	27 298	87 785	-	87 785
Note(s)	18	33	33	33	33	33	24	33			

STATEMENT OF CASH FLOWS

Figures in Rand million	Note(s)	Group		Company	
		2018	2017	2018	2017
Cash flows from operating activities					
Cash generated from operations	37	36	2 937	(359)	2 383
Interest received		3 374	3 165	3 445	2 971
Dividends received		2 855	1 758	2 832	1 272
Finance costs		(2 318)	(1 930)	(2 249)	(1 953)
Tax refunded (paid)	38	453	(384)	264	(378)
Changes in operating funds		(4 661)	(853)	(2 340)	918
Increase on operating assets		(7 511)	(3 235)	(6 510)	(2 648)
Increase in operating liabilities		2 850	2 382	4 170	3 566
Net cash generated from operating activities		(261)	4 693	1 593	5 213
Cash flows from investing activities					
Purchase of property, plant and equipment	15	(1 719)	(905)	(21)	(42)
Proceeds on sale of property, plant and equipment		355	369	-	-
Purchase of other intangible assets	17	(4)	(29)	-	-
Acquisition of investments		(2 077)	(3 505)	(4 799)	(4 891)
Purchase of biological assets	16	(18)	-	-	-
Purchase of other financial assets		(66)	(7)	(38)	(8)
Proceeds on realisation of investments		2 381	173	2 381	225
Net cash used in investing activities		(1 148)	(3 904)	(2 477)	(4 716)
Cash flows from / (used in) financing activities					
Dividends paid		(50)	(20)	(50)	(20)
Net cash used in financing activities		(50)	(20)	(50)	(20)
Net (decrease)/increase in cash and cash equivalents		(1 459)	769	(934)	477
Cash at the beginning of the year		7 596	6 827	6 660	6 183
Total cash at end of the year	5	6 137	7 596	5 726	6 660

REPORTABLE SEGMENTS

Figures in Rand million	Industrial Development Corporation		Other financing activities		Foskor (Pty) Limited	
	2018	2017	2018	2017	2018	2017
Income						
Interest received	3 445	4 822	147	135	34	22
Dividends received	2 832	1 272	683	1 044	-	-
Fee income	361	365	93	36	-	-
Farming, manufacturing and mining income	-	-	-	-	5 893	5 615
Revenue *	6 638	6 459	923	1 215	5 927	5 637
Share of profits of equity-accounted investments	-	-	45	15	(5)	(2)
Other income	1 423	213	17	17	82	55
Net capital gains	2 383	1 688	11	-	-	-
Expenses						
Financing costs	(2 492)	(2 679)	(34)	(32)	(79)	(163)
Operating expenses	(979)	(1 889)	(397)	(351)	(6 311)	(5 987)
Share of losses of equity-accounted investments	-	-	-	-	-	-
Taxation	201	194	(9)	24	188	425
Depreciation	(22)	(17)	(4)	(4)	(336)	(347)
Project feasibility expenses	(129)	(88)	-	-	-	-
Net movement in impairments	(4 930)	(2 086)	(110)	(68)	-	-
Impairment of property, plant and equipment	-	-	-	-	(229)	(520)
Profit/(Loss) from discontinued operations	-	-	-	-	-	-
Profit for the year	2 093	1 795	442	816	(763)	(902)
Total assets	141 974	133 927	37 044	2 342	8 341	8 431
Interest in equity-accounted investments	23 623	19 182	992	938	-	-
Total liabilities	54 189	50 113	2 994	628	3 949	3 740
Capital expenditure	21	42	4	-	728	504
Capital expenditure commitments	-	-	-	-	-	-

*All revenue is from external customers.

Scaw South Africa (Pty) Ltd		Other*		Total	
2018	2017	2018	2017	2018	2017
1	1	(253)	(659)	3 374	4 321
-	-	(660)	(558)	2 855	1 758
-	-	(2)	(1)	452	400
3 554	3 041	(1 905)	2 237	7 542	10 893
3 555	3 042	(2 820)	1 019	14 223	17 372
-	-	379	1 875	419	1 888
2 078	-	(2 409)	44	1 191	329
-	-	(11)	-	2 383	1 688
(94)	(329)	266	596	(2 433)	(2 607)
(3 820)	(2 968)	2 628	(2 188)	(8 879)	(13 383)
-	-	-	(925)	-	(925)
-	-	1	(22)	381	621
(113)	(170)	(38)	(192)	(513)	(730)
-	-	-	(14)	(129)	(102)
-	-	2 388	1 200	(2 652)	(954)
(5)	-	5	(115)	(229)	(635)
(74)	(362)	(464)	-	(538)	(362)
1 527	(787)	(75)	1 278	3 224	2 200
5 575	4 503	(55 977)	(19 367)	136 958	129 836
-	-	(643)	366	23 972	20 486
10 037	9 410	(26 318)	(22 345)	44 851	41 546
90	-	876	359	1 719	905
-	-	16	14	16	14

GEOGRAPHICAL SEGMENTS

Figures in Rand million	South Africa		Rest of Africa		Other*		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Income								
Interest received	2 757	3 701	617	620	-	-	3 374	4 321
Dividends received	2 281	1 237	515	521	59	-	2 855	1 758
Fee income	454	400	-	-	-	-	454	400
Farming, manufacturing and mining income	7 354	10 755	61	60	125	78	7 540	10 893
Revenue	12 846	16 093	1 193	1 201	184	78	14 223	17 372
Share of profits of equity-accounted investments	(11)	1 723	430	165	-	-	419	1 888
Other income	1 584	329	-	-	10	-	1 594	329
Net capital gains	2 383	1 688	-	-	-	-	2 383	1 688
Expenses								
Financing expenses	(2 433)	(2 607)	-	-	-	-	(2 433)	(2 607)
Operating expenses	(9 089)	(13 235)	(2)	(60)	(1)	(80)	(9 092)	(13 375)
Share of losses of equity-accounted investments	-	(836)	(59)	(48)	(132)	(41)	(191)	(925)
Taxation	381	621	-	-	-	-	381	621
Depreciation	(512)	(739)	-	-	-	-	(512)	(739)
Impairment of property, plant and equipment	(229)	(634)	-	-	-	-	(229)	(634)
Net movement in impairments	(2 652)	(954)	-	-	-	-	(2 652)	(954)
Project feasibility expenses	(129)	(102)	-	-	-	-	(129)	(102)
Impairment reversal	(538)	(362)	-	-	-	-	(538)	(362)
Profit for the year	1 601	985	1 562	1 258	61	(43)	3 224	2 200
Total assets	124 426	119 409	10 185	8 199	2 347	2 228	136 958	129 836
Interest in equity-accounted investments	20 731	16 621	3 241	3 740	-	-	23 972	20 361
Total liabilities	44 792	41 476	18	17	41	53	44 851	41 546
Capital expenditure	1 719	905	-	-	-	-	1 719	905
Capital expenditure commitments	16	14	-	-	-	-	16	14

* Other – includes all countries outside the African continent

IDC ACCOUNTING POLICIES 2018

1. ACCOUNTING POLICIES

The Industrial Development Corporation of South Africa Limited (IDC, Company or Corporation) is domiciled in South Africa. The consolidated financial statements for the year ended 31 March 2018 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 27 June 2018.

1.1 Statement of compliance

The separate and consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) as well as the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

1.2 Basis of preparation

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

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

- Derivative financial instruments are measured at fair value
- Financial instruments held-for-trading are measured at fair value
- Financial instruments classified as available-for-sale are measured at fair value
- Financial instruments designated at fair value through profit or loss are measured at fair value
- Investments in subsidiaries, associates and jointly-controlled entities are carried at fair value in the separate financial statements of the company
- Biological assets are measured at fair value less costs to sell
- Investment property is measured at fair value
- Land and buildings are measured at revalued amount, being its fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses
- Aircrafts are measured at fair value, less subsequent accumulated depreciation and accumulated impairment losses
- Non-current assets held-for-sale are measured at fair value less cost to sell.

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

a) IFRS 9 – Financial Instruments (Effective 1 January 2018)

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

- Classification and measurement of financial assets and financial liabilities: the standard requires that all financial assets be classified as either held at fair value or amortised cost.
 - i. The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows arise solely from payment of principal and interest.
 - ii. The standard further provides that gains and losses on assets held at fair value are measured through the income statement unless the entity has elected to present gains and losses on non-trading equity investments (individually elected) directly through comprehensive income. With reference to financial liabilities held at fair value, the standard proposes that changes to fair value attributable to credit risk are taken directly to other comprehensive income without recycling.
- Impairment methodology: Impairments in terms of IFRS 9 will be determined based on an expected credit loss model rather than the current incurred loss model required by IAS 39. Entities are required to recognise an allowance for either 12-month or lifetime expected credit losses (ECLs), depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The aforementioned probability-weighted outcome must consider the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

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

The implementation of IFRS 9 is anticipated to have a significant impact on the preparation of the Group's financial statements. The Group has initiated a process to determine the quantitative impact of the standard on the Group's statement of financial position and on-going performance metrics. The impact of IFRS 9 is still being assessed.

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

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

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

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

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

- i. IAS 40 Investment Property (IAS 40): amendments clarify the requirements on transfers to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use
- ii. IFRS 2 Classification and Measurement of Share-based Payment Transactions (IFRS 2): the amendments eliminate diversity in practice in three main areas, namely: (1) effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; (2) classification of a share-based payment transaction with net settlement features for withholding tax obligations; and (3) accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.
- iii. IFRS 16 (Effective for annual periods beginning on or after 1 January 2019)
IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard specifies how a user will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Based on the preliminary assessment performed, the Group does not anticipate a significant impact on its consolidated financial statements.

- iv. IFRIC 22 (Effective for annual periods beginning on or after 1 January 2019)

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The Group is in a process of evaluating the impact of IFRIC 23 on its financial statements.

- v. IFRIC 23 (Effective for annual periods beginning on or after 1 January 2019)

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Group is in a process of evaluating the impact of IFRIC 23 on its financial statements.

All new Standards and Interpretations will be adopted on their effective dates.

1.3 Investments in subsidiaries

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

i) Business combinations

The acquisition method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The assets, liabilities and contingent liabilities acquired are assessed and included in the statement of financial position at their estimated fair value to the Group. If the cost of

acquisition is higher than the net assets acquired, any difference between the net asset value and the cost of acquisition of a subsidiary is treated in accordance with the Group's accounting policy for goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

ii) Transactions eliminated on consolidation

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

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

iii) Non-controlling interests

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

iv) Loss of control

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

1.4 Consolidated Structured entities

The Group has established a number of consolidated structured entities (CSEs) for trading and investment purposes. CSEs are entities that are created to accomplish narrow and well defined objectives. A CSE is consolidated if, based on an evaluation of the substance of the relationship with the Group and the Group has control over the CSE. CSEs are the Group entities which are designed so that voting rights are not relevant to the determination of power, but instead other rights are relevant. CSEs controlled by the Group are generally those established under terms that impose strict limitations on the decision-making powers of the CSEs' management and that result in the Group receiving the majority of the benefits related to the CSEs' operations and net assets.

Investments in CSEs in the Company's separate financial statements are carried at fair value.

1.5 Investments in associates

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

includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits and losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted for against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses arising from transactions with equity-accounted investments are eliminated against the investment to the extent of the Group's interest in the investment. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

Investments in associates in the Company's separate financial statements are carried at fair value.

1.6 Joint ventures and partnerships

Joint ventures and partnerships are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control is established by contractual agreement until the date that it ceases. When the Group's share of losses exceeds its interest in a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

Unrealised gains and losses arising from transactions with equity-accounted joint ventures and partnerships are eliminated against the investment to the extent of the Group's interest in the investment.

Investments in joint ventures and partnerships in the Company's separate financial statements are carried at fair value.

1.7 Financial instruments

a) Financial assets

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

i) Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held-for-trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedging instruments.

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.

ii) Loans and receivables

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

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method.

iii) 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.

iv) 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.

v) Recognition and measurement

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Loans are recognised when the cash is advanced to the borrowers. Financial assets are initially recognised at fair

value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less impairment loss. Gains and losses arising from changes in the fair value of the financial instruments through profit or loss category are included in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income, until the financial asset is disposed of, derecognised or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss for available-for-sale debt investments. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established.

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership, without retaining control. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

vi) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments and bank overdrafts, all of which are available for use by the Group unless otherwise stated.

Cash and cash equivalents are subsequently measured at amortised cost in the statement of financial position.

b) Financial liabilities

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

Where the Group classifies certain liabilities at fair value through profit or loss, changes in fair value are recognised in profit or loss. This designation by the

- Group takes place when either:
- The liabilities are managed, evaluated and reported internally on a fair value basis; or
 - The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; and
 - The liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

c) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently measured at the higher of this amortised amount and the present value of any expected payment (when payment under the guarantee has become probable). Financial guarantees are included with other liabilities.

d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

e) Derivative financial instruments

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

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

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

i) 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.

ii) 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.

a) Fair value hedge

Changes in fair value are recognised in profit or loss.

Any adjustments to the carrying amount related to the hedged risk are recognised in profit or loss.

b) Cash flow hedge

Changes in fair value where the portion of the gain or loss is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The change in fair value recognised directly in other comprehensive income is transferred to profit or loss when the future transaction affects profit or loss.

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

c) **Discontinuation of hedge accounting**

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

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

1.8 Impairment of assets

a) **Impairment of financial assets carried at amortised cost**

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

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

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

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

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

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

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

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

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

b) Impairment of available-for-sale financial assets

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

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Any increase in the fair value after an impairment loss has been recognised is treated as a revaluation and is recognised directly in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

c) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, land and buildings, deferred tax assets and investment property,) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.9 Intangible assets

a) Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets required and the liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Impairment losses on goodwill are recognised in profit or loss and determined in accordance with the impairment of non-financial assets.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and the settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared to the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

b) Intangible assets acquired separately

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Amortisation is charged on a straight-line basis over the estimated useful lives of the intangible assets which do not exceed four years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes being accounted for on a prospective basis.

c) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

1.10 Foreign currency translation

a) Transactions and balances

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

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

Foreign currency differences are recognised in profit and loss, except for available for sale investments and effective cash flows hedges which are recognised in other comprehensive income.

b) Financial statements of foreign operations

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

1.11 Investment property

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

a) Measurement

Investment property is measured initially at cost, including transaction costs and directly attributable expenditure in preparing the asset for its intended use. Subsequently, all investment properties are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an

orderly transaction between market participants at the measurement date.

