IDC

Industrial Development Corporation

Your partner in development finance

Expanding industrial capacity for development

INTEGRATED REPORT

for the year ended 31 March 2014

Expanding industrial capacity for development

About this report

This year's integrated report represents our first attempt at the Global Reporting Initiative Guidelines 4 (GRI G4) format in accordance with core reporting requirements. In addition to our financial and non-financial strategy, our performance for the year ended 31 March 2014 and perceived future prospects, this report emphasises issues material to the IDC, our shareholders, the economy and the community.

In this report, "IDC", "Corporation", "we", "us" and "our" refer to the Industrial Development Corporation and its financing subsidiaries. The non-financial section includes some aspects of the following subsidiaries: Foskor, Scaw Metals and Small Enterprise Finance Agency (sefa). Reporting boundaries are further refined for each material aspect.

We continuously strive to extend our scope and boundary to include more subsidiaries and associates.

In preparing the report, management considered the integrated reporting guidelines provided by the following:

- South African Code of Corporate Practice and Conduct as set out in the King III Report.
- The principles of the GRI G4, in accordance with the guidelines at core level.
- Discussion paper issued by the Integrated Reporting Committee (IRC) of South Africa and the consultation draft of the International Integrated Reporting Framework issued by the International Integrated Reporting Council.
- Companies Act 71 of 2008, as amended.
- International Financial Reporting Standards (IFRS).
- Internally-developed guidelines and policies.

Our GRI index can be found at the end of the report (GRI checklist). No restatement of information was required.

Similar to our previous report, a combined financial and non-financial assurance team from KPMG and Sizwe Ntsaluba Gobodo (SNG), supported by the IDC's internal audit team, again adopted a combined assurance approach to the information in this report.

In addition to the annual financial statements and opinion included here, selected sustainability information was assured at a limited assurance level according to the International Standards for Assurance Engagements (ISAE 3000), Assurance Engagements other than audits and reviews of historical information.

The external auditors assured the financial section in this report.

The IDC Board Audit Committee verified the independence of the external assurance providers from the IDC.

We appreciate your feedback. Kindly submit queries and comments to ireport@idc.co.za.

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LA

Assurance
This refers to externally assured information (limited assurance)

Foreword by shareholder representative: Minister Ebrahim Patel

Development finance is a powerful tool. Successful development finance institutions the world over have, depending on their mandates, made significant contributions to economic expansion, sector diversification, industry renewal, enterprise growth, transformation and inclusive development, among other economic and societal goals. The Industrial Development Corporation is a prime example.

The IDC's critical role in South Africa's developmental agenda was emphasised in the New Growth Path economic strategy launched five years ago. Upon assuming responsibility for overseeing and providing strategic direction to the IDC in 2010, the Economic Development Department sought an enhanced contribution to industrial development by the Corporation to respond to economic and social imperatives, particularly job creation.

The IDC heeded our call, re-aligning its focus areas and strategies with industrialisation priorities. These included the broadening and deepening of productive value chains, both domestically and regionally, the beneficiation of our country's resource wealth and the green economy. The Corporation geared itself for a more proactive and catalytic role in the expansion and diversification of South Africa's industrial base, with a special focus on labour-absorbing investment activities. It thus joined forces with other public sector entities in signalling to the marketplace the desired orientation, inclusivity and pace of economic development in the years ahead.

The Corporation's funding approvals increased substantially over the past five years to a cumulative total of R58.5 billion, a 78% increase from the R33.0 billion approved in the previous five-year period. The value of funds disbursed, the principal indicator of actual investment in the economy, increased from R20.3 billion to R47.0 billion over these two periods, representing an increase of 132%.

During the five years leading up to the financial year ended in March 2009, IDC funding facilitated the creation or saving of almost 130 000 jobs. In the following five years, the IDC stepped up its efforts to mitigate the effects of the global economic crisis on the South African economy. IDC financing activities during the period to March 2014, facilitated the creation or saving of almost 160 000 jobs, of which 11 500 were in income-generating informal economy activities related to recycling of waste materials. Industrialisation is crucial for the sustainability of economic growth, the balance of payments, job creation and poverty alleviation.

Government's programme to reindustrialise the economy and raise the manufacturing sector's contribution to overall output and employment has been captured in successive iterations of the Industrial Policy Action Plan. As a driver of industrialisation, the IDC places particular emphasis on manufacturing opportunities. This often requires stepping into unchartered territory to demonstrate the economic merit of new, non-traditional project propositions that may have been overlooked or neglected by commercial financiers. In so doing, the IDC has contributed to the establishment of infant industries that eventually matured into successful players in domestic and/or global markets.

IDC funding provided to the manufacturing industry over the past five years reached R15 billion, more than fourfold (418%) the amount over the prior five year period. Most importantly, it countered the adverse impact of the economic downturn on the sector's employment significantly and facilitated the creation or saving of 55 200 manufacturing jobs over the period. This was largely driven by funding provided to downstream metals industries, which accounted for approximately R7.5 billion, while downstream chemicals and the clothing and textiles related industries also benefited significantly from higher IDC industrial financing.

A substantial portion of this funding activity was in direct support of localisation, which plays an integral role in government's strategy to maximise the benefits of the massive public sector investment in the expansion and upgrading of South Africa's infrastructure. Not only are these efforts contributing to the manufacturing sector's revitalisation, but they are also reducing the import leakage historically associated with capital expenditure programmes. The IDC has further assisted the Presidential Infrastructure Coordinating Commission in the coordination and integration of the National Infrastructure Plan and its Strategic Integrated Projects, particularly those focusing on the development of the Saldanha-Northern Cape Development Corridors and Green Energy in support of the economy. The Corporation is also poised to play a key role in localisation efforts on the back of the National Infrastructure Plan, especially now that the Infrastructure Development Act has been promulgated.

The green economy provides a rare lever for enhancing South Africa's growth potential and a trigger for industrial reinvigoration. Supported by the requisite policies and collaboration between the public and private sectors, it can also result in considerable employment gains. In 2010, government assigned the IDC responsibility for catalysing growth in the green industrial economy. The Corporation has approved more than R15 billion in funding for green industries over the past five years, largely directed to renewable energy generation, where the IDC played a significant role in providing funding for communities to take up shareholding in such projects, as well as energy efficiency

Foreword by Shareholder Representative (continued)

initiatives. In addition, the IDC financed the establishment of components manufacturing enterprises to supply this nascent energy sector.