Valuation takes place annually, based on the aggregate of the net annual rental receivable from the properties, considering and analysing rentals received on similar properties in the neighborhood, less associated costs (insurance, maintenance, repairs and management fees). A capitalisation rate which reflects the specific risks inherent in the net cash flows is applied to the net annual rentals to arrive at the property valuations.

Gains or losses arising from a change in fair value are recognised in profit or loss.

External, independent valuers having appropriate, recognised professional qualifications and recent experience in the location and category of the property being valued are used to value the portfolio.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

1.12 Property, plant and equipment

a) Measurement

All items of property, plant and equipment recognised as assets are measured initially at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour and any other cost directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Except for land, buildings and aircraft all other items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Land, buildings and aircraft are subsequently measured at fair value less subsequent accumulated depreciation and accumulated impairment losses. Land, buildings and aircraft are revalued by external, independent valuers. Valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued are used to value the portfolio.

Any surplus in excess of the carrying amount is transferred to a revaluation reserve net of deferred tax. Surpluses on revaluation are recognised in profit or loss to the extent that they reverse revaluation decreases of the same assets recognised as expenses in the previous periods.

Decreases in revaluation are charged directly against the revaluation reserves only to the extent that the decrease does not exceed the amount held in the revaluation reserves in respect of that same asset, otherwise they are recognised in profit or loss.

Where parts of an item of property, plant and equipment have significantly different useful lives, they are accounted for as separate items of property, plant and equipment. Although individual components are accounted for separately, the financial statements continue to disclose a single asset.

b) Subsequent cost

The Group recognises the cost of replacing part of such an item of property, plant and equipment in carrying amount when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as they are incurred.

c) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis, based on the estimated useful lives of the underlying assets. Depreciation is calculated on the cost less any impairment and expected residual value of the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Item	Average useful life
Buildings and infrastructure	
• Building structure	50 years
• Elevators	10 years
Plant and machinery	
• Aircraft	5 years
• Heavy plant and machinery	10-20 years
• Equipment	8-10 years
Other property, plant and equipment	
• Motor vehicles	1-6 years
• Office furniture and equipment	1-6 years

The residual values, useful lives and depreciation method are re-assessed at each financial year-end and adjusted if appropriate.

d) De-recognition

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 de-recognition are determined as the difference between the net disposal proceeds and the carrying amount of the item of

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property, plant and equipment and included in profit or loss when the items are derecognised. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained income.

1.13 Biological assets

A biological asset is a living animal or plant.

c) Measurement

A biological asset is measured initially and at reporting date at its fair value less costs to sell. If the fair value of a biological asset cannot be determined reliably at the date of initial recognition, it is stated at cost less any accumulated depreciation and impairment losses.

Gains or losses arising on the initial recognition of a biological asset at fair value less costs to sell, and from a change in fair value less costs to sell of biological assets, are included in profit or loss in the period in which they arise.

1.14 Leases

a) Finance leases

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

i) Finance leases - Group as lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

ii) Finance leases - Group as lessor

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

b) Operating leases

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

i) Operating leases - Group as lessee

Lease payments arising from operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

ii) Operating leases - Group as lessor

Receipts in respect of operating leases are accounted for as income on the straight-line basis over the period of the lease.

The assets subject to operating leases are presented in the statement of financial position according to the nature of the assets.

c) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon re-assessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

1.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.16 Inventories

a) Spares and consumables

Spares and consumables are valued at the lower of cost and net realisable value, on a weighted average method.

The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to the present location and condition.

Obsolete, redundant and slow-moving items of spares and consumable stores are identified on a regular basis and written down to their net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

b) Raw materials, finished goods and phosphate rock

Raw materials, finished goods and phosphate rock are valued at the lower of cost of production and net realisable value.

Cost of production is calculated on a standard cost basis, which approximates the actual cost and includes the production overheads. Production overheads are allocated on the basis of normal capacity to finished goods.

The valuation of inventory held by agents or in transit includes forwarding costs, where applicable.

1.17 Provisions

Provisions are recognised when:

- The Group has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses.

A constructive obligation to restructure is recognised when an entity:

- Has a detailed formal plan for the restructuring, identifying at least:
 - The business or part of a business concerned
 - The principal locations affected
 - The location, function, and approximate number of employees who will be compensated for terminating their services
 - The expenditures that will be undertaken
 - When the plan will be implemented
 - Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

a) Decommissioning provision

The obligation to make good environmental or other damage incurred in installing an asset is provided in full immediately, as the damage arises from a past event. If an obligation to restore the environment or dismantle an asset arises on the initial recognition of the asset, the cost is capitalised to the asset and amortised over the useful life of the asset. The cost of an item of property, plant and equipment includes not only the 'initial estimate' of the costs relating to dismantlement, removal or restoration of property, plant and equipment at the time of installing the item but also amounts recognised during the period of use, for purposes other than producing inventory.

If an obligation to restore the environment or dismantle an asset arises after the initial recognition of the asset, then a provision is recognised at the time that the obligation arises.

b) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

1.18 Contingent liabilities and commitments

a) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities are not recognised in the statement of financial position of the Group but disclosed in the notes.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- The amount that would be recognised as a provision
- The amount initially recognised less cumulative amortisation

b) Commitments

Items are classified as commitments where the Group has committed itself to future transactions.

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Commitments are not recognised in the statement of financial position of the Group but disclosed in the notes.

1.19 Taxation

a) Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

b) Income tax

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income
- A business combination

Current tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the current tax is also recognised in equity or other comprehensive income.

Current tax also includes any adjustment to tax payable in respect of previous years.

c) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which unused tax deductions can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax will be realised.

Deferred tax is not recognised if the temporary differences arise on the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities

in a transaction that affects neither taxable income nor accounting income. Deferred tax is also not recognised in respect of temporary differences relating to investments in associates, subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future and the timing of the reversal of the temporary difference is controlled.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the deferred tax is also recognised in equity or other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

1.20 Revenue

Revenue comprises sales to customers, dividends, interest and fee income, but excludes value-added tax, and is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

a) Sales to customers

Revenue from sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, associated costs and possible return of goods can be estimated reliably and there is no continuing managerial involvement with the goods. This occurs when the group entity has delivered products to the customer and the customer has accepted the products. The delivery of products and the transfer of risks are determined by the terms of sale.

b) Dividends

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

c) Interest

Interest income and expense are recognised in profit or loss using the effective-interest method taking into account the contractual expected timing and amount

of cashflows. The effective-interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

d) Fees

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

- Income earned on the execution of a significant act is recognised when the significant act has been performed.
- Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
- Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recognised in interest income.
- Fees charged for servicing a loan are recognised in revenue as the service is provided.

1.21 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, except to the extent that they are capitalised when directly attributable to the acquisition, construction or production of a qualifying asset.

1.22 Employee benefits

a) Post-retirement medical benefits

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to post-employment healthcare benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using the projected unit of credit method. Valuations of these obligations are carried out annually by independent qualified actuaries.

b) Defined contribution plans

The majority of the Group's employees are members of defined contribution plans and contributions to these plans are recognised in profit or loss in the year to which they relate.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and under which the Group will have no legal or constructive obligations to pay further

contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and previous periods.

c) Defined benefit plans

The Group operates a defined benefit and a defined contribution plan, the assets of which are held in separate trustee-administered funds. The schemes are generally funded through payments to insurance companies or trustee-administered funds as determined by periodic actuarial valuations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service and compensation.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and the effects of changes in actuarial assumptions to the defined benefit plans are recognised fully in other comprehensive income.

Past-service costs are recognised immediately in profit or loss when they occur.

d) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

1.23 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the executive committee to make decisions about resources allocated to each segment and assess its performance, and for which discreet financial information is available.

IDC ACCOUNTING POLICIES 2018 continued

1.24 Discontinued operations and non-current assets held-for-sale

a) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. A disposal group that is to be abandoned may also qualify.

b) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets are available for immediate sale.

c) Measurement

Immediately before classification as held-for-sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with the applicable IFRS. Then, on initial classification as held for sale, the non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held-for-sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent measurement.

d) Reclassification

The non-current assets held-for-sale will be reclassified immediately when there is a change in intention to sell. At that date, it will be measured at the lower of its carrying value before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

1.25 Related parties

The IDC operates in an economic environment together with other entities directly or indirectly owned by the South

African government. Only parties within the national sphere of government will be considered to be related parties.

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of executive management up to the Board of Directors are regarded as key management per the definition of the standard. Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the entity.

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

1.26 Share based payments

A Group company operates an equity-settled share based plan and a cash-settled share based plan.

The equity settled share-based payments vest immediately, the reserve was recognised in equity at grant date.

The cash-settled plan was entered into with one of the Group company's employees, under which the company receives services from employees by incurring the liability to transfer cash to the employees for amounts that are based on the value of the company's shares. The fair value of the transaction is measured using an option pricing model, taking into account all terms and conditions. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions
- Excluding the impact of any service and non-market performance vesting conditions
- Including the impact of any non-vesting conditions

The services received by the company are recognised as they are received and the liability is measured at fair value. The fair value of the liability is re-measured at each reporting date and at the date of settlement. Any changes in the fair value are recognised in profit or loss for the period.

1.27 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Financial assets and liabilities

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the Instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

b) Property, plant and equipment

The market value of land and buildings is the estimated amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

c) 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.

d) Investment property

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

i) Capitalisation method

The value of the property reflects the present value of the sum of the future benefits which an owner may expect to derive from the property. These benefits are expressed in monetary terms and are based upon the estimated rentals for the property in an orderly transaction between market participants. The usual property outgoings are deducted to achieve a net rental, which is then capitalised at a rate an investor, would require receiving the income.

ii) Comparative method

The method involves the identification of comparable properties sold in the area or in a comparable location within a reasonable time. The selected comparable properties are analysed and compared with the subject property. Adjustments are then made to their values to reflect any differences that may exist. This method is based on the assumption that a purchaser will pay an amount equal to what others have paid or are willing to pay.

iii) Residual land valuation method

This method determines the residual value which is the result of the present value of expected inflows less all outflows (including income tax) less the developer's required profits. This is the maximum that the developer can afford to pay for the real estate. This residual value is in theory also the market value of the land.

e) 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.

f) 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

IDC ACCOUNTING POLICIES 2018 *continued*

about the number of equity instruments that are expected to vest.

1.28 Use of estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

a) Income taxes

Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at each reporting date.

Listed equities are valued based on their listed value (fair value) on 31 March 2018.

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

Judgements and assumptions in the valuations and impairments include determining the:

- Free cash flows of investees
- Replacement values
- Discount or premium applied to the IDC's stake in investees
- Sector/subsector betas
- Debt weighting - this is the target interest bearing debt level
- Realisable value of assets
- Probabilities of failure in using the NAV-model

c) Post-employment obligations

Significant judgement and actuarial assumptions are required to determine the fair value of the post-employment obligations. More detail on these actuarial assumptions is provided in the notes to the financial statements.

d) Environmental rehabilitation liability

In determining the environmental rehabilitation liability, an inflation rate of 6.02% (FY2017: 5.78%) was assumed to increase the rehabilitation liability for the next 20 years, and a rate of 9.2% (FY2017: 8.39%) to discount that amount to present value. The discount rate assumed of 9.2% is a risk-free rate, specifically the rate at which the R186 South African government bond was quoted at year end.

e) Fair value of share-based payments

The fair value of equity instruments on grant date is determined based on a simulated company value, using the Geometric Brownian Motion model. The valuation technique applied to determine the simulated company value is part of the Monte Carlo simulation methodology.

f) Impairment of assets

The Group follows the guidance of IAS 36, Impairment of Assets to determine when an asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates the impairment indicators that could exist at year end, such as significant decreases in the selling prices of finished goods, significant decreases in sales volumes and changes in the international export regulatory environment.

1.29 Transfer of functions

a) Between entities under common control

i) Recognition

The receiving entity recognises the assets and liabilities acquired through a transfer of functions on the effective date of the transfer. All income and expenses that relate to the functions transferred are also recognised from the effective date of the transfer. The recognition of these income and expenses are governed by the accounting policies related to those specific income and expenses and accordingly this policy does not provide further guidance thereon.

ii) Measurement

Assets and liabilities acquired, by the receiving entity, through a transfer of functions are measured at initial recognition at the carrying value that they were transferred. The difference between the carrying value of the assets and liabilities transferred and any consideration paid for the assets and liabilities

transferred is recognised in equity. The carrying value at which the assets and liabilities are initially recognised is therefore the deemed cost thereof. Therefore, the subsequent measurement of these assets and liabilities the accounting policies relevant to those assets and liabilities are followed. Accordingly, this accounting policy does not provide additional guidance on the subsequent measurement of the transferred assets and liabilities.

iii) Derecognition

The transferring entity derecognises the assets and liabilities on the effective date of the transfer of functions. These transferred assets and liabilities are measured at their carrying values upon derecognition. The resulting difference between the carrying value of the assets and liabilities transferred and any consideration received for the assets and liabilities transferred is recognised in equity.

Between entities that are not under common control

i) Recognition

The receiving entity recognises the assets and liabilities acquired through a transfer of functions on the effective date of the transfer. All income and expenses that relate to the functions transferred are also recognised from the effective date of the transfer. The recognition of these income and expenses are governed by the accounting policies related to those specific income and expenses and accordingly this policy does not provide further guidance thereon.

ii) Measurement

Assets and liabilities acquired, by the receiving entity, through a transfer of functions are measured at initial recognition at the fair value that they were transferred. The difference between the fair value of the assets and liabilities transferred and any consideration paid for the assets and liabilities transferred is recognised in profit or loss. The fair value of these assets and liabilities is therefore deemed cost of thereof. Therefore the subsequent measurement of these assets and liabilities the accounting policies relevant to those assets and liabilities are followed. Accordingly, this accounting policy does not provide additional guidance on the subsequent measurement of the transferred assets and liabilities.

iii) Derecognition

The transferring entity derecognises the assets and liabilities on the effective date of the transfer of functions. These transferred assets and liabilities are measured at their fair values upon derecognition. The resulting difference between the fair value of the assets and liabilities transferred and any consideration received for the assets and liabilities transferred is recognised in profit or loss.

1.30 Preparation of the annual financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

2. Financial assets and liabilities

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

Figures in Rand million	Notes	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Group - 2018							
Cash and cash equivalents	5	-	6 156	-	-	6 156	6 156
Loans and advances to clients	8	-	30 660	-	-	30 660	29 874
Investments – listed equities	9	-	-	45 621	-	45 621	45 621
Investments – unlisted equities	9	-	-	5 005	-	5 005	5 005
Investments – preference shares	9	-	-	6 890	-	6 890	6 890
Derivative assets	19	142	-	-	-	142	142
Trade and other receivables	6	-	1 800	-	-	1 800	1 800
Loans	22	-	-	-	33 217	33 217	30 258
Derivative liabilities	19	139	-	-	-	139	139
Bank overdrafts	5	-	-	-	19	19	19
Trade and other payables	20	-	-	-	2 875	2 875	2 875

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

Figures in Rand million	Notes	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Company - 2018							
Cash and cash equivalents	5	-	5 726	-	-	5 726	5 726
Loans and advances to clients	8	-	28 564	-	-	28 564	27 918
Investments – listed equities	9	-	-	24 142	-	24 142	24 142
Investments – Unlisted equities	9	-	-	4 909	-	4 909	4 909
Investments – preference shares	9	-	-	6 890	-	6 890	6 890
Derivative assets	19	108	-	-	-	108	108
Trade and other receivables	6	-	1 254	-	-	1 254	1 254
Loans	22	-	-	-	46 723	46 723	44 158
Derivative liabilities	19	126	-	-	-	126	126
Trade and other payables	20	-	-	-	714	714	714

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

3. Financial risk management

Financial risk

This risk category encompasses losses that may occur as a result of the way the IDC is financed and its own financing or investment activities. Financial risk includes credit and settlement risk related to the potential for counterparty default, market risk related to volatility in interest rates, exchange rates, commodity and equity prices, liquidity / funding risk related to the cost of maintaining various financial positions as well as financial compliance risk. Other financial risks faced by the Corporation include the risk of concentration of investments in certain economic sectors, regions and/or counterparties as well as the risk of over-dependency in relation to income on a limited number of counterparties and/or financial products and the risk of margin erosion due to inappropriate pricing relative to the cost of funding. The management of these risk areas is therefore critical for the IDC.

Financial: credit risk

This refers to the risk that a counterparty to a financial transaction will fail to meet its obligations in accordance with the agreed terms and conditions of the contract, 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 corebusiness.

Managing Credit Risk Concentration

Risk concentrations can arise in a financial organisation's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories.

The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. The IDC can be exposed to various forms of credit risk concentration which, if not properly managed, may cause significant losses that could threaten its financial health. Accordingly the IDC considers the management (including measurement and control) of its credit concentrations to be of vital importance. There is recognition in Basel II that portfolios of financial institutions can exhibit credit concentrations and that prudently managing such concentrations is one of the important aspects in effective credit risk management. However, despite the recognition of credit concentrations as important sources of risk for portfolios, there is no generally accepted approach or methodology for dealing with the issue (including measurement) of concentration particularly with respect to sector or industry concentration.

Concentrations within a lending and/or investment portfolio can be viewed in a variety of ways: by borrower, product type, collateral type, geography, economic sector and any other variable that may be associated with a group of credits. Investment or credit concentrations are considered to be a large group of exposures that respond similarly to the same stresses. These stresses can be:

- Sensitivity to a certain industry or economic factors;
- Sensitivity to geographical factors, either a single country or region of interlinked ones;
- Sensitivity to the performance of a single company or counterparty; and/or
- Sensitivity to a particular risk mitigation technique, e.g. a particular collateral type.

The IDC has various established methodologies for the management of the credit concentrations it is exposed to and has established risk concentration limits, thresholds and policies for:

- Exposure to a single obligor or counterparty
- A group of related parties

NOTES TO THE FINANCIAL STATEMENTS continued

3. Financial risk management (continued)

- Geographical locations;and
- Economicsectors.

The concentration limits and thresholds are reviewed on an annual basis or sooner should the need arise. The status of the IDC investment book is reported to IDC Executive Management, the Board Risk and Sustainability Committee and the IDC Board on a regular basis.

Counterparty and related party limits

The need for Counterparty and related party limits are to identify and protect the IDC's Statement of Financial Position and Statement of Comprehensive Income from significant losses/volatility which threaten financial sustainability, should a counterparty default or experience material loss in value. A Counterparty is defined as IDC's client whereas a related party is any legal entity to whom the IDC has a credit exposure to, which has one or more of the following similarities with another client which IDC has or had a credit exposure to:

- Shareholding of more than50%,
- Management control,
- Revenue or expenses reliance of 51% or more,and/or
- Provision of security for 51% or more of IDC'sexposure.

The Basel principles for the management of credit risk indicate in particular, that an important element of credit risk management is the establishment of exposure limits on single counterparties and groups of connected counterparties. In determining the recommended Counterparty limit for the IDC, its strategic objectives are taken into account.

Africa Portfolio and regional limits and country thresholds

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

The focus of the IDC's activities in the African continent is determined by its mandate and managed through our investment criteria and regional investment limits, including country thresholds. Country thresholds, enables effective risk management of country concentration risk. The IDC's objectives are to contribute to the economic integration and industrial development in SADC and the Rest of Africa. The IDC views Africa in terms of South Africa, the Southern African region and the Rest of Africa. This distinction is evident from the importance that the South African Government places on Southern Africa relative to the rest of the Continent. As such the Corporation's activities are weighted in favour of Southern Africa in terms of budget allocation and resultant exposure. In order for IDC to achieve its mandate in the Southern African region and Rest of Africa, the Corporation focuses on being a catalyst for sustainable economic change.

Given the importance of the IDC's mandate and its objectives, in conjunction with the consistent improvement of the African economic landscape, both in performance and risk profile, Portfolio and Regional Limits and Country Thresholds are reviewed at least on an annual basis in order to support and enhance the developmental objectives of the IDC's strategy as well as its vision and mission statement.

The IDC continues to diversify its regional funding profile from being historically concentrated in the developed regions to other less developed provinces.

Should approval of a transaction result in breach of this limit explicit approval is required from the Board Investment Committee.

Geographical analysis

Figures in Rand million	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
	2018	2017	2018	2017	2018	2017	2018	2017
Carrying amount as per Note 8 and 9	30 660	26 673	57 516	57 635	28 564	25 802	35 941	36 810
Concentration by location:								
South Africa	22 505	20 312	55 184	54 765	20 409	19 441	33 609	33 940
SADC	2 605	2 562	712	945	2 605	2 562	712	945
Rest of Africa	5 550	3 799	164	231	5 550	3 799	164	231
Outside Africa	-	-	1 456	1 694	-	-	1 456	1 694
	30 660	26 673	57 516	57 635	28 564	25 802	35 941	36 810

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

Economic industry limits

Managing industry concentration remains one of the key strategic priorities of the Corporation. Concentration risk in the context of industries generally results from an uneven distribution of an institution's exposure to specific industries which can generate losses large enough to jeopardise its solvency or profitability. Concentrations of credit exposures in industries 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 industry risk concentration entails the establishment of concentration limits, the monitoring and analysis thereof. The monitoring and limiting of the concentration of exposures in certain industry is necessary to reduce the risk of an exposure to a significant downturn in a particular industry in time, and thus to be able to avoid losses, as far as possible, by implementing counter measures (e.g. withdrawing from, reducing or hedging certain exposures). Experience has shown that the earlier risks are identified, the more effectively it can be countered.

Although the IDC's business cuts across a number of industries, it could be exposed to concentration risk by virtue of disproportionately large exposures in any of these industries. 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.

The goal of industry limits is for the IDC to attempt to diversify or at least identify its portfolio concentrations based on exposures to sectors and to identify concentrations of exposures that could become closely related, especially during a crisis; this provides an important mechanism to protect the long term financial sustainability of the IDC. The key challenge to establish a industry limit methodology is to ensure that it is effective in protecting the institution from credit events and is practical in its enforcement without restricting investment activities. The establishment of industry limits is aligned with the overall strategy of the IDC (including its risk appetite).

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

NOTES TO THE FINANCIAL STATEMENTS continued

3. Financial risk management (continued)

Industry analysis

Figures in Rand million	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
	2018	2017	2018	2017	2018	2017	2018	2017
Carrying amount as per Note 8 and 9	30 660	26 673	57 516	57 635	28 564	25 802	35 941	36 810
Concentration by Industry:								
Agriculture and Food	4 402	2 759	262	99	2 774	2 759	262	99
Chemicals and Petroleum	1 954	1 732	22 124	21 534	1 954	1 732	646	709
Finance & Insurance	1 877	1 330	98	32	1 732	459	1	32
Metals and Machinery	5 236	2 976	9 656	10 144	4 953	2 976	9 656	10 144
Mining	2 680	4 706	17 786	16 910	2 680	4 706	17 786	16 910
Other Manufacturing	1 867	1 568	626	1 615	1 867	1 568	626	1 615
Other Services	1 287	1 250	4 211	4 045	1 287	1 250	4 211	4 045
Trade, Catering and Accommodation	3 367	3 381	266	254	3 367	3 381	266	254
Transport, Communication and Utilities	7 990	6 971	2 487	3 002	7 950	6 971	2 487	3 002
	30 660	26 673	57 516	57 635	28 564	25 802	35 941	36 810

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

Internal rating model and pricing

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

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

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

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

The key objectives of internal rating methodologies and related rating models are:

- To assess the overall credit or investment risk on a quantitative and objective basis;
- To objectively determine the credit quality of individual clients as well as the portfolio;
- To aid in portfolio analysis;
- To allow migration analysis of individual clients as well as the portfolio; and
- To assist in identifying which clients are due for review.

Maximum credit risk exposure

Figures in Rand million	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
	2018	2017	2018	2017	2018	2017	2018	2017
Carrying amount as per Note 8 and 9	30 660	26 673	57 516	57 635	28 564	25 802	35 941	36 810
Individually impaired								
Low risk	903	719	1 884	1 817	880	591	1 884	1 817
Medium risk	4 095	5 090	1 081	1 048	4 045	4 836	1 081	1 018
High risk	2 837	2 572	476	604	2 176	2 055	476	599
Gross amount	7 835	8 381	3 441	3 469	7 101	7 482	3 441	3 434
Allowance for impairment	(4 168)	(3 037)	(2 507)	(2 428)	(3 504)	(2 434)	(2 507)	(2 428)
Carrying amount	3 667	5 344	934	1 041	3 597	5 048	934	1 006
Past due but not impaired								
Low risk	141	122	-	-	113	90	-	-
Medium risk	619	1 754	-	-	619	1 747	-	-
High risk	297	409	-	-	296	409	-	-
Carrying amount	1 057	2 285	-	-	1 028	2 246	-	-
Past due comprises of:								
00 – 30 days	170	35	-	-	145	35	-	-
31 – 60 days	60	63	-	-	60	63	-	-
61 – 90 days	58	24	-	-	58	24	-	-
91 – 120 days	25	109	-	-	24	109	-	-
120 days +	744	2 054	-	-	741	2 015	-	-
Carrying amount	1 057	2 285	-	-	1 028	2 246	-	-
Neither past due nor impaired								
Low risk	8 416	6 168	41 906	38 687	6 837	5 653	20 331	17 897
Medium risk	12 569	10 587	14 378	17 858	11 256	10 579	14 378	17 858
High risk	5 953	3 253	298	49	6 838	3 230	298	49
Carrying amount	26 938	20 008	56 582	56 594	24 931	19 462	35 007	35 804
Portfolio impairment	(1 002)	(964)	-	-	(992)	(954)	-	-
Total carrying amount	30 660	26 673	57 516	57 635	28 564	25 802	35 941	36 810
Carrying value of renegotiated loans	3 869	3 465			5 206	4 132		

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 90 days and for which no impairment triggers have been identified. A high risk client is one who is in arrear for more than 90 days and 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.

NOTES TO THE FINANCIAL STATEMENTS continued

3. Financial risk management (continued)

Past due but not impaired loans

These are loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance on the entire portfolio.

Renegotiated loans

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Collateral

The Group holds collateral against loans and advances to clients in the form of mortgage bonds over property, other registered securities over assets and guarantees. Estimates of fair values are based on the value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

An estimate of the fair value of collateral held against financial assets is shown below:

Figures in Rand million	2018	2017	2018	2017
IDC financing activities* (R'm)				
Against impaired assets				
General notarial bond	16	14	16	14
Special notarial bonds	300	280	300	280
Mortgage bond	1 032	890	1 032	890
Other	78	93	78	93
	1 426	1 277	1 426	1 277
Gross value of impaired loans	7 835	8 381	7 101	7 482
IDC financing activities* (R'm)				
Against loans in arrears and not impaired				
General notarial bond	1 069	1 045	1 069	1 045
Mortgage bond	200	240	200	240
Special notarial bond	305	300	305	300
Other	7	3	7	3
	1 581	1 588	1 581	1 588
Gross value of loans in arrears not impaired	1 057	2 285	1 028	2 246

Liquidity risk

Liquidity risk refers to the risk that the Corporation will not be able to meet its obligations as they become due, increase in financing assets, including commitments and any other financial obligations (funding liquidity risk), or will only be able to do so at materially disadvantageous terms (market liquidity risk). Liquidity risk is governed by the Liquidity and Liquidity Risk Premia policy and the Asset and Liability Committee (ALCO) provides the objective oversight and makes delegated decisions within the prudential guidelines and policies established by the Board related to liquidity risk exposures

Sources of liquidity risk include:

- Unpredicted accelerated drawdowns on approved financing or call-ups of guarantee obligations;
- Inability to roll and/or access new funding;
- Unforeseen inability to collect what is contractually due to the Group;
- Liquidity stress at subsidiaries and/or other SOE's;
- A recall without due notice of on-balance sheet funds managed by the Group on behalf of 3rd parties;
- A breach of covenant(s), resulting in the forced maturity of borrowing(s); and
- Inability to liquidate assets in a timely manner with minimal risk of capital losses.

Day-to-day liquidity management is performed by Corporate Treasury within Board approved treasury limits, such that:

- At all times, there is sufficient readily-available liquidity to meet probable operational cash flow requirements for a rolling three months period; and
- Excess liquidity is minimised in order to limit the consequential drag on profitability.

Liquidity coverage ratios are used to ensure that suitable levels of unencumbered high-quality liquid assets are held to protect against unexpected yet plausible liquidity stress events. Two separate liquidity stresses are considered, firstly an acute three month liquidity stress (Scenario 1) impacting strongly on both funding and market liquidity and secondly, a protracted twelve month liquidity stress (Scenario 2) impacting moderately on both funding and market liquidity. Approved high-quality liquid assets include cash, near-cash, committed facilities, as well as a portion of the Group's listed equity investments.