The strengthening and expansion of South Africa's mining and agricultural value chains are vital to the industrialisation process. The IDC provided strong project development and funding support to both value chains during the last five years, approving more than R14 billion for mining and minerals beneficiation projects and R5.2 billion for agriculture projects, agro-processing and the forestry value chain.

The IDC has stepped up efforts to provide funding for black economic empowerment. Over the past five years, the Corporation provided R26 billion of funding to companies with more than 25% black shareholding to build a base for the development of black industrialists. Notable approvals in recent times included operations manufacturing transport equipment, footwear and beauty products, among others.

President Jacob Zuma announced in the State of the Nation Address in February 2011 that the merger of Khula, the SA Micro Finance Apex Fund and the IDC's small business funding into a single unit was under consideration. This materialised in April 2012, when the Small Enterprise Finance Agency (sefa) was launched as a wholly-owned subsidiary of the IDC. sefa has since approved R1.5 billion in direct, as well as indirect, lending to approximately 74 000 small and micro-enterprises.

A signatory of the Youth Employment Accord, the IDC has set aside funding for businesses owned by young entrepreneurs and entered into a cooperation agreement with sefa and the National Youth Development Agency to entrench a coordinated approach for the provision of finance and support services to such enterprises.

> The IDC and sefa have jointly set aside R2.7 billion to support youth entrepreneurship, with the former having approved R105.3 million for 11 businesses with significant youth ownership during financial year 2014. sefa disbursed R157 million to more than 10 200 youth owned enterprises.

As part of its capital raising process to permit higher levels of financing activity at a lower cost, the IDC issued a public bond in 2013. This was the first such issuance in more than 20 years and the fact that it was substantially oversubscribed reflected the extent of investors' confidence in the Corporation's financial standing.

Looking ahead, the IDC will be a key agent for radical economic transformation in our country, working towards the achievement of the long-term goals envisioned in the National Development Plan, as well as government's economic strategy set out in the New Growth Path, Industrial Policy Action Plan and the National Infrastructure Plan. The Corporation's industrialisation efforts will be strengthened by its prioritisation strategy, improved coordination with other state entities and robust collaboration with the business sector. This is expected to result in clear performance gains going forward, with far-reaching developmental implications, particularly job creation.

The IDC plans to contribute R100 billion to private sector fixed investment activity over the next five years. A range of manufacturing activities will receive more focus, such as supplier industries that will benefit from public sector procurement associated with the enormous infrastructure investment programme under way; the automotive and components industry; various segments of the chemicals value chain; existing and new manufacturing enterprises wishing to participate in the burgeoning green economy; and, among others, supporting opportunities in advanced manufacturing through the development and commercialisation of innovative technologies. In the process, the Corporation will seek to unlock productive investments in less developed areas of South Africa.

In its efforts to build a more inclusive economy, the IDC will focus on jobs-rich investment opportunities and increase funding to black industrialists. Its subsidiary sefa, in turn, will enhance direct and indirect lending to small businesses and micro-enterprises.

In support of regional integration on the African continent, the IDC will strengthen its contribution to the development of cross-border value chains and assist domestic players intending to do business in other African markets, both as investors and exporters.

The level of financing activity planned by the IDC will be supported by its robust balance sheet and capital raising capacity, which has been increasingly targeting competitive sources of funding so that the IDC Group can pass on the benefits to its customer base.

I thank the IDC Board of directors, led by Ms Monhla Hlahla, and the management and staff of the IDC, under the leadership of Mr Geoffrey Qhena, for their valued contribution to our country's industrial development and for improving the livelihoods of many thousands of South Africans through the creation of decent work opportunities.

Ebrahim Patel
Minister of Economic Development
August 2014

Introducing the IDC

Corporate profile

Our mandate

The Industrial Development Corporation of South Africa Limited (IDC) was established in 1940 by an Act of Parliament (Industrial Development Corporation Act, No. 22 of 1940) and is fully owned by the South African Government.

The IDC was mandated to develop domestic industrial capacity, specifically in manufactured goods, to mitigate the disruption of trade between Europe and South Africa during the Second World War.

We have contributed to the implementation of South Africa's industrial policy for more than 70 years and established, among others, the petro-chemicals and minerals beneficiation industries. We have stimulated large industrial projects in these industries – acknowledged today as the cornerstones of the country's manufacturing sector - and influenced the establishment of industries in fabricated metals, agriculture and clothing and textiles.

During the 1990s, our mandate was expanded to include investment in the rest of Africa. The Mozal aluminium smelter in Mozambique was the first such venture. We secured investors from around the globe to establish a major industrial enterprise in a country plagued by decades of civil war. The smelter illustrated the viability of large projects on a continent often shunned by investors. Currently, our investments in Africa include mining, agriculture, manufacturing, tourism and telecommunications.

The IDC's funding is generated through income from loan and equity investments and exits from mature investments, as well as borrowings from commercial banks, development finance institutions (DFIs) and other lenders.

We align our priorities with government's policy direction and remain committed to developing the country's industrial capacity, as well as playing a major role in facilitating job creation through industrialisation.

Our industrial development role

As a key implementing agency of industrial policy, the IDC's activities currently centre on the National Development Plan (NDP), the New Growth Path (NGP) and the Industrial Policy Action Plan (IPAP). We identify sector development opportunities aligned with policy objectives and develop projects in partnership with stakeholders.

By developing industrial capacity the IDC achieves specific outcomes. The most important of these is to enable job creation through the companies we fund. In addition, IDC funding continues to promote regional development and integration, economic empowerment of communities and growing black industrialists. The IDC remains committed to promoting environmentally sustainable growth and increasing sectoral diversity to boost the local production of goods. The Corporation also plays a critical role, directly and through its sefa subsidiary, in promoting entrepreneurial development and growing the SME sector.