Consolidated local and foreign currency liquidity coverage	Scenario 1	Scenario 2
2018		
Approved high-quality liquid assets	13 763.1	13 763.1
Net stressed outflows	(9 428.4)	(11 068.1)
Liquidity coverage ratios (%)	146.0	124.3
2017		
Approved high-quality liquid assets	13 344.0	13 344.0
Net stressed outflows	(5 628.7)	(9 421.0)
Liquidity coverage ratios (%)	237.1	141.6

Structural liquidity mismatch ratios are used to ensure adequate medium- to long-term liquidity mismatch capacity. This is done by restricting, within reasonable levels, potential future borrowing requirements related to existing business. The structural liquidity mismatch is based on conservative cash flow profiling with the added assumption that liquidity in the form of high-quality liquid assets are treated as readily-available (i.e. recognised in the first time bucket).

Consolidated local and foreign currency structural liquidity mismatch (SLM)	0-18 months	0-36 months	0-36 months
2018			
Cumulative liquidity positive variance	2 629.3	1 416.0	7 735.1
Funding related liabilities	19 897.5	19 238.2	15 689.5
SLM (%)	13.2	7.4	49.3
2017			
Cumulative liquidity positive variance	8 199.8	6 130.6	8 458.5
Funding related liabilities	19 496.8	16 432.6	15 278.1
SLM (%)	42.1	37.3	55.4

Market risk

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

NOTES TO THE FINANCIAL STATEMENTS continued

3. Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that adverse movements in market interest rates may cause a reduction in the IDC's future net interest income and/or economic value of its shareholder's equity.

Sources of interest rate risk include:

- Repricing risk, as a result of interest-bearing assets and liabilities which reprice within different periods. This also includes the endowment effect caused by an overall quantum difference between interest-bearing assets and liabilities;
- Basis risk, as a result of the imperfect correlation between interest rate changes on interest-bearing assets and liabilities which reprice within the same period (spread volatility);
- Yield curve risk, as a result of unanticipated yield curve shifts (twists and pivots); and
- Optionality, as a result of embedded options in the Group's assets and liabilities. This risk is mitigated by imposing contract breakage penalties on prepayments and early settlements.

The sensitivity to interest rate shocks and/or changes in interest-bearing balances is measured by means of earnings and economic value approaches. The former focuses on quantifying the impact on net interest income over the next twelve months whereas the latter is used to gauge the impact on the fair market values of assets, liabilities and equity.

Interest rate sensitivity mismatch – Finance activities

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

Interest rate sensitivity mismatch	0-3 months	4-6months	7-12months
March 2018			
Cumulative interest rate sensitivity			
SA Rand	7 428.8	7 479.1	7 519.1
US Dollar	(109.4)	(295.3)	(286.2)
Euro	(18.6)	9.9	7.3
March 2017			
Cumulative interest rate sensitivity			
SA Rand	6 683.9	6 205.3	5 778.4
US Dollar	(21.1)	(260.9)	(261.7)
Euro	(38.6)	(5.7)	(8.4)

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:

Next twelve months net interest income sensitivity

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

2018	Rand	US Dollar	Euro
R mil			
+ 100 bps rate shock	79.7	(1.9)	0.03
- 100 bps rate shock	(79.7)	1.9	(0.03)
2017			
R mil			
+ 100 bps rate shock	65.5	(1.8)	(0.1)
- 100 bps rate shock	(65.5)	1.8	0.1

Exchange rate risk

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

In the normal business, the Group is exposed to exchange rate risk, through its trade finance book and exposure to investments in and outside Africa. The risk is further divided into:

- Transaction risk arises from transactions undertaken by the Group in a foreign currency that will ultimately require an actual conversion in the foreign exchange markets from one currency to another, thus having a direct cash effect;
- Translation risk arises from the periodic translation consolidation of the financial statements of the Group and its subsidiaries and affiliates for the purpose of uniform reporting to shareholders; and
- Any open (unhedged) position in a particular currency gives rise to exchange rate risk. Open positions can be either short (i.e. the Group will need to buy foreign currency to close the position) or long (i.e. the Group will need to sell foreign currency to close the position) with the net open foreign currency position referring to the sum of all open positions (spot and forward) in a particular currency.

For purposes of hedging, net open foreign currency positions are segmented into the following components:

- All exposures related to foreign currency denominated lending and borrowing; and
- All foreign currency denominated payables in the form of operating and capital expenditure, as well as foreign currency denominated receivables in the form of dividends and fees.

Net open foreign currency positions	US Dollar	Euro
2018		
Foreign currency lending and borrowing	4.5	1.0
-Loans (assets)	465.9	43.5
-Derivative hedges (FEC's)	134.3	59.7
-Borrowings (liabilities)	595.7	102.2
Other net (payables) / receivables	5.5	2.1
Net open foreign currency positions	10.0	3.1
2017		
Foreign currency lending and borrowing	1.8	(1.3)
-Loans (assets)	439.7	42.6
-Derivative hedges (FEC's)	123.6	89.5
-Borrowings (liabilities)	(561.5)	(133.4)
Other net (payables) / receivables	3.2	5.5
Net open foreign currency positions	5.0	4.2

The Group does not hedge its exchange rate risk on foreign currency denominated shareholder loans, equity and quasi equity investments.

Equity price risk

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

Sources of equity price risk include:

- Systematic risk or volatility in relation to the market as a whole; and
- Unsystematic risk or company-specific risk factors.

The investment portfolio's beta is used as an indication of systematic risk which is not diversifiable. In light of the long-term nature of the Group's investments, unsystematic risk is managed by means of diversification.

NOTES TO THE FINANCIAL STATEMENTS continued

3. Financial risk management (continued)

Sensitivity analysis were performed on the Group's equity portfolio, to determine the possible effect on the fair value should a range of variables change, e.g. cash flows, earnings, net asset values etc. These assumptions were built into the applicable valuation models.

In calculating the sensitivities for investments the key input variables were changed in a range from -10% to +10%. The effect of each change on the value of the investment was then recorded. The key variables that were changed for each valuation technique were as follows:

- Discounted cash flow: Net income before interest and tax
- Price earnings: Net income
- Listed companies: Share price
- Forced sale net asset value: Net asset value.

From the table below it is evident that a 10% increase in the relevant variables, will have a R10 821 million increase in the equity values as at 31 March 2018 (2017: R9 521 million) and a 10% decrease will lead to a R10 003 million decrease in the equity values (2017: R9 521 million).

Period	10% increase	10% decrease
March 31, 2018	R 10 821m	-R 10 003m
March 31, 2017	R 9 521m	-R 9 521m

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, as amended, 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.

4. Fair value information

The table below analyses assets and liabilities carried at fair value:

Figures in Rand million	Level 1	Level 2	Level 3	Total
Group 2018				
Derivative assets	-	142	-	142
Biological assets	-	-	52	52
Investment property	-	403	-	403
Land and buildings	-	-	2 389	2 389
Listed shares	45 621	-	-	45 621
Unlisted shares	-	-	5 005	5 005
Preference shares	-	-	6 890	6 890
Assets held for sale	-	4 508	-	4 508
	45 621	5 053	14 336	65 010
Derivative liabilities	-	139	-	139
Group 2017				
Derivative assets	-	76	-	76
Biological assets	-	-	51	51
Investment property	-	366	-	366
Land and buildings	-	-	3 488	3 488
Furniture and fixtures	-	35	-	35
Listed shares	43 048	-	-	43 048
Unlisted equities	-	-	7 335	7 335
Preference shares	-	104	7 148	7 252
Assets held for sale	-	1 676	-	1 676
	43 048	2 257	18 022	63 327
Derivative liabilities	-	27	-	27
Company 2018				
Derivative assets	-	108	-	108
Investment property	-	32	-	32
Furniture and fixtures	-	38	-	38
Listed shares	24 142	-	-	24 142
Unlisted shares	-	-	4 909	4 909
Preference shares	-	-	6 890	6 890
Investments in subsidiaries	34 199	-	12 196	46 395
Investments in associates	1 648	-	21 975	23 623
	59 989	178	45 970	106 137
Derivative liabilities	-	126	-	126
Company 2017				
Derivative assets	-	70	-	70
Investment property	-	15	-	15
Furniture and fixtures	-	30	-	30
Listed shares	22 243	-	-	22 243
Unlisted shares	-	-	7 315	7 315
Preference shares	-	104	7 148	7 252
Investments in subsidiaries	32 844	-	11 339	44 183
Investments in associates	1 791	-	17 391	19 182
	56 878	219	43 193	100 290
Derivative liabilities	-	16	-	16

NOTES TO THE FINANCIAL STATEMENTS continued

4. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3

	Note(s)	Opening balance	Gains/ losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Transfers out of level 3	Closing balance
Group - 2018								
Assets								
Biological assets		51	1	-	-	-	-	52
Land and buildings		3 488	(30)	(1 336)	321	(54)	-	2 389
Unlisted shares		7 335	128	(2 283)	1 258	(1 489)	-	4 949
Preference shares		7 148	52	(1 258)	953	-	-	6 895
		18 022	151	(4 877)	2 532	(1 543)	-	14 285

Group - 2017

Assets

Biological assets		215	(110)	-	-	-	(54)*	51
Land and buildings		3 141	(78)	328	107	(10)	-	3 488
Unlisted shares		7 034	(3)	1 306	147	(1 149)	-	7 335
Preference shares		7 401	(2 215)	298	2 191	(527)	-	7 148
		17 791	(2 406)	1 932	2 445	(1 686)	(54)	18 022

	Note(s)	Opening balance	Gains/ losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Transfers out of level 3	Closing balance
Company - 2018								
Assets								
Unlisted shares		7 315	86	(2 568)	562	(799)	-	4 596
Preference shares		7 148	(256)	(186)	514	(325)	-	6 895
Investments in subsidiaries		11 339	(2 050)	2 587	520	(1 729)	-	10 667
Investments in associates		17 391	(2 698)	4 897	2 332	-	-	21 922
		43 193	(4 918)	4 730	3 928	(2 853)	-	44 080

Company - 2017

Assets

Unlisted shares		6 403	(3)	73	842	-	-	7 315
Preference shares		7 401	(2 215)	469	2 191	(698)	-	7 148
Investments in subsidiaries		12 373	(2 469)	(3 019)	4 454	-	-	11 339
Investments in associates		14 210	(1 155)	3 792	544	-	-	17 391
		40 387	(5 842)	1 315	8 031	(698)	-	43 193

* Adoption of the new biological asset statement in 2017 resulted in two subsidiaries, Green Valley Nuts and Rotondo Walnuts, reclassifying bearer plants from biological assets to property, plant and equipment. This resulted in a transfer of R54 million out of level 3 assets in the Group.

Valuation processes applied by the Group

The Group's main instruments of monitoring the performance of its investee companies are through quarterly IMC meetings, including but not limited to the PACS (payment and collection system) regular client review visits, as well as by way of analysis of management accounts and audited financial statements.

The Post Investment Monitoring Department (PIMD) creates a focused approach to the monitoring of IDC investments. One of the key monitoring activities is the IMC Equity meetings, wherein the calculations of fair values and impairments are assessed and approved by the Committee. The IMC Equity Meetings are normally held three times per financial year, in April, August and December for reporting periods of February, June and September respectively.

Valuation techniques using observable inputs

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1

Instruments valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. These include listed shares.

Level 2

Instruments valued using inputs other than quoted prices as described above for Level 1 but which are observable for the instrument, either directly or indirectly, such as:

- Quoted price for similar assets or liabilities in an active market;
 - Quoted price for identical or similar assets or liabilities in inactive markets;
 - Valuation model using observable inputs; and
 - Valuation model using inputs derived from/corroborated by observable market data.
- These include derivative financial instruments, investment properties and option pricing models.

Valuation techniques using unobservable inputs

Level 3

Instruments valued using inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include price earnings, net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates and discount rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS continued

4. Fair value information (continued)

Price Earnings (PE) Valuation

The PE valuation method is the first valuation option, but has only been used in respect of companies with:

- At least 2 years' profit history;
- Forecast/Budgeted steady growth in profits;
- Is low risk;
- Has a good year on year performance; and
- a long history of consistent return - operating in an industry that is not prone to fluctuations.

Free Cash Flow Valuation (FCF)

FCF is the most widely used valuation method by the Group on its Level 3 financial instruments. The below approach is followed:

- All inputs are substantiated, especially in instances where there are prior year losses;
- This method is used without exception for valuing all projects and start-ups unless the going concern principle is in doubt.

In the case where a project has a limited remaining life (e.g. Mining operations or single contract with a determined end), a separate "Limited Life" FCF model is used.

Net Asset Value Valuation (NAV)

Forced-Sale basis

The Group uses the Forced-Sale NAV method in the following circumstances:

- Where the going concern assumption is not applicable; or
- Where it has been motivated that no other model is appropriate.

NAV - Going Concern

The Group uses NAV (without applying forced sale) where it can be motivated that no other model is appropriate based on the following conditions:

- An entity is consistently making losses and not meeting budgets (excluding start-up operations);
- An entity has material variances between actual and budgeted figures;
- An entity operates in high volatile sector making it almost impossible to budget;
- An entity has completed all studies necessary to implement a project but has however not yet secured the necessary capital to fully fund the implementation of the project;
- An entity is not fully funded and there is no clear indication that it will obtain the necessary funding to complete the project/ expansion/continue operations.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Valuation techniques	Unobservable input	Range
Equity Instruments			
All sectors		Risk-free rate	7.63%
		Expected long term growth	5.00%
Agro-processing	Discounted cash flow	Cost of Debt	5.1% - 12.7%
		Discount factor	7.7% - 23.4%
		Sector beta	1.00
	Price-earning valuation	Industry/sector PE ratio	16.5% - 22.8%
		Risk Adjusted PE ratio	6.9% - 14.2%
		Expected long term growth	5%
Basic Metals and Mining	Discounted cash flow	Cost of Debt	4.1% - 12.8%
		Discount factor	6.7% - 21.5%
		Sector beta	1.00
Basic and Speciality Chemicals	Discounted cash flow	Cost of Debt	4.5% - 11.9%
		Discount factor	4.9% - 14.0%
		Sector beta	1.00
Automotive	Discounted cash flow	Cost of Debt	6.3% - 13.9%
		Discount factor	12.6% - 16.9%
		Sector beta	1.00
Light Manufacturing & Tourism	Discounted cash flow	Cost of Debt	9.9% - 12.5%
		Discount factor	8.0% - 16.1%
		Sector beta	1.00
Heavy Manufacturing	Discounted cash flow	Cost of Debt	3.8% - 9.5%
		Discount factor	13.7% - 20.2%
		Sector beta	1.00 - 1.01
Chemical Products	Discounted cash flow	Cost of Debt	7.9% - 12.5%
		Discount factor	14.1% - 17.4%
		Sector beta	1.00
New Industries	Discounted cash flow	Cost of Debt	7.9% - 15.4%
		Discount factor	5.6% - 21.5%
		Sector beta	1.00
Biological assets			
Pecan nut trees - fruit on trees	Discounted cash flow	Pecan nut yield - tonnes per hectare	2 375 tonnes per hectare when mature in 8 years
		Pecan nut price	R 49 per kg in shell
		Discount rate	16%
		Risk of damage due to forces of nature	10%

Discounted cash flow

Significant increases in any of the inputs in isolation would result in lower fair values. Significant decreases in any of the inputs in isolation would result in higher fair values.

Price-earning valuation

The fair value would increase (decrease) if:

- The risk-adjusted PE ratio were higher (lower) or
- The expected long term growth were higher (lower)

NOTES TO THE FINANCIAL STATEMENTS continued

5. Cash and cash equivalents

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Cash and balances with bank	3 265	2 652	2 682	1 621
Negotiable securities	2 891	5 047	3 044	5 039
Bank overdraft	(19)	(103)	-	-
	6 137	7 596	5 726	6 660
Current assets	6 156	7 699	5 726	6 660
Current liabilities	(19)	(103)	-	-
	6 137	7 596	5 726	6 660

6. Trade and other receivables

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Trade receivables	1 800	1 916	1 254	605
Prepayments	46	47	-	-
Other receivable	1 505	261	3	4
	3 351	2 224	1 257	609

Trade and other receivables pledged as security

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

Fair value of trade and other receivables

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Trade and other receivables	3 351	2 224	1 257	609

7. Inventories

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Finished goods	614	1 020	-	-
Raw materials, components	270	696	-	-
Phosphate rock	195	404	-	-
Consumable stores	570	561	4	4
Work in progress	99	90	-	-
	1 748	2 771	4	4

Group inventory to the value of R 3.45 million was written down as a net realisable value adjustment at 31 March 2018 (2017: R 21.4 million).

8. Loans and advances

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Loans and advances to clients*	35 830	30 674	33 060	29 190
Specific impairment of loans and advances	(4 168)	(3 037)	(3 504)	(2 434)
Portfolio impairment of loans and advances	(1 002)	(964)	(992)	(954)
	30 660	26 673	28 564	25 802
* Interest rates range between 0.4% and 26%				
Reconciliation of provision for impairment of loans and receivables				
Specific impairment of loans and advances				
Opening balance	3 037	5 058	2 434	4 490
– Charge for the year	1 900	(946)	2 157	(725)
– Recoveries	(55)	(15)	(55)	(15)
– Effect of foreign currency movements	(13)	(89)	(13)	(89)
Write-offs	(701)	(971)	(1 019)	(1 227)
	4 168	3 037	3 504	2 434
Portfolio impairment of loans and advances				
Opening balance	964	558	954	548
Impairment charge for the year	38	406	38	406
	1 002	964	992	954
Total allowances for impairment				
Specific allowances for impairment	4 168	3 037	3 504	2 434
Collective allowance for impairment	1 002	964	992	954
	5 170	4 001	4 496	3 388
Maturity of loans and advances				
– due within three months	1 664	1 729	1 664	1 729
– due after three months but within one year	4 865	3 507	4 117	2 855
– due after one year but within two years	5 300	4 530	5 075	4 278
– due after two years but within three years	4 779	4 303	4 628	4 079
– due after three years but within four years	3 800	3 414	3 746	3 304
– due after four years but within five years	4 423	2 718	4 368	2 663
– due after five years	10 999	10 473	9 462	10 282
– impairment of loans and advances	(5 170)	(4 001)	(4 496)	(3 388)
	30 660	26 673	28 564	25 802

NOTES TO THE FINANCIAL STATEMENTS continued

9. Investments

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Listed equities	45 629	43 284	24 150	22 479
Unlisted equities	5 244	7 335	5 148	7 315
Preference shares	9 150	9 340	9 150	9 340
Preference shares - option values	-	104	-	104
	60 023	60 063	38 448	39 238
Impairment of listed shares	(8)	(236)	(8)	(236)
Impairment of unlisted shares	(239)	-	(239)	-
Impairment of preference shares	(2 260)	(2 192)	(2 260)	(2 192)
Shares at fair value	57 516	57 635	35 941	36 810
Specific allowance for impairment				
Listed equities				
Balance at 1 April	236	324	236	324
Impairment reversal for the year	(228)	(88)	(228)	(88)
	8	236	8	236
Unlisted equities				
Balance at 1 April	-	6	-	6
Impairment charge/(reversal) for the year	239	(6)	239	(6)
	239	-	239	-
Preference shares				
Balance at 1 April	2 192	1 719	2 192	1 719
Impairment charge for the year	68	473	68	473
	2 260	2 192	2 260	2 192
Comprises:				
Impairment of listed shares	8	236	8	236
Impairment of unlisted shares	239	-	239	-
Impairment of preference shares	2 260	2 192	2 260	2 192
	2 507	2 428	2 507	2 428

10. Discontinued operations or disposal groups or non-current assets held for sale

SEFA

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

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

IDC

On 20 April 2016 a decision was made to sell the IDC-owned aircraft. The sales price agreed upon was \$5.1 million (USD) and the sale was finalised in the first half of the 2018 financial year.

SCAW SOUTH AFRICA

The IDC shareholding was increased from 74% to 100% after the winding up of the ESOP Trust and the corporatisation of Scaw's Grinding Media and Cast Divisions into two separate entities, which was implemented on the 1st of March 2018. The former BEE shareholder in Scaw swapped its previous 22% shareholding in Scaw for a 4% shareholding in Grinding Media SA.

Grinding Media and Cast Products divisions were carved-out of Scaw and began operating independently from the 1st of March 2018.

The remaining Scaw ('Remainco') constitute Rolled, Wire Rod Products and the main property assets of Scaw.

Remainco was sold on the 1st of May (after the financial year-end) and the IDC shareholding decreased from 100% to 26%, Remainco has been classified as a Non-current Asset held-for-sale in this set of financial statements.

Assets and liabilities of disposal groups held for sale: As at 31 March 2018, Remainco's net assets were classified as held for sale and comprised the following assets and liabilities:

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Profit and loss				
Revenue	3 330	2 421	-	-
Expenses	(3 868)	(2 783)	-	-
Net loss before tax	(538)	(362)	-	-
Tax	-	-	-	-
	(538)	(362)	-	-
Assets and liabilities				
Non-current assets held for sale				
Aircraft	-	67	-	67
Property, plant and equipment	2 436	899	-	-
Intangible assets	-	1	-	-
Deferred tax asset	-	2	-	-
Other assets	30	-	-	-
Inventories	844	298	-	-
Trade and other receivables	1 056	385	-	-
Cash and cash equivalents	128	11	-	-
- SEFA (Investment property)	14	12	-	-
	4 508	1 676	-	67
Liabilities of disposal groups				
Other financial liabilities	2 108	368	-	-

NOTES TO THE FINANCIAL STATEMENTS continued

11. Investments in subsidiaries

Figures in Rand million	Company	
	2018	2017
Fair value of investments	41 393	39 598
Impairment of shares	(2 678)	(1 955)
Loans receivable	8 548	7 438
Impairment of loans	(868)	(898)
	46 395	44 183

IDC subsidiaries	Share class	% interest	Shares at cost and fair value		IDC net indebtedness to the holding company		IDC net indebtedness by the holding company	
			2018	2017	2018	2017	2018	2017
Arengo 316	Ordinary	100 %	-	-	159	159	-	-
ADC Cables	Ordinary	62 %	35	35	316	301	-	-
Dymson Nominee	Ordinary	100 %	2	2	47	45	-	-
Findevco	Ordinary	100 %	-	-	-	-	(373)	(373)
Foskor	Ordinary	59 %	205	8	956	700	-	-
Foskor	Preference		3 177	3 007	-	-	-	-
Herdmans SA	Ordinary	100 %	-	-	-	-	-	-
Impofin	Ordinary	100 %	-	-	-	-	(88)	(88)
Kindoc Investments	Ordinary	100 %	-	-	154	154	-	-
Kindoc Sandton Properties	Ordinary	100 %	-	-	177	183	-	-
Konbel	Ordinary	100 %	-	-	-	-	(10)	(10)
Konoil	Ordinary	100 %	-	-	-	-	(12 720)	(12 038)
Prilla	Ordinary	100 %	14	14	324	340	-	-
Scaw South Africa	Ordinary	74 %	-	-	4 764	3 701	-	-
Scaw South Africa	Preference		500	1 744	-	-	-	-
Small Enterprise Finance Agency (SEFA)	Ordinary	100%	-	-	-	-	-	-
Sustainable Fibre Solutions	Ordinary	100 %	4	4	134	131	-	-
Sheraton Textiles	Ordinary	80 %	-	-	57	62	-	-
Thelo Rolling Stock Leasing	Ordinary	50 %	-	-	981	1 162	-	-
Other	Ordinary		144	142	479	500	-	-
			4 081	4 956	8 548	7 438	(13 191)	(12 509)
Fair value adjustment			37 312	34 642	-	-	-	-
Impairment adjustment			(2 678)	(1 955)	(868)	(898)	-	-
Fair value			38 715	37 643	7 680	6 540	(13 191)	(12 509)

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

Subsidiaries with 50% stake

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

Profit and losses

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

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Profits	18	1 201		
Losses	(5)	(2 209)		
	13	(1 008)		

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:

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Foskor Limited - At cost	-	-	8	8
Sasol Limited - At cost	131	131	-	-
	131	131	8	8

A register of investments is available and is open for inspection at the IDC's registered office.

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material to the reporting company. The summarised financial information is provided prior to intercompany eliminations.

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest	
		2018	2017
Foskor	RSA	15 %	15 %
Scaw	RSA	26 %	26 %

The percentage ownership interest and the percentage voting rights of the non controlling interests were the same in all cases except for Foskor Limited where the voting rights were 41% (2017: 41%)

NOTES TO THE FINANCIAL STATEMENTS continued

11. Investments in subsidiaries (continued)

Summarised statement of financial position

Figures in Rand million	Foskor		Scaw	
	2018	2017	2018	2017
Assets				
Non-current assets	5 757	5 501	-	1 668
Current assets	2 584	2 930	915	2 834
Total assets	8 341	8 431	915	4 502
Liabilities				
Non-current liabilities	2 109	1 880	-	3 918
Current liabilities	1 839	1 761	609	5 492
Total liabilities	3 948	3 641	609	9 410
Total net assets (liabilities)	4 393	4 790	306	(4 908)
Carrying amount of non-controlling interest	658	719	(80)	(1 276)

Summarised statement of profit or loss and other comprehensive income

Figures in Rand million	Foskor		Scaw	
	2018	2017	2018	2017
Revenue	5 893	5 614	224	3 041
Other income and expenses	(6 843)	(6 941)	(230)	(3 828)
Profit/(loss) before tax	(950)	(1 327)	(6)	(787)
Tax expense	188	425	-	-
Profit (loss)	(762)	(902)	(6)	(787)
Other comprehensive income/(loss)	(4)	-	-	-
Total comprehensive income	(766)	(902)	(6)	(787)
Profit (loss) allocated to non-controlling interest	(72)	(135)	-	(204)

Summarised statement of cash flows

	Foskor		Scaw	
	2018	2017	2018	2017
Cash flows from operating activities	(395)	256	(493)	79
Cash flows from investing activities	(761)	(518)	3 146	(79)
Cash flows from financing activities	768	678	(2 800)	(136)
Net increase(decrease) in cash and cash equivalents	(388)	416	(147)	(136)

12. Investments in associates

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Associated companies	23 769	20 170	23 601	19 160
Fair value of investments – listed shares in associates	-	-	1 648	1 791
Fair value of investments – unlisted shares in associates	-	-	15 321	11 901
Impairment of shares	-	-	(1 505)	(1 555)
Net asset value at acquisition	5 559	2 482	-	-
Accumulated equity-accounted income	21 843	19 588	-	-
Accumulated equity-accounted losses and impairments	(11 800)	(9 390)	-	-
Loans receivable	10 290	8 635	10 260	8 730
Impairment of loans	(2 123)	(1 145)	(2 123)	(1 707)
Partnerships and joint ventures	203	191	22	22
Partners' capital	212	196	41	41
Accumulated profits/(losses)	(9)	(5)	(19)	(19)
	23 972	20 361	23 623	19 182

Material associates

Companies		Financial year-ends*	Country of incorporation	% holding	Total exposure	
					2018	2017
BAIC Automobile SA (Pty) Ltd			RSA	35.00%	446	-
BEECO 333			RSA	23.00%	2 376	-
Broadband Infracore	Provides telecommunication infrastructure		RSA	26.00%	478	124
Columbus Stainless Steel	Steel manufacturer		RSA	24.00%	812	808
Duferco Steel Processing	Processes steel coil		RSA	50.00%	556	523
Eastern Produce Malawi	Farms tea coffee and macadamia nuts		Malawi	26.80%	152	156
Hans Merensky	Holds investments in timber and agricultural industries	31/12/2017	RSA	29.70%	953	879
Hulamin Limited	Asset-leasing company	31/12/2017	RSA	29.60%	1 376	1 287
Incwala Resources	Platinum mining		RSA	23.60%	650	584
Karsten Boerdery	Farms table grapes and dates		RSA	38.20%	431	426
KaXu Solar One	Parabolic through solar energy farm	30/09/2017	RSA	29.00%	1 526	1 598
KHI Solar One (Pty) Ltd	Parabolic through solar energy farm	31/12/2017	RSA	29.00%	933	954
Merafe Ltd	Operates chrome and alloys plant	31/12/2017	RSA	21.78%	1 010	849
Mozal S.A.R.L.	Produces primary aluminium metal	31/12/2017	Mozambique	24.04%	3 089	3 584
Palabora Copper	Mining of various minerals		RSA	20.00%	1 945	1 761
Umicore Catalyst	Manufactures automotive catalysts	31/12/2017	RSA	35.00%	207	219
Xina Solar One	Parabolic through solar energy farm			20.00%	1 067	-
York Timber Ltd	Sawmilling	31/12/2017	RSA	28.70%	885	764
Other associates	Various		RSA	various	4 877	5 654
					23 769	20 170

* The financial year-ends for which the financial statements of the associated entities have been prepared, where they are different from that of the investor, are disclosed above.