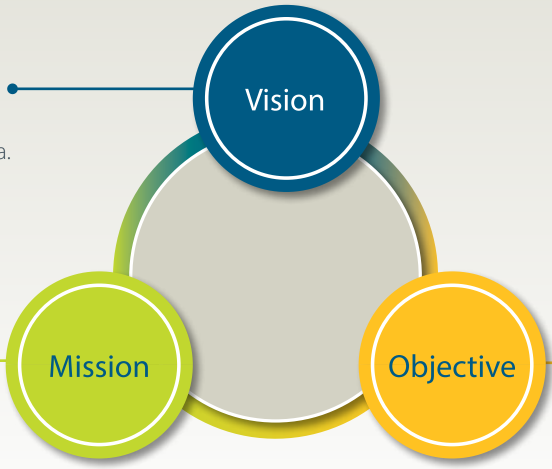
While our funding activities focus mainly on the private sector, we work closely with different levels of government agencies and sector organisations to coordinate industry development. We also support government in other areas related to its development objectives, such as research and management of government funds allocated to achieving specific outcomes.

We pro-actively develop and implement strategies in the rest of Africa to create and integrate value chains across the continent. Our aim is to use the strengths of different countries in the region to establish a more competitive industrial base.

Corporate profile (continued)

Promoting economic growth and industrial development

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



Leading industrial capacity development.

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

Outcomes

Primary

- Facilitate sustainable direct and indirect employment.

Secondary

- Improve regional equity, including the development of South Africa's rural areas, poorer provinces and industrialisation in the rest of Africa.
- Promote entrepreneurial development and grow the small and medium enterprise (SME) sector.
- Advance environmentally sustainable growth.
- Grow sector diversity and increase localised production.
- Support the transformation of communities and development of black industrialists.

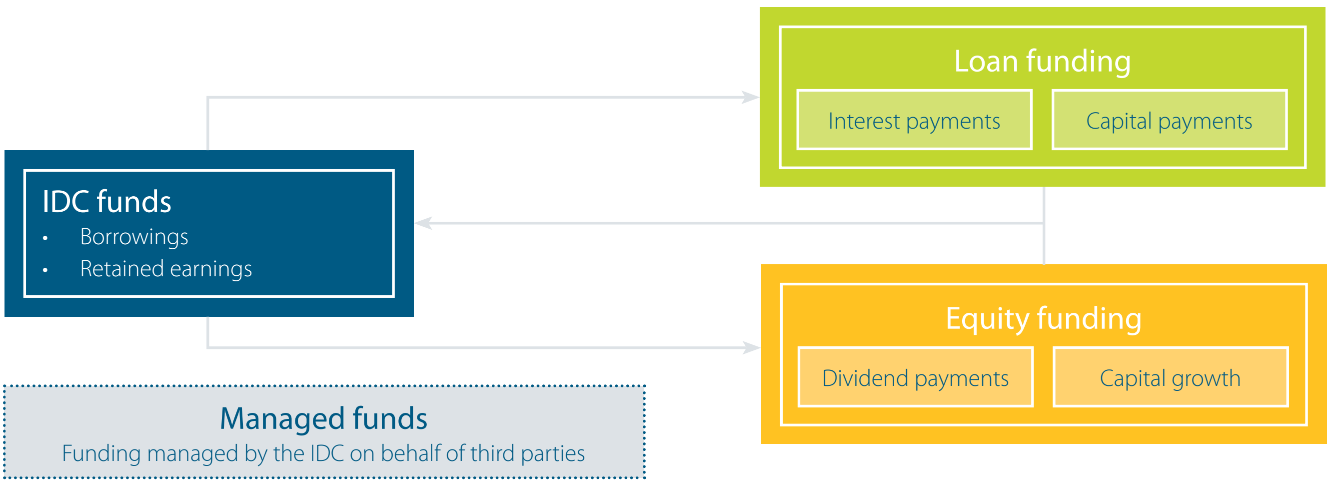
The reported employment figures, unless specified otherwise, refer to direct, full-time equivalent jobs facilitated through IDC funding and include only direct jobs expected to be created or saved.

Values

Strategy pillars

Increasing industrial development impact	Ensuring long-term sustainability	
	Financial capital	Human, social, natural and manufactured capital
• Prioritise sectors in which the IDC will play a proactive role and strengthen sector development objectives and strategies • Align the IDC with the sector objectives of NDP, NGP and IPAP • Increase project development and implementation • Provide industrial finance to achieve sector development objectives • Increase regional industrial integration through the development of value chains • Ensure the effective and efficient operations of the sefa subsidiary	• Increase measures to manage concentration risk in the IDC portfolio • Plan investment returns and risk profile to ensure that growth is sufficient to replace existing cash generators • Structure investments to increase direct equity returns • Manage risk through appropriate investments, pricing and portfolio management	• Human resources - Ensure appropriately skilled and capacitated human resources - Entrench a culture of performance and development • Stakeholders - Improve customer service - Build partnerships with other financiers to leverage different strengths and mandates - Increase engagement with sector players to identify opportunities - Develop black industrialists - Strengthen IDC expertise to influence and shape policy - Build strong communities around IDC-funded projects • Natural environment - Reduce the IDC's negative environmental impact - Reduce industry's negative environmental impact • Utilisation of resources - Enhance efficiency through improved systems and processes

Funding model



A strong balance sheet enables the IDC to use retained earnings and borrowings to provide funding.

The IDC uses capital and interest repayments from loans provided to businesses to cover its obligations to lenders.

Dividend payments from equity investments provide the IDC with an annuity income, while exits from mature equity investments provide capital for new equity investments. The IDC also manages funds on behalf of third parties, such as the Department of Trade and Industry (the dti). These funds can be used for co-investment with IDC and provide the Corporation with a fee income.

Group structure

Industrial Development Corporation of South Africa Limited

Foskor (Pty) Ltd	59%	Phosphate mining and fertiliser production
Scaw South Africa (Pty) Ltd	74%	Steel manufacturing and production of products from steel
Small Enterprise Finance Agency SOC Ltd	100%	Development finance for survivalist, micro, small and medium enterprises
Consolidated Wire Industries (Pty) Ltd	50%	Manufacturer of wire and wire products
Prilla 2000 (Pty) Ltd	100%	Yarn manufacturer

This group structure includes operating subsidiaries with assets of more than R250 million only.