NOTES TO THE FINANCIAL STATEMENTS continued

12. Investments in associates (continued)

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Fair value				
Opening fair value of shares			12 137	9 805
Movement in fair values during the year:				
Duferco Steel Processing			-	173
Eastern Produce Malawi			6	2
Hans Merensky			119	41
Hulamin Limited			(149)	33
Incwala Resources (Pty) Limited			(20)	(228)
Merafe Limited			(109)	498
Mozal S.A.R.L.			477	877
Palabora Copper			382	137
Umicore Catalyst			-	131
NewBEECO 333			2 283	-
Other			339	668
			15 465	12 137

Summarised financial information of material associates

2018

Summarised statement of profit or loss and other comprehensive income from	Revenue	Profit(loss) continuing operations	Other comprehensive income	Total comprehensive income	Dividend received from associate
Broadband Infracore	379	(122)	-	(122)	-
Columbus Stainless	13 651	457	9	466	-
Duferco Steel Processing	19 451	1 567	-	1 567	-
Eastern Produce Malawi	458	55	-	55	8
Hans Merensky Holdings	9 806	389	-	389	7
Hulamin Limited	10 160	332	-	332	14
Karsten Group Holdings	900	88	-	88	7
KaXu Solar One	832	(187)	-	(187)	-
KHI Solar One	312	(209)	-	(209)	-
Merafe Ltd	5 889	914	-	914	66
Mozal S.A.R.L.	10 671	1 172	-	1 172	492
Palabora Copper	9 912	1 193	95	1 290	-
Umicore Catalyst	2 296	138	4	142	61
Xina Solar One	617	17	91	(108)	-
York Timber Ltd	1 838	271	-	271	-

Summarised statement of financial position	Non current assets	Current assets	Non current liabilities	Current liabilities	Total net assets
Broadband Infracore	1 144	99	472	144	627
Columbus Stainless	2 011	5 746	463	3 461	3 833
Duferco Steel Processing	1 031	1 416	806	1 340	301
Eastern Produce Malawi	637	200	199	72	566
Hans Merensky Holdings	3 801	2 672	1 244	1 693	3 536
Hulamin Limited	3 543	3 687	953	1 628	4 649
Karsten Group Holdings	1 905	882	1 042	430	1 315
KaXu Solar One	6 668	815	6 882	253	348
KHI Solar One	4 063	320	3 052	252	1 079
Merafe Ltd	3 303	3 053	1 084	635	4 637
Mozal S.A.R.L.	11 356	4 233	1 242	1 495	12 852
Palabora Copper	7 384	5 607	2 261	1 495	9 235
Umicore Catalyst	124	808	32	307	593
Xina Solar One	9 052	970	6 915	744	2 363
York Timber Ltd	4 161	897	1 546	432	3 080

Summarised financial information of material associates

2017

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

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

Figures in Rand million	Group	
	2018	2017
The aggregate amounts were as follows:		
Non-current assets	85 095	109 430
Current assets	35 832	43 288
	120 927	152 718
Equity	55 456	80 311
Non-current liabilities	47 715	48 434
Current liabilities	17 756	23 973
	120 927	152 718
Statement of Comprehensive Income		
Revenue	93 094	64 696
Profits	9 360	8 934
Losses	(1 896)	(589)

NOTES TO THE FINANCIAL STATEMENTS continued

12. Investments in associates (continued)

Partnerships and joint ventures	% interest	Total exposure 2018	Total exposure 2017
The Vantage Capital Fund Trust	100	168	178
Profits		2	3

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
The aggregate amounts were as follows:				
Non-current assets	133	169	25	78
Current assets	228	256	-	-
	361	425	25	78
Equity	361	425	25	78
Statement of Comprehensive Income				
Profits	-	(3)	-	(3)
Losses	6	25	-	-

13. Deferred tax

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Composition of deferred taxation asset is as follows:				
Capital and other losses	17	26	-	-
Calculated tax losses	470	143	-	-
	487	169	-	-
Balance at the beginning of the year	169	215	-	-
Calculated tax losses	145	181	-	-
Temporary differences	173	(227)	-	-
- Other	173	(227)	-	-
Balance at the end of the year	487	169	-	-
Composition of deferred taxation liability is as follows:				
Capital and other allowances	788	839	813	828
Capital gains and losses and fair value adjustments	4 815	5 409	5 199	4 992
	5 603	6 248	6 012	5 820
Reduced by taxation on:				
Calculated taxation losses	(896)	(1 374)	-	-
	4 707	4 874	6 012	5 820
At beginning of the year	4 874	3 338	5 820	4 178
Calculated taxation losses	116	(262)	-	-
Temporary differences	(283)	1 798	192	1 642
- Property, plant and equipment	(265)	(261)	-	-
- Provisions	105	903	-	-
- Capital gains and losses and fair value adjustments	(123)	1 156	192	1 642
Balance at the end of the year	4 707	4 874	6 012	5 820

14. Investment property

Figures in Rand million	2018	2018	2017	2017
	Cost	Fair value	Cost	Fair value
Group				
Land and buildings leased to industrialists	36	36	27	27
Land held for development	343	343	316	316
Farming land and buildings	24	24	23	23
Total	403	403	366	366
Company				
Land and buildings leased to industrialists	32	32	15	15

Figures in Rand million	Opening balance	Fair value adjustments	Total
Reconciliation of investment property - Group - 2018			
Land and buildings leased to industrialists	27	9	36
Farming land and buildings	23	1	24
Land held for development	316	27	343
	366	37	403

Figures in Rand million	Opening balance	Fair value adjustments	Total
Reconciliation of investment property - Group - 2017			
Land and buildings leased to industrialists	18	9	27
Farming land and buildings	20	3	23
Land held for development	324	(8)	316
	362	4	366

Figures in Rand million	Opening balance	Other changes, movements	Total
Reconciliation of investment property - Company - 2018			
Land and buildings leased to industrialists	15	17	32

Figures in Rand million	Opening balance	Total
Reconciliation of investment property - Company - 2017		
Land and buildings leased to industrialists	15	15

NOTES TO THE FINANCIAL STATEMENTS continued

15. Property, plant and equipment

Figures in Rand million

Group	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	3 013	(624)	2 389	4 193	(705)	3 488
Plant and machinery	8 593	(4 687)	3 906	10 254	(5 071)	5 183
Furniture and fixtures	217	(165)	52	214	(179)	35
Motor vehicles	36	(26)	10	99	(43)	56
Capitalised borrowing costs	-	-	-	10	(2)	8
Bearer plants	205	-	205	181	-	181
Asset under construction	1 121	-	1 121	662	-	662
Total	13 185	(5 502)	7 683	15 613	(6 000)	9 613

Company	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	132	(120)	12	132	(111)	21
Furniture and fittings	111	(73)	38	97	(67)	30
Motor vehicles	8	(6)	2	7	(5)	2
Asset under construction	2	-	2	1	-	1
Total	253	(199)	54	237	(183)	54

Reconciliation of property, plant and equipment - Group - 2018

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land and buildings	3 488	224	-	(1 395)	(124)	(49)	(3)	2 389
Plant and machinery	5 183	1 008	(325)	(1 288)	-	(442)	(229)	3 906
Furniture and fixtures	35	34	-	1	-	(18)	-	52
Motor vehicles	56	6	-	(47)	-	(5)	-	10
Asset under construction	662	408	(11)	62	-	-	-	1 121
Bearer plants	181	39	(20)	8	-	(3)	-	205
Capitalised borrowing costs	8	-	-	(8)	-	-	-	-
	9 613	1 719	(356)	(2 667)	(124)	(517)	(232)	7 683

Reconciliation of property, plant and equipment - Group - 2017

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

Figures in Rand million

Reconciliation of property, plant and equipment - Company - 2018

	Opening balance	Additions	Depreciation	Total
Plant and machinery	21	-	(9)	12
Furniture and fixtures	30	19	(11)	38
Motor vehicles	2	1	(1)	2
Asset under construction	1	1	-	2
	54	21	(21)	54

Reconciliation of property, plant and equipment - Company - 2017

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

16. Biological assets

	2018			2017		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Maize*	22	-	22	23	-	23
Planted pecan nut trees***	19	-	19	19	-	19
Blueberry plants****	11	-	11	9	-	9
Total	52	-	52	51	-	51

Reconciliation of biological assets - Group - 2018

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Total
Maize	23	-	-	(1)	22
Planted pecan nut trees	19	16	(15)	(1)	19
Blueberry plants	9	2	-	-	11
	51	18	(15)	(2)	52

NOTES TO THE FINANCIAL STATEMENTS continued

16. Biological assets (continued)

Reconciliation of biological assets - Group - 2017

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

Biological assets represent unharvested maize on land and pecan nuts on trees. Due to the fact that there is an active market at year end and the fair value of the maize could be determined by using an external independent valuer the biological asset would be measured at fair value less estimated point-of-sale costs of agricultural produce, which is determined at the point of sale harvest.

There are 129.03 hectares (2017: 119.05 hectares) of plants. The current plant density for the majority of plants at the Diepe Kloof farm is 4 000 and 5 000 plants per hectare and the plant densities at the Klyne Fontein farm is 3 333 and 4 167 plants per hectare. Fair value cannot be determined for blueberry plants as trustworthy information about the projected yields for the above mentioned varieties are not available and any predictions about yields cannot be verified in terms of historical yields.

17. Intangible assets

Figures in Rand million	2018			2017		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Goodwill	881	(881)	-	881	(881)	-
Computer software, other	78	(68)	10	158	(114)	44
Customer relationships	-	-	-	93	(93)	-
Intellectual Property	-	-	-	3	(3)	-
Total	959	(949)	10	1,135	(1,091)	44

Reconciliation of intangible assets - Group - 2018

	Opening balance	Additions	Transfers	Amortisation/ Impairment	Total
Figures in Rand million					
Computer software, other	44	4	(18)	(20)	10

Reconciliation of intangible assets - Group - 2017

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

18. Share capital

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
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.

19. Derivative financial instruments

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Derivative assets				
Foreign exchange contract assets	142	76	108	70
Derivative liabilities				
Foreign exchange contract liability	139	27	126	16

These derivative assets and liabilities are subject to master netting agreements, which allows the Company to off-set the assets and liabilities, arriving at a net liability position of R18m (2017: net asset position of R54m)

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

20. Trade and other payables

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Trade payables	2 875	3 682	714	1 190
Accrued leave pay	141	103	83	82
Accrued bonus	363	266	300	217
	3 379	4 051	1 097	1 489
Movement in accruals				
Bonuses				
Balance at the beginning of the year	266	282	217	250
Additional accruals raised during the year	334	331	167	265
Utilised during the year	(237)	(347)	(84)	(298)
Balance at the end of the year	363	266	300	217
Leave pay				
Balance at the beginning of the year	103	111	82	78
Additional accruals raised during the year	81	36	16	28
Utilised during the year	(43)	(44)	(15)	(24)
Balance at the end of the year	141	103	83	82

NOTES TO THE FINANCIAL STATEMENTS continued

21. Retirement benefits

Pension and provident schemes

The Group has pension and provident schemes covering substantially all employees. All eligible employees are members of either defined contribution or defined benefit schemes. These schemes are governed by the Pension Funds Act, 1956, as amended. The assets of the schemes under the control of trustees are held separately from those of the Group.

The costs charged to profit or loss represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

Defined contribution schemes

Employees and Group companies contribute to the provident funds on a fixed-contribution basis. No actuarial valuation of these funds are required. Contributions, including past-service costs, are charged to profit or loss when incurred.

Defined benefit scheme

A Group company and its employees contribute to a defined benefit pension fund. The pension fund is final salary fully funded. The assets of the fund are held in an independent trustee-administered fund, administered in terms of the Pension Funds Act, 1956, as amended.

The fund is valued every three years using the projected unit credit method. The actuarial valuation for purposes of IAS 19 was performed on 31 December 2017.

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

Figures in Rand million	Group	
	2018	2017
The amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	332	354
Fair value of plan assets	(384)	(383)
Other	52	29
Liability recognised	-	-
The movement in the defined benefit obligation:		
Opening balance	354	364
Current-service cost	1	1
Interest-cost	33	36
Actuarial (gains)/losses	(20)	(7)
Benefit paid	(36)	(40)
Closing balance	332	354

Figures in Rand million	Group	
	2018	2017
Movement in asset plan		
Fair value of plan assets at beginning of the year	383	403
Expected return on asset	36	42
Actuarial (loss)/gain recognised during the year	3	(22)
Benefits paid	(38)	(40)
Fair value of plan assets at the end of the year	384	383
The amounts recognised in profit or loss are as follows:		
Current-service cost	1	1
Interest cost	33	36
Expected return on assets	(36)	(42)
Net actuarial loss recognised during the year	(16)	(28)
Total included in operating expenses	(18)	(33)

The amounts recognised in other comprehensive income in 2017 is income of R3m.

The actual return on plan assets was:		
Expected return on plan assets	36	42
Actuarial gains/(losses) on plan assets	3	(22)
Actual return on plan assets	39	20

* The transfer to previous shareholder relates to Scaw

Plan assets are comprised as follows		
Equity instruments	49 %	49 %
Cash	22 %	7 %
Debt instruments	20 %	20 %
Other	9 %	24 %
	100 %	100 %

The principal actuarial assumptions for accounting purposes were:		
Discount rate %	9.87	9.77
Expected return on plan assets %	9.87	9.77
Future salary increases %	8.10	8.47
Future pension increases %	8.70	8.10
Normal retirement age	60	60

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

	Impact on overall liability	
	2018	2017
Inflation rate (increase of 1%)	9.5	7.8
Inflation rate (decrease of 1%)	8.4	6.9

The expected contributions to the post-employment pension scheme for the year ending 31 March 2018 are R0.9 million.

NOTES TO THE FINANCIAL STATEMENTS continued

21. Retirement benefits (continued)

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		Company	
	2018	2017	2018	2017
The amounts recognised in the statement of financial position are as follows:				
Present value of unfunded obligation:				
Discovery Health members	384	588	188	180
Movement in the liability recognised in the statement of financial position:				
At the beginning of the year	588	589	180	158
Acquired in business combination	57	-	-	-
Contributions paid	(18)	(28)	(9)	(8)
Current-service costs	3	7	2	2
Interest cost	29	54	17	16
Non current medical obligation classified as held for sale	(236)	(48)	-	-
Deficit/surplus	(39)	14	(2)	12
Balance at the end of the year	384	588	188	180
The principal actuarial assumptions used for accounting purposes were:				
- Discount rate (%)	9.00	9.80	-	-
- General inflation rate (%)	5.80	5.90	-	-
- Medical inflation rate (%)	8.10	9.00	-	-
- Normal retirement age	59/63	60/65	-	-

Present value of unfunded obligation history	2018	2017	2018	2017
	Change in past-service liability		Change in service cost plus asset	
Inflation rate (increase of 1%)	13.5% increase	13.8% increase	14.8% increase	15.0% increase
Inflation rate (decrease of 1%)	11.2% decrease	11.3% decrease	12.1% decrease	12.3% decrease

The expected contributions to post-employment medical plans for the year ending 31 March 2019 are R0.2 million.