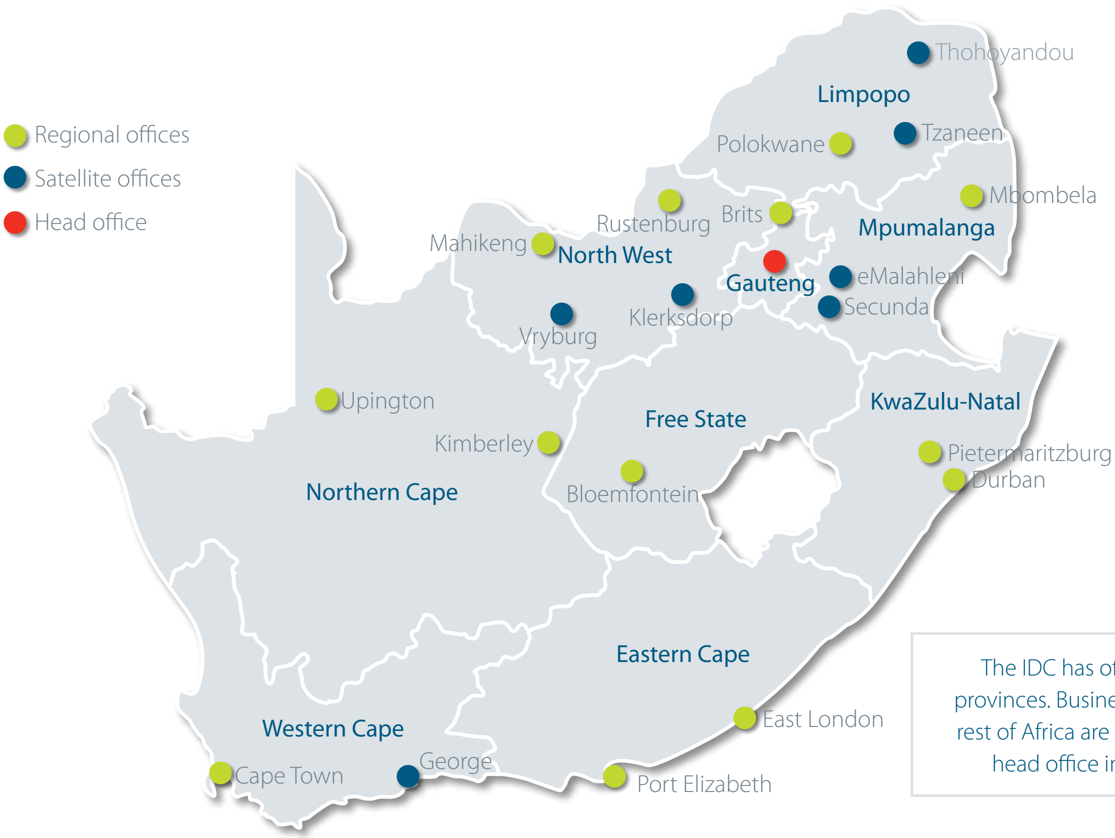
More information is available on sefa, Foskor and Scaw on pages 142 to 144 of this report. A comprehensive list of subsidiaries is included in the Notes to the Annual Financial Statements.

Operational structure

Industrial Development Corporation of South Africa Limited

Agro and new industries	Finance and funding	Strategy and corporate affairs	Corporate secretariat
Mining and manufacturing industries	Corporate risk	Human capital and CSI	Internal audit
Services industries and regions	Professional services	Legal and post- investment	Innovation
Operational divisions	Support divisions		Direct reports

Operational footprint



The IDC has offices in all nine provinces. Business activities in the rest of Africa are serviced from our head office in South Africa.

Our main business and funding activities

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

Performance highlights: Achievements and challenges

Key achievements

- Approved a record of R13.8 billion in funding, higher than the previous record of R13.5 billion in 2011/12.
- Funded projects in rural areas with R6.5 billion, up from R6.1 billion in the previous year.
- Supported renewable energy as the basis of a new industry with a R6.6 billion investment in Round 3 of government's REIPPP Programme.
- Achieved the second highest disbursement funding level of R11.2 billion.
- Earmarked R1 billion of the Gro-E scheme to businesses owned by young people as part of the Youth Employment Accord signed during the year.
- Increased pre-tax profits by 11% to R2.2 billion.
- Launched a R1.5 billion public bond successfully to meet growing funding commitments.
- IDC subsidiary sefa approved R1.1 billion in funding for SMME development, a 142% increase on the R440 million approved in 2012/13.

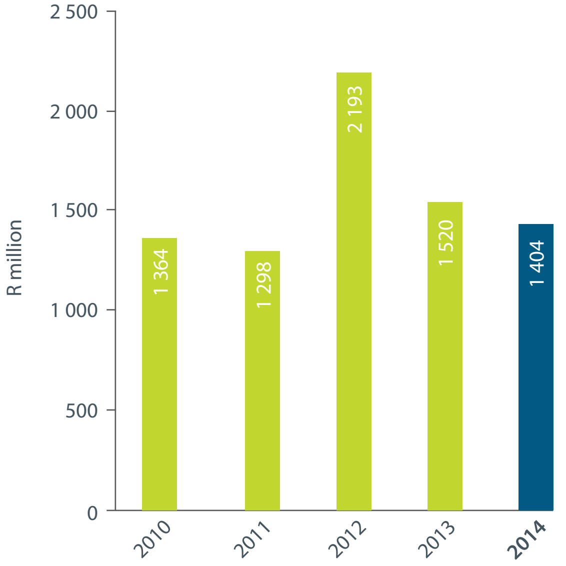
Challenges

- Despite modest economic growth, the IDC needs to stimulate industrial development to facilitate job creation.
- The IDC's facilitation of jobs created declined marginally to 18 200 compared to 18 900 in 2012/13. The expected jobs to be saved declined from approximately 4 000 to 1 300 on the back of a continued decline in funding demand from distressed companies. These numbers do not include the indirect impact of the IDC's funding activities, which will become more important in future as the Corporation's role as a game changer increases.
- The ratio of impairments as a percentage of the portfolio valued at cost remained high at 18.2%.

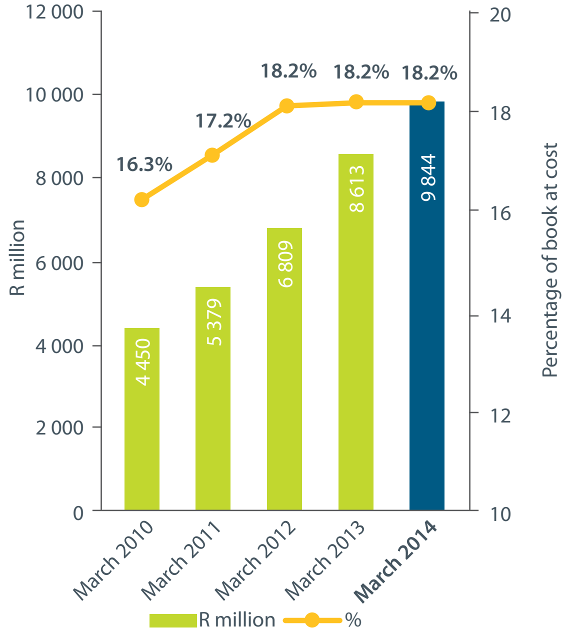
Key trends

(IDC company)

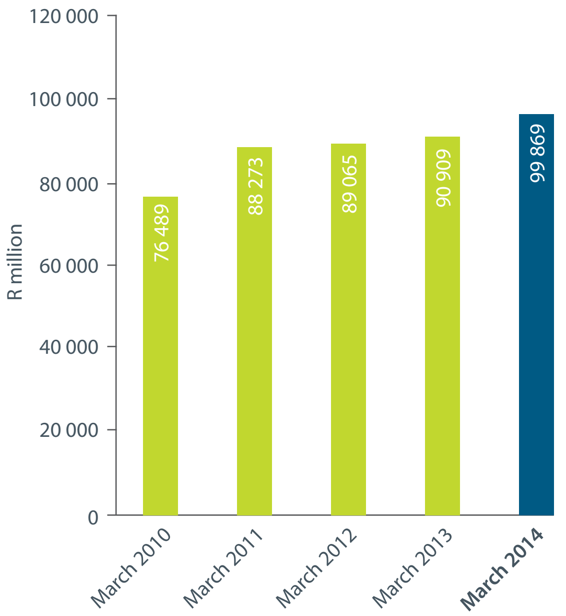
Net operating income after tax per year 2010 to 2014 (company)



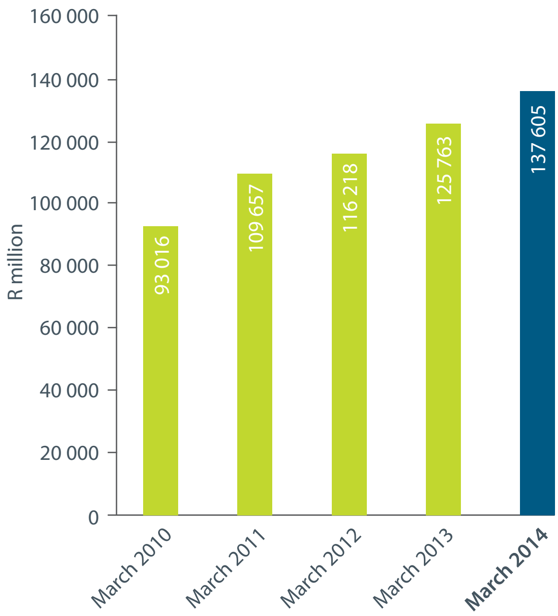
Cumulative impairments 2010 to 2014 and impairments as a % of outstanding financing book at cost



Capital and reserves (company)



Total assets at fair value (company)



Key trends (continued)

Value of financing approvals per year 2010 to 2014

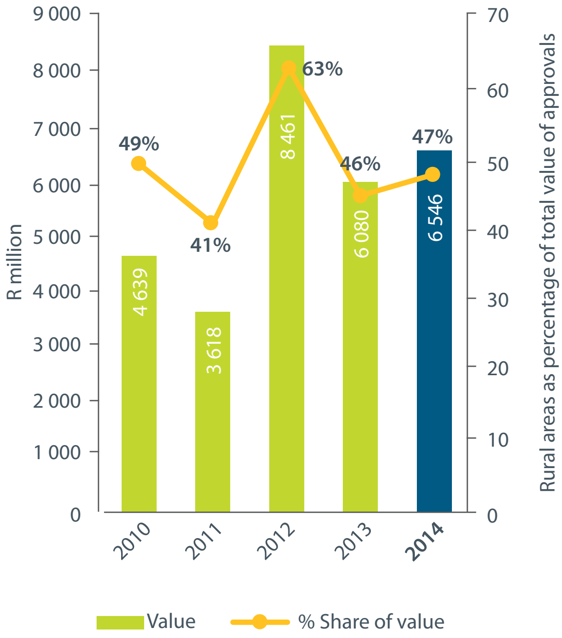
Value of disbursements per year 2010 to 2014

Number of approvals per year 2010 to 2014

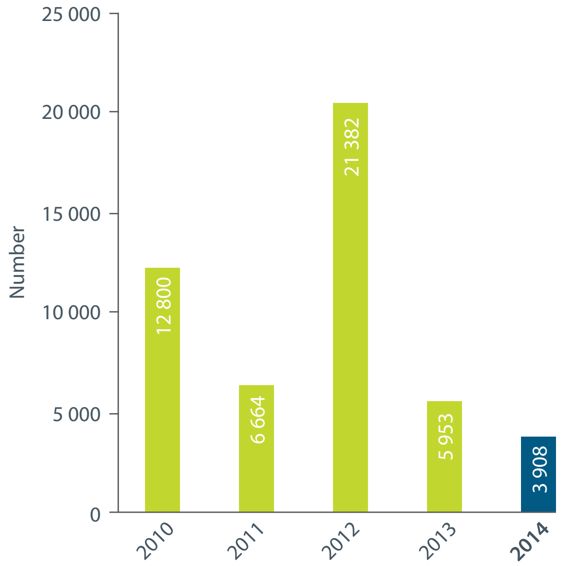
Number of new and saved jobs facilitated per year 2010 to 2014

Key trends (continued)

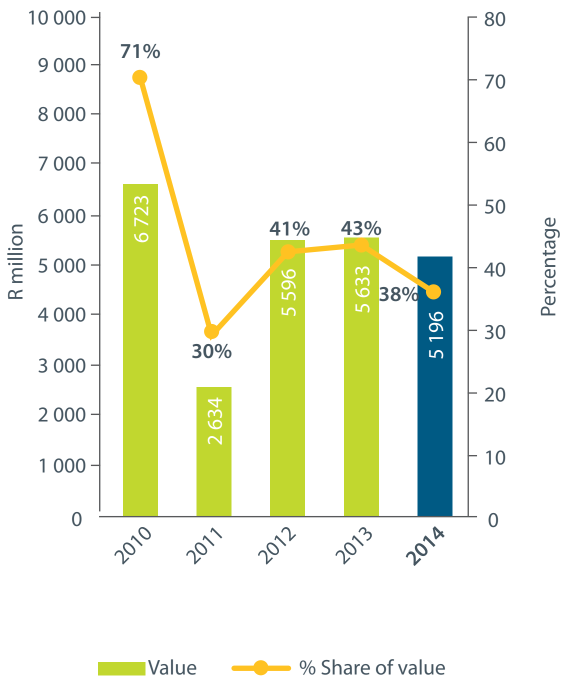
Approvals to companies in rural areas per year 2010 to 2014



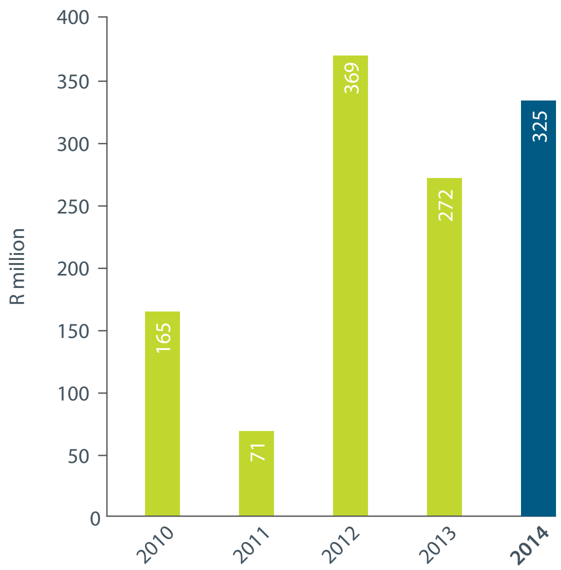
Jobs facilitated in rural areas per year 2010 to 2014



Approvals for black empowered companies per year 2010 to 2014

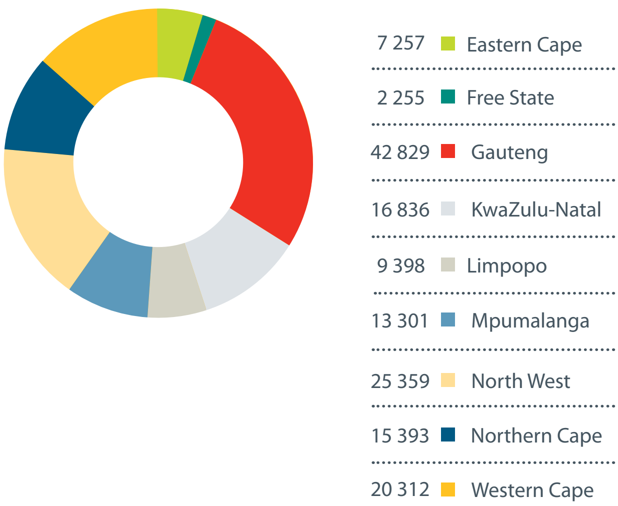


Value of funding to companies with significant female ownership (companies with a female shareholding of >25%)

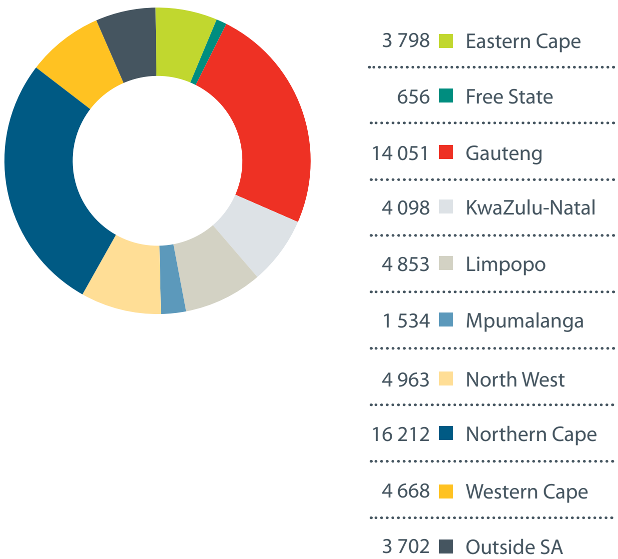


Key trends (continued)

Number of new and saved jobs facilitated per region over five-year period 2010 to 2014



Financing approved per region over five-year period 2010 to 2014 (R million)



Stakeholder engagement

Overview and reporting requirements

IDC stakeholders are groups of people or organisations that are affected by the organisation and share similar areas of economic and social interest.

Our mandate determines that these stakeholders can affect or be affected by the IDC's actions, objectives, decisions and policies. They support or oppose the IDC's decisions and are influential in the organisation or within the community in which the Corporation operates.

How the IDC identifies its stakeholders

The IDC uses stakeholder mapping to identify stakeholder groups and organisations, as well as stakeholder-specific communication channels. The mapping processes include:

- Sourcing information from within the organisation about people, groups or organisations regarded as stakeholders.
- Conducting perception surveys among the general public and other IDC target audiences to identify stakeholders.
- Consulting/working with other organisations that provide development finance.
- Constantly interacting with existing stakeholders to identify other stakeholders.

Stakeholder engagement process

The IDC engages relevant stakeholders to achieve business outcomes through partnerships, consultation and push communication (public relations and advertising platforms).

Stakeholder categories and desired interactions

Stakeholder	Desired interaction and behaviour	Engagement practices
Customers • New/prospective customers in agro-processing; mining and manufacturing; new industries including green industries; strategic high-impact projects and venture capital and service industries, including healthcare, tourism, ICT, media and motion pictures • Youth and black entrepreneurs • Communities • Existing clients	• Understand the IDC's role in industrial capacity development • Acknowledge the IDC's positive impact on South Africa's economy and society • Know how to apply for finance and comply with procedures and systems • Submit honest applications • Recommend the IDC as a business partner of choice • Buy into the IDC's developmental mindset	Interaction managed through regions, head office, call centre and account managers
Internal • Staff • Management • Regional offices • Board	• Walk the talk • Internal stakeholders are regarded as brand ambassadors	Face-to-face presentations, meetings, engagements through HR initiatives, internal communication and leadership communication
South African public • Directly: the public at large and business organisations • Indirectly: community organisations and trade unions	• Understand and support the IDC's role in South African society, the economy and job creation • Support a positive reputation	Directed engagement with the media and publicity activities, various advertising platforms, CSI initiatives communicated
Other influencers • Media, government, bond holders, commercial banks, local and international financiers and lenders • PIC, UIF, Proudly South African, NYDA, Brand SA, SOCs, DBSA and Land Bank, among others • Rest of Africa (targeted communication to countries in which the IDC operates) • Africa – relevant structures – AU, NEPAD	• Maintain and entrench positive stakeholder reputation • Create shared knowledge of the IDC and a positive view of its financial strength and ability to support funding requests • Monitor performance and report on activities • Partner in programmes	Face-to-face engagement with the EDD, through group initiatives Active participation/involvement in industry bodies, business associations and sponsorships

Key: African Union (AU); Development Bank of Southern Africa (DBSA); Economic Development Department (EDD); New Partnership for Africa's Development (NEPAD); National Youth Development Agency (NYDA); Public Investment Corporation (PIC); State-owned companies (SOCs); Unemployed Insurance Fund (UIF).

Stakeholder engagement (continued)

Associations, national and international advocacy organisations of which IDC is a member (membership fees shown in brackets)			
Proudly South African	(R100 000)	South African Wind Energy Association	(R33 000)
National Business Initiative	(R171 000)	South African Venture Capital Association	(R80 000)
Association of Black Securities Investment Professionals	(R50 000)	South African Chamber of Commerce and Industry	(R268 356)
Agricultural Business Chamber	(R188 100)	Business Leadership South Africa	(R268 356)
South African Photovoltaic Association	(R30 000)	Southern African Development Community – Development Finance Resource Centre	(USD172 284)
Association of African Development Finance Institutions	(EUR4 100)	World Economic Forum - Regional Partner	(CHF250 000)

Determining materiality issues

During the reporting period, we conducted surveys among the IDC's stakeholders to identify material issues. We also consulted with the IDC business units and reviewed the Corporation's business objectives to identify areas for improvement in stakeholder communication.

The surveys conducted in February 2013 include:

1. Stakeholder perception survey

This biennial perception survey was conducted at the beginning of 2013 among approximately 300 stakeholders. Survey participants consisted of existing and potential clients, government, business associations and the general public.

The IDC uses the survey to monitor the perceptions of stakeholders about the Corporation and to identify areas for improvement in stakeholder engagement. These include:

- Improving customer service.
- Creating greater visibility and clarity about the IDC's role.
- Positioning the IDC as influential and a bridge between government and the private sector.
- Leveraging the IDC's leadership position in industrial development to influence policy development and drive economic change.
- Integrating the IDC's approach to all stakeholder engagements.
- Creating mutually beneficial partnerships with clients, government, media, business organisations and other stakeholders.

2. Regional stakeholder survey

This survey is conducted annually among 500 stakeholders (clients, potential clients, government and associates of the IDC) in all the provinces with a focus on the IDC's regional offices. The objectives of the survey are to:

- Identify stakeholder expectations and perceptions.
- Identify drivers of and barriers to stakeholder behaviour.
- Determine the strengths and challenges of the regional offices.

The survey results revealed that:

- Stakeholders throughout the country are aware of the IDC as a development finance institution (DFI) and perceives it as the market leader in the national development funding space.
- The IDC's mandate is well understood.
- Stakeholders' key expectations of a DFI include:
  - Accessibility
  - Knowledgeable and empathetic staff
  - Products and services relevant to all business profiles
  - Professionalism
  - Competitive interest rates
  - Small and medium enterprise support mechanisms
  - The IDC delivers against expectations
  - The Corporation is seen as being accessible, professional and informative.

3. Business support survey

The IDC supports existing clients who are in distress or facing growth challenges through the IDC Business Support Programme. A business support survey is conducted annually among 100 clients to continuously assess the Corporation's business support.

Mitigating key risks

Overview of key risks

The IDC faces a number of risks that could affect its business operations and ultimately its ability to create value in the long-term. Our risk assessment process for 2014 resulted in a Risk Universe and Risk Register of potential material risks linked to the strategic objectives and material issues of the Corporation. These risks and opportunities, matched to mitigation controls, are summarised briefly in the table below with further detail in the governance section of this report.

Mitigating controls for key risks and opportunities linked to material issues

Key risks	Opportunities	Alignment with strategic objectives	Link to material issues	Mitigating controls	Further detail
The risk of investment (debt, equity or guarantee) losses/loss of income or inability to collect what is due to the IDC	• Growth in reserves • Reduction in impairments • Improved cost to income ratio	Sustainability: Financial capital	Continue as a financially sustainable organisation	• Formalised investment assessment guidelines with independent approving bodies • Formalised internal and external training for IDC staff and clients • Impairment policy in place	See pages 90 - 91
The risk of concentration within the IDC portfolio from a counterparty, sector, regional/country or product perspective	• New markets • Revenue diversification • Growth in reserves	Sustainability: Financial capital	Continue as a financially sustainable organisation	• Sector, regional investment, country, counterparty and transaction limit • IMC loans and equity analysis • Pipeline business management and capacity forecasting process	See pages 92 - 94
The risk of the IDC failing to meet expected levels of customer satisfaction	• Improved turnaround times • Enhanced customer satisfaction index	Sustainability: Human, social, natural and manufactured capital	Improve customer service levels, including turnaround times and ease of doing business with the IDC	• Annual customer satisfaction survey • Register of client complaints • "15-day" turnaround initiative	See pages 14 - 15
The risk of inadequate/ inappropriate legal documentation	• Maintain good governance • Reduction in impairments	Sustainability: Human, social, natural and manufactured capital	Maintain good governance, including risk assessment and fraud prevention processes	• Legal due-diligence • External legal advice where appropriate • System restrictions for data capture, formatting and updates	

Mitigating key risks (continued)

Key risks	Opportunities	Alignment with strategic objectives	Link to material issues	Mitigating controls	Further detail
The risk of ineffective/ incomplete due - diligence process	• Reduction in impairments • Growth in reserves • Enhanced Customer Satisfaction Index	Sustainability: Financial capital	Continue as a financially sustainable organisation	• Training programmes for staff • Lessons Learnt portal • Peer reviews	See pages 104 - 107
The risk of the volatility of the IDC share portfolio impacting the Corporation	• Portfolio diversification • Growth in reserves	Sustainability: Financial capital	Continue as a financially sustainable organisation	• Monitoring and reporting of listed share portfolio by Corporate Strategy and Portfolio Management Department • Capital allocation process • "Stop loss" mechanisms	See pages 92 - 94
The risk of increased inequality and incidence of poverty may result in a greater occurrence of protests by organised labour and communities, impacting on IDC financed enterprises and corporate reputation (social unrest)	• Increase the number of community trusts funded • Increase the number of social enterprises funded through CSI spend • Increased funding to community/ workers trust in undeveloped areas	Sustainability: Human, social, natural and manufactured capital	Ensure that benefits of IDC-funded projects flow to communities	• Management analysis of economic, industrial, legal and other economic events and reporting each potential implication to the Board and Exco	See pages 125 - 127
The risk of internal/ external theft or fraud	• Maintain good governance • Reduction in impairments	Sustainability: Financial capital	Maintain good governance, including risk assessment and fraud prevention processes	• Fraud monitoring procedures and systems • Financial system controls • Whistle-blowing Policy "Tip-Offs Anonymous" process	See pages 153 - 154
The risk of the IDC being overdependent or reliant on a limited number of counterparties or financial products	• New markets • Portfolio diversification	Sustainability: Financial capital	Continue as a financially sustainable organisation	• Clear ownership of the "top 5" equity investments within the Corporate Strategy and Portfolio Management Department • Risk Appetite Analysis and reporting • Scenario stress analysis to Exco and Board strategy sessions	See pages 92 - 94

Mitigating key risks (continued)

Key risks	Opportunities	Alignment with strategic objectives	Link to material issues	Mitigating controls	Further detail
The risk of macro-economic conditions impacting the IDC's business	• Sectoral diversification • Increased investment opportunities	Sustainability: Financial capital	Economic factors	• Management analysis of economic, political, industrial, legal and other economic events and reporting each potential implication to the Board • Regular scenario analysis (exchange rate, currency, interest rate) undertaken and presented to the Board • Credit policies incorporate early warning mechanisms	See pages 22 -25
The risk of margin erosion or income opportunity loss due to inappropriate or incorrect pricing	• Enhanced pricing methodologies	Sustainability: Financial capital	Continue as a financially sustainable organisation	• Pricing Policy for debt, equity and guarantees • Breakage fee on issuance of term sheet • Cancellation fee on approved transactions	See pages 88 - 91
The risk of unsuccessful project implementation	• Achievement of industry development goals	Increasing industrial development Impact	Continue as a financially sustainable organisation	• Regular operational reports to the Board • Team approach to due-diligence, including peer review • Representation on project steering committee	See page 44
The risk that action or inaction by the IDC damages the Corporation's reputation	• Improved reputation tracking index • Brand awareness	Sustainability: Human, social, natural and manufactured capital	Increased stakeholder engagement to communicate plans, successes and foster cooperation between role players	• Engage a PR agency for all strategic communication • Communication Department is responsible for coordination of all external communication • Crisis communication procedure	See pages 14 - 15

Mitigating key risks (continued)

Key risks	Opportunities	Alignment with strategic objectives	Link to material issues	Mitigating controls	Further detail
The risk of inadequate operational and financial performance of sefa (capacity, resources, reputation, delivery)	• Growth in reserves • Increased value of funding provided	Increasing industrial development impact	Continue as a financially sustainable organisation	• Ongoing capacity building assistance to sefa • Secondment of IDC personnel to sefa	See page 142
The risk of the financial, environmental and social impact on the IDC's performance	• Growth in reserves • Enhanced Environmental Health and Safety processes	Sustainability: Financial capital	Continue as a financially sustainable organisation	• Monitoring by Board representation • Monitoring by Post Investment Monitoring Department • Strategic vs non-strategic investment monitoring	See pages 88 - 91

Material issues

The material issues in this report were identified from stakeholder feedback and the IDC's key risks and strategic priorities. These three input sources are discussed in separate sections of this report.

Material issues	Key stakeholders addressed	Key risks related to material issue	Addressed in strategic priorities
Financial sustainability and efficiency *Return on investment should outweigh long-term downside risks and relevant products should be in place to facilitate industrial development*	• Economic Development Department • Regulators • Funders and rating agencies	• Impact of financial, environmental and social performance on the IDC's performance • Inadequate operational and financial performance of sefa (capacity, resources, reputation, delivery) • Ineffective/incomplete due-diligence process • Sustainability/successful implementation of projects • The risk of concentration within the IDC portfolio from a sector, regional/country perspective • The risk of investment (debt, equity or guarantee) losses/ loss of income or inability to collect what is due to the IDC • The risk of margin erosion or income opportunity loss due to inappropriate or incorrect pricing • The risk of over-dependence or reliance on a limited number of counterparties or financial products • The impact risk on the IDC of volatility in its share portfolio	• Increased measures to manage concentration risk in the portfolio • Plan investment return and risk profile to ensure sufficient growth replaces existing cash generators • Improve efficiencies through improved systems and processes • Stem increase in levels