22. Other financial liabilities

Figures in Rand million	Group		Company		
	2018	2017	2018	2017	
Foreign loans	8 570	9 446	8 570	9 446	
Domestic loans	24 647	20 921	38 153	33 107	
	33 217	30 367	46 723	42 553	
Non-current liabilities					
Foreign loans	6 275	6 240	6 275	6 240	
Domestic loans	17 918	16 689	17 221	16 653	
	24 193	22 929	23 496	22 893	
Current liabilities					
Foreign loans	2 295	3 206	2 295	3 206	
Domestic loans	6 729	4 232	20 932	16 454	
	9 024	7 438	23 227	19 660	
	33 217	30 367	46 723	42 553	
Foreign Loans					
	Interest rate				
– US dollar	2.15% to 4.1%	7 078	7 535	7 078	7 535
– Euro	0.12% to 2.68%	1 492	1 907	1 492	1 907
– SA rand-denominated	7.74%	-	4	-	4
		8 570	9 446	8 570	9 446
Maturity of foreign loans					
– due within one year		2 295	3 206	2 295	3 206
– due after one year but within five years		5 181	4 440	5 181	4 440
– due after five years		1 094	1 800	1 094	1 800
		8 570	9 446	8 570	9 446
Maturity of domestic loans					
– no set dates of repayment		-	-	16 541	14 664
– due within one year		6 729	4 234	4 391	1 790
– due after one year but within five years		9 753	10 782	9 051	10 747
– due after five years		8 165	5 905	8 170	5 906
		24 647	20 921	38 153	33 107

NOTES TO THE FINANCIAL STATEMENTS continued

22. Other financial liabilities (continued)

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Domestic loans Secured loans*				
Nedbank Limited	665	425	-	-
Unsecured loans				
Rand-denominated loans	8 660	6 240	8 660	6 340
Unemployment Insurance Fund Bond	1 286	1 514	1 286	1 514
Public Bond	4 555	5 822	4 555	5 822
Public Investment Corporation GreenBond	7 112	4 767	7 112	4 767
Loans from subsidiaries with no fixed terms of repayment				
Interest free	-	-	13 191	12 509
Loans with no fixed terms of repayment				
Money market related	831	2 153	2 814	1 620
Interest free			535	
Loans with no fixed terms of repayment	-	-		535
Total domestic loans	23 109	20 921	38 153	33 107
Interest and non-interest bearing loans				
- Non-current interest-bearing loans	24 125	23 568	23 497	22 893
- Current interest-bearing loans	9 025	6 791	9 501	6 615
	33 150	30 359	32 998	29 508
- Non-current interest-free loans	67	8	-	-
- Current interest-free loans	-	-	13 725	13 045
	67	8	13 725	13 045
	33 217	30 367	46 723	42 553

* Secured by assets of subsidiary companies

23. Provisions

Reconciliation of provisions - Group - 2018

	Opening balance	Additions	Utilised during the year	Transferred to Non current liability held for sale	Change in discount factor	Total
Figures in Rand million						
Environmental rehabilitation	1 197	(59)	(15)	(64)	29	1 088
Trust fund	(185)	-	(15)	-	-	(200)
Other provisions	125	-	-	(125)	-	-
	1 137	(59)	(30)	(189)	29	888

Reconciliation of provisions - Group - 2017

	Opening balance	Additions	Utilised during the year	Acquired through business combinations	Change in discount factor	Total
Figures in Rand million						
Environmental rehabilitation	789	425	(15)	(25)	23	1 197
Trust fund	(169)	-	(16)	-	-	(185)
Other provisions	148	87	(79)	(31)	-	125
	768	512	(110)	(56)	23	1 137

Reconciliation of provisions - Company - 2018

	Opening balance	Additions	Utilised during the year	Total
Figures in Rand million				
Environmental rehabilitation	28	21	(8)	41

Reconciliation of provisions - Company - 2017

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

Environmental rehabilitation liability

African Chrome

As a result of the processes used in the manufacture of the chemical products of the company, the ground water has become contaminated with a by-product Chrome 6. In terms of minimum requirements of the National Water Act, 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.

23. Provisions (continued)

The Industrial Development Corporation, as primary shareholder, stands security for the entire environmental provision until the land is fully rehabilitated.

The rehabilitation process initially comprised of two phases namely Phase 1 and Phase 2. The entire process was expected to take a period of 3 years; with Phase 1 having commenced on the 1st of March 2012 and was completed during the 2013/14 financial year. Phase 2 activities commenced during 2013/14 financial year after Phase 1 was completed. An amount of R 18, 5 million was expected to be incurred for Phase 2 activities, this provisional amount was based on previous historical costs and it was adjusted for inflation. It was assumed that the amount incurred each year for Phase 2 activities will be settled at each respective year end. Phase 2 activities commenced during 2013/14 financial after Phase 1 was completed.

During the year tests were conducted to ascertain the success of Phase 1 in rehabilitating the surface of the soil. It was found that remediation works completed to date had effectively removed soil contamination from the surface of the site to concentration levels well below the recently gazetted South African Soil Screening Values (SSV2) for industrial land use. The site is therefore considered suitable for industrial re-development. However, the groundwater contamination has not been resolved giving rise to an environmental liability for the IDC.

In-situ Chromium Reduction Technology

During the year a new remediation technology (In-situ chromium reduction) for Chromium(Cr) VI groundwater contamination was explored. It was decided that Phase 2 would be substituted by this remediation method. In-situ chromium reduction is well proven remediation technology for CrVI contaminated groundwater which involves the injection or infiltration of a reductive reagent to precipitate and stabilise chromium in the less toxic form, CrIII.

The approach is as follows:

Conduct laboratory and field trials to determine most suitable reagent. Review all existing borehole and site infrastructure to determine suitability use for the remediation trials. Design upgraded system and refine according to the results of remediation field trials. Undertake full scale field trials to test the performance of the selected reagent. Install a combination of injection wells and/ or infiltration galleries in the hot spot areas associated with the South and North-West plumes. Sample and test existing monitoring wells at regular intervals for p H, ORP and CrVI to monitor the reaction rate and spread of the reagent. It may be necessary to drill additional wells to ensure aquifer coverage.

In addition the following supporting management measures have been proposed:

Semi-annual groundwater sampling between the site and residential receptors for five years; Obtain Waste License for Remediation Activities and undertake the Basic Assessment for authorisation. Interest rates relating of the following government bonds were used as the discount rates for calculating the present value of future cashflows: R186 bond for current monthly site monitoring payments to Interwaste Environmental Solutions & Golder Associates over the next 9 years.

ZAR204 bond for the operation of in-situ reduction system for a period of two years

R186 bond for the groundwater monitoring (10 sessions over five years)

The government bonds were selected based on the approximate maturity date as at 31 March 2017. These rates were not adjusted for risks as there is no risk relating to the technology used to rehabilitate the land.

All cash flows were adjusted for inflation forecasted by IDC Research and Information Department.

Foskor

The company continually contributes to the Environmental Rehabilitation Trust to ensure that adequate funds are available to pay for mine closure and reclamation costs. The Environmental Rehabilitation Trust is an irrevocable trust under the control of the company.

The financial assets held by the Trust are intended to fund the environmental rehabilitation liability of Foskor (Pty) Ltd and are not available for general purposes of the Group. The objective of the Trust is to act as the financial provider for expenditure that its member, Foskor (Pty) Ltd, is likely to incur in order to comply with the statutory obligation for the environmental rehabilitation. The Trust is exempt from tax in accordance with Section 10(1)cP of the Income Tax Act (No. 58 of 1962).

Foskor, the Department of Water and Environmental Affairs and the Local Authority are in discussions on the rehabilitation of the gypsum dam area. The liability of the rehabilitation and/or closure is the responsibility of Foskor once all the gypsum is removed. Foskor management has made a high level estimate of anticipated costs for the closure of the gypsum waste facility in Richards Bay. Management estimated, in consultation with external experts, who have done similar projects that the closure costs for conventional capping will vary from R350/m² to R750/m² excluding all the approvals and design related costs.

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 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 2018.

24. Share-based payments

On 7 July 2009 Foskor and the IDC, as the controlling shareholder of Foskor, have entered into a BEE Transaction. In terms of the transaction the IDC has 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 was recognised as a share-based payment in terms of the requirements of IFRS 2 Share-based Payment and consequently the 26% interest in Foskor sold to the BEE Participants has not been derecognised for accounting purposes in the Company or Group. Whilst certain rewards have been transferred to the BEE Participants, the IDC remains substantially exposed to the risks of the Foskor shares through its funding of the transaction. The transaction will continue to be accounted for in this manner until such time as the preference shares have been redeemed.

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Equity-settled share-based payment reserve				
At the beginning of the year	304	304	-	-
At the end of the year	304	304	-	-
Cash-settled share-based payment liability				
At the beginning of the year	26	26	27	90
Fair value adjustment through profit or loss	(24)	-	(27)	(63)
At the end of the year	2	26	-	27

NOTES TO THE FINANCIAL STATEMENTS continued

24. Share-based payments (continued)

Equity-settled reserve: Weighted average fair value assumptions

The fair value of services received in return for equity instruments granted is measured by reference to the fair value of the equity instruments granted. The estimate of the fair value of the equity instruments granted is measured based on the Monte Carlo Option Pricing model.

The following weighted average assumptions were used in the share pricing models at grant date:

Grant date	31 Dec 2009
Initial company value (Exercise price) (R'm)	3 500
Average share price at grant date (R)	382.19
Annualised expected volatility (%)	43.19
Risk-free interest rate (%)	8.54
Dividend yield (%)	2.25
Strike price (R)	655.68

Cash-settled share-based payment liability: Weighted average fair value assumptions

The following weighted average assumptions were used in the share pricing models during the year:

	Group		Company	
	2018	2017	2018	2017
Exercise price (R'm)	3 500	3 500	3 500	3 500
Average share price at grant date (R)	382.19	382.19	382.19	382.19
Annualised expected volatility (%)	41.10	41.10	32.50	32.50
Risk-free interest rate (%)	8.10	8.10	8.10	8.10
Dividend yield (%)	-	-	2.22	2.22
Strike price (R)	553.20	553.20	538.12	538.12

The employee Share Option Trust was due to end on 30 March 2018, however due to the underperformance of the scheme, no vesting has taken place. The scheme's funder has not called an event of default, which results in the scheme being extended. Changes to the scheme are being considered for the future. The volatility indicator used in the calculation was based on market prices of globally listed proxy companies that are in the same industry as Foskor.

25. Revenue

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Farming manufacturing and mining income	7 540	10 893	-	-
Interest received	3 374	4 321	3 445	4 822
Dividends received	2 855	1 758	2 832	1 272
Fee income	454	400	361	365
	14 223	17 372	6 638	6 459
Dividends received on available-for-sale financial assets				
– Listed	2 595	1 365	1 911	359
– Unlisted	56	242	56	204
– Associated companies	-	-	661	558
– Preference shares income	204	151	204	151
	2 855	1 758	2 832	1 272
Dividends received from the investments made in terms of section 3 (a) of the Industrial Development Act.				
Sasol Limited	682	1 044	-	-

26. Investment revenue

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Interest income				
Cash and cash equivalents	482	583	308	441
Loans and advances to clients	2 723	3 722	2 984	4 380
Other	169	16	153	1
	3 374	4 321	3 445	4 822

27. Finance costs

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
(Profit)/loss on foreign currency borrowings	115	677	243	726
Finance leases	2	-	-	-
Current borrowings	2 263	1 665	2 228	1 888
Other interest paid	53	265	21	65
Total finance costs	2 433	2 607	2 492	2 679

28. Fee income

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Fee income				
Metal fees	114	108	114	108
Guarantee fees	21	29	21	29
Other contract related fees	201	206	195	199
Other fees	118	57	31	29
Total fee income	454	400	361	365

29. Net capital gains

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Capital gains on disposal of available-for-sale investments	2 383	1 688	2 383	1 688

30. Non-administrative expenses/(income)

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Current liabilities	(378)	378	(378)	378
	(378)	378	(378)	378

Capital Gains Tax Provision for the exit from Main Street 333 (MS333)

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

The shareholders' agreement further provides that:

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

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

For tax purposes, a CGT trigger has not been achieved at 2017 year end, as the shares have not been transferred from MS333 to the proposed replacement structure. A provision for tax of R378 million was been made in the financial statements in accordance with the requirements of IAS 37, as it was highly probable that the IDC would pay Capital Gains Tax on the disposal of its MS333 shares upon implementation of the replacement structure.

In 2018 financial year it was determined that because the underlying asset remains the investment in Exxaro, no CGT will be payable on the transaction, thus leading to a reversal of the R378m provision.

31. Operating profit (loss)

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Is arrived at after taking into account the following:				
Audit fees	18	18	8	7
Profit on sale of investment property	-	(1)	-	-
Revaluation of investment property	37	4	(17)	-
Repairs and Maintenance	601	651	4	5
Impairment of debtors	-	45	-	-
Depreciation on property, plant and equipment	517	730	21	14
Impairment/(reversal of impairment) on property, plant and equipment	232	635	-	-
(Profit)/loss on sale of property, plant and equipment	1	23	-	-
Amortisation on intangible assets	20	29	-	-
Impairment on trade and other receivables	79	95	-	-
Research and development	13	10	17	10
Project feasibility expenses	129	102	129	88
Impairments and write-offs on other financial assets	2 653	954	4 930	2 086
Employee costs	2 377	3 229	1 032	998
Operating lease rentals	45	45	1	4
Net increase/(decrease) in impairments				
Machinery & Equipment	248	(48)	248	182
Industrial Infrastructure	8	(475)	140	(470)
New Industries	144	34	224	(23)
Agro-processing and Agriculture	23	22	(30)	(63)
Automotive & Transport Equipment	126	(55)	284	(55)
Basic Metals and Mining	(1 132)	(729)	(950)	(412)
Clothing & Textiles	(174)	44	(164)	(170)
Basic and Speciality Chemicals	268	284	2 100	1 160
Chemical Products & Pharmaceuticals	166	180	236	140
Media and Motion Pictures	70	9	10	15
Light Manufacturing & Tourism	(6)	107	(54)	148
Heavy Manufacturing	(11)	(85)	1	1
Information Communication Technology	(127)	(47)	(127)	47
Franchising	(9)	47	(9)	(21)
Construction	7	(136)	7	(136)
Other	(21)	447	(21)	414
	(420)	(401)	1 895	757

31. Operating profit (loss) (continued)

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Bad debts written off / (recovered)				
Machinery & Equipment	6	135	7	2
Industrial Infrastructure	45	303	45	303
New Industries	2	22	2	22
Agro-processing and Agriculture	83	139	34	119
Automotive & Transport Equipment	11	120	11	120
Basic Metals and Mining	2 091	155	2 091	155
Clothing & Textiles	175	120	175	316
Basic and Speciality Chemicals	10	136	20	120
Chemical Products & Pharmaceuticals	172	17	172	77
Media and Motion Pictures	116	6	116	6
Light Manufacturing & Tourism	38	2	38	2
Heavy Manufacturing	142	31	142	31
Information Communication Technology	127	-	127	-
Franchising	5	7	5	11
Construction	26	-	26	-
Other	24	162	24	45
	3 073	1 355	3 035	1 329

32. Taxation

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Major components of the tax income				
Current				
Local income tax - current period	(242)	116	(61)	107
Deferred				
Deferred tax - current year	(139)	(737)	(140)	(301)
	(381)	(621)	(201)	(194)
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
South African normal tax rate	28%	28%	28%	28%
The normal rate of taxation for the year has been adjusted as a consequence of:				
- dividend income	(25)%	(24)%	(20)%	(22)%
- capital gains and losses	(26)%	(23)%	(21)%	(30)%
- provisions and impairments	12%	13%	25%	36%
- disallowed/exempt items	(1)%	(24)%	(24)%	(25)%
Effective tax rate	(12)%	(30)%	(12)%	(13)%

NOTES TO THE FINANCIAL STATEMENTS continued

33. Other comprehensive income

Components of other comprehensive income - Group - 2018

	Gross	Tax	Share of other comprehensive income of associates	Net
Figures in Rand million				
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit liability/asset				
Remeasurements on net defined benefit liability/asset	2	1	5	8
Total items that will not be reclassified to profit or loss	2	1	5	8
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	(149)	-	(399)	(548)
Available-for-sale financial assets adjustments				
Gains (losses) arising during the year	937	145	(6)	1 076
Total items that may be reclassified to profit or loss	788	145	(405)	528
Total	790	146	(400)	536

Components of other comprehensive income - Group - 2017

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

Components of other comprehensive income - Company - 2018

	Gross	Tax	Share of other comprehensive income of associates	Net
Figures in Rand million				
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit liability/asset				
Remeasurements on net defined benefit liability/asset	12	-	-	12
Total items that will not be reclassified to profit or loss	12	-	-	12
Items that may be reclassified to profit or loss				
Available-for-sale financial assets adjustments				
Gains (losses) arising during the year	2 187	(331)	60	1 916
Total items that may be reclassified to profit or loss	2 187	(331)	60	1 916
Total	2 199	(331)	60	1 928

Components of other comprehensive income - Company - 2017

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

NOTES TO THE FINANCIAL STATEMENTS continued

34. Directors' emoluments

Non-executive: Fees for services as directors:

Figures in Rand thousand	2018	2017
Director		
Ms BA Mabuza Chairperson	930	1 057
Ms LJ Bethlehem ¹	262	364
Mr BA Dames	427	416
Mr RM Godsell	384	206
Dr SM Magwentshu-Rensburg	498	414
Ms MP Mthethwa	378	365
Ms N Mnxasana	541	546
Ms NDB Orleyn	421	400
Ms M More	282	271
Mr A Kriel	422	208
Mr NE Zalk ²	-	-
	4 545	4 247

1. Ms L Bethlehem does not derive any financial benefit for services rendered to the IDC. Her fees are paid directly to HCI Limited

2. Mr NE Zalk is employed by the DTI and does not earn director's fees for services rendered to the IDC

Executive

2018	Emoluments	Long-term incentive bonus*	Non- pensionable allowance	Short-term incentive*	Contributions to medical aid, retirement benefits and other	Total R'000
Figures in Rand thousand						
IDC	34 824	3 933	4 479	1 807	7 090	52 133
MG Qhena	6 410	1 191	974	-	863	9 438
GS Gouws	4 554	724	540	403	790	7 011
SAU Meer	2 855	450	338	84	538	4 265
AP Malinga	2 191	372	253	126	1 081	4 023
PB Makwane	2 635	383	322	160	445	3 945
RJ Gaveni	1 874	233	257	64	517	2 945
DA Jarvis	2 171	83	274	204	460	3 192
MP Mainganya	2 664	38	327	245	392	3 666
Z Luthuli	2 404	0	294	73	400	3 171
NS Dlamini	2 886	0	350	174	528	3 938
VL Matshekgga	2 186	191	275	68	502	3 222
WH Smith	1 994	268	275	206	574	3 317
	34 824	3 933	4 479	1 807	7 090	52 133

2017	Emoluments	Long-term incentive bonus*	Non-pensionable allowance	Contributions to medical aid, retirement benefits and other	Total R'000
Figures in Rand thousand					
IDC	32 821	4 690	4 019	8 052	49 582
MG Qhena	6 096	1 156	859	1 169	9 280
GS Gouws	4 291	702	477	742	6 212
SAU Meer	2 667	437	299	313	3 716
K Schumann	193	873	-	826	1 892
AP Malinga	2 093	361	292	1 208	3 954
PB Makwane	2 501	372	285	413	3 571
RJ Gaveni	1 766	226	225	688	2 905
DA Jarvis	2 034	81	239	424	2 778
KC Morolo	144	-	-	120	264
PM Mainganya	2 513	37	289	361	3 200
PZ Luthuli	2 272	-	262	465	2 999
NS Dlamini	2 679	-	309	361	3 349
VL Matshekga	1 865	185	241	441	2 732
WH Smith	1 707	260	242	521	2 730
	32 821	4 690	4 019	8 052	49 582

* 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 individuals' performance.

35. Nature and purpose of reserves

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

Revaluation reserve

The revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired. The revaluation reserve also relates to the revaluation of property, plant and equipment.

Associated entities reserve

The associated entities reserve comprises the cumulative net changes of equity accounted investment, directly to other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS continued

35. Nature and purpose of reserves (continued)

Common control reserve

The common control reserve relates to the transfer of Small Enterprise Finance Agency from the Economic Development Department to the IDC. Please refer to Note 38 for further detail.

Share-based payment reserve

The share-based payment reserve relates to the equity-settled portion share-based portion of the Foskor BEE transaction, entered into on 7 July 2009. Please refer to Note 24 for further detail.

36. Financial and operating leases

Finance leases – Group as lessee

The Group has leases classified as financial leases principally for property. Future minimum lease payments payable under finance leases, together with the present value of minimum lease payments, are as follows:

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Land and buildings				
– due within one year	5	6	-	-
– due after one year but within five years	11	13	-	-
– due after five years	1	3	-	-
Total minimum lease payments	17	22	-	-
Amount representing finance charges	(5)	(6)	-	-
Present value of minimum lease payments	12	16	-	-
Current portion	3	4	-	-
Long-term portion	9	10	-	-
	12	14	-	-

Foskor

The finance lease is between Foskor (Pty) Limited 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 8 years remaining as at 31 March 2018. Foskor has sole use of the effluent pipeline and pays for the maintenance. The lease is at a fixed rate of 14.4% per annum.

Omega Refrigeration

The company's obligation under the finance lease have been settled during the current financial year.

Blue Mountain Berries

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

Operating leases – Group as lessee

Certain items of computer and office equipment are leased by the Group.

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Commitments for future minimum rentals payable under non-cancellable leases are as follows:				
– due within one year	16	39	4	-
– due after one year but within five years	12	99	4	-
– due after five years	-	245	-	-
	28	383	8	-

37. Cash (used in)/generated from operations

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Profit before taxation	3 381	1 941	1 892	1 601
Income from equity accounted investments	(419)	(963)	-	-
Adjustments for:				
Impairment of goodwill relating to associated entities	(1 707)	(303)	-	-
Amortisation of intangibles assets	20	43	-	-
Impairment of property, plant and equipment	232	635	-	-
Loss/(profit) on sale of assets	1	23	-	-
Depreciation of property, plant and equipment	517	730	21	14
Surplus of revaluation of investment property	-	-	(17)	-
Net capital gains	(2 383)	(1 688)	(2 383)	(1 688)
Interest received	(3 374)	(3 165)	(3 445)	(2 971)
Dividends received	(2 651)	(1 607)	(2 628)	(1 121)
Dividends received-preference share options	(204)	(151)	(204)	(151)
Finance costs	2 433	2 607	2 492	2 679
Specific and portfolio impairments	2 653	954	4 930	2 086
Fair value adjustment on share based payment	-	-	(27)	(63)
Movements in retirement benefit assets and liabilities	(204)	(1)	8	22
Movements in provisions	(249)	369	13	5
Other non-cash items	-	1 353	-	1 196
Changes in working capital:				
Inventories	1 023	828	-	-
Trade and other receivables	(1 127)	1 081	(648)	305
Derivative assets	(66)	(7)	(38)	(8)
Trade and other payables	(672)	325	(392)	544
(Increase)/decrease in non-current assets held-for-sale	2 832	(67)	67	(67)
	36	2 937	(359)	2 383

38. Tax refunded (paid)

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Balance at beginning of the year	473	205	471	200
Current tax for the year recognised in profit or loss	242	(116)	61	(107)
Balance at end of the year	(262)	(473)	(268)	(471)
	453	(384)	264	(378)

NOTES TO THE FINANCIAL STATEMENTS continued

39. Commitments

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
In respect of:				
Undrawn financing facilities approved	28 002	30 985	27 707	30 914
Undrawn guarantee facilities approved	2 527	1 617	2 527	1 617
Capital expenditure approved by subsidiaries	16	14	-	-
– Contracted	16	14	-	-
Capital expenditure approved by equity-accounted investments	177	185	-	-
– Contracted	145	157	-	-
– Not contracted	32	28	-	-
Total commitments	30 722	32 801	30 234	32 531
Less: counter-guarantees obtained from partners in respect of financing and guarantees to be provided to major projects	(182)	(201)	(182)	(201)
Commitments net of counter-guarantees	30 540	32 600	30 052	32 330

Commitments will be financed by loans and internally generated funds.

40. Guarantees

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Guarantees issued in favour of third parties in respect of finance provided to industrialists	3 624	1 688	3 449	1 617
Total industrial financing guarantees	3 624	1 688	3 449	1 617
Sundry guarantees issued by subsidiaries	333	570	-	-
Guarantees issued by equity-accounted investments	467	2	-	-
Guarantees	4 424	2 260	3 449	1 617

41. Contingencies

Contingent liabilities of subsidiaries

Foskor (Pty) Limited

The company had mine rehabilitation guarantees amounting to R499 million (2017: R495 million) at year end. In line with the requirements set out by the Department of Mineral Resources (DMR), this guarantee amount was in place at 31 March 2018.

These guarantees and the agreement reached with the DMR were based on the environmental rehabilitation and closure costs assessment that was performed during the 2016 financial year. The assessments are performed on a three-year rolling basis, with the next assessment due in 2019. Estimated scheduled closure costs for the mine are R589 million.

For unscheduled or premature closure, the DMR, in accordance with Minerals and Petroleum Resources Development Act, requires Foskor (Pty) Ltd to provide for the liability of R684 million in the form of guarantees and cash. The R619 million is covered by guarantees totalling R499 million and investment assets totalling R201 million, resulting in an over provision of R11 million.

42. Related parties

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

Directors' interests

R'm	Company	Financing approved	Financing balance		Interest/funding rate	Type of financing/repayment terms	Director's interest	Year of approval
			2018	2017				
Ms LJ Bethlehem	Cape Town Film Studio (Pty) Ltd	84	34	42	Prime + 1%	Normal loan	The controlling shareholders of Cape Town Studio is Sabido Investments (Pty) Ltd (Sabido). Sabido is a part of HCI. Ms Bethlehem is a senior manager at HCI	2010
	Ilangaletu (Pty) Ltd	1 000	60	60	R186 + (3.2% to 3.4%)	Senior Debt Loan	Hosken Consolidated Investments Limited (HCI) has a 10% stake in Ilangaletu (Pty) Ltd. Ms Bethlehem is a senior manager at HCI	2013
		1 484	-	-	RATIRR of 7.04%	Redeemable preference shares		
	Kai Garib Solar SPV	922	609	609	RATIRR of 10%	Normal loan	HCI holds 12.5% stake in Kai Garib Solar SPV. Ms Bethlehem is a senior manager at HCI	2015
	Formex Industries (Pty) Ltd	720	-	-	25% stake	Ordinary shares		2015
	80	-	30	RATIRR of 8%	Redeemable preference shares	HCI is a 100% shareholder of Formex. Ms Bethlehem is a senior manager at HCI	2010	
Mr Andre Kriel	Trade Call Investments Apparel(Pty) Ltd	18	-	-		Grant funding	Mr Andre Kriel is a director of Southern African Clothing and Textile Workers' Union (SACTWU), which has a 32.8% Shareholding in HCI.	2010
	Cape Town Film Studios (Pty) Ltd	84	34	42	Prime + 1%	Normal loan	The controlling shareholders of Cape Town Studio are Sabido Investments (Pty) Ltd (Sabido) and Videovision Dreamworld. Sabido is part of the JSE-listed group Hosken Consolidated investments Limited (HCI). Mr Andre Kriel is a director of SACTWU which has a 32.8% shareholding in HCI.	2017
Ms Patience Nomavuso Mnxasana	Noma Namuhla Trading and Projects(Pty) Ltd	3	-	-		Quasi-Equity Loan	Ms Patience Nomavuso Mnxasana owns 100% in Noma Namuhla Trading and Projects (Pty) Ltd	2017
Ms Thandi Orleyn	Le Sel Research (Pty) Ltd	165	165	165	Prime + 1%	Normal Loan	Ms Orleyn is a shareholder in Peotona Group Holdings via the Mamaswa Family Trust. Peotona Private Equity is a subsidiary of Peotona Group Holdings. Indirect shareholder in Le-Sel via Trinitas Fund General Partner (Trinitas). Trinitas has a 37.5% equity interest in Le-Sel.	2015
National sphere of government								
	The Land & Agricultural Development bank of SA Ltd	86	86	86	0%	Loan repayable on 31 March 2022		
	The Land & Agricultural Development bank of SA Ltd	650	317	141	0%	Loan repayable on 31 March 2025		

NOTES TO THE FINANCIAL STATEMENTS continued

42. Related parties (continued)

Figures in Rand million	Group		Company	
	2018	2017	2018	2017
Related party transactions				
Non-financing transactions - Rendering of services				
Eskom Limited	798	754	-	-
Transnet Limited	1 065	926	-	-
South African Airways (Pty) Limited	11	7	4	4
Telkom Limited	6	6	2	1
National Ports Authority	63	55	-	-
Rand Water	-	2	-	-
	1 943	1 750	6	5

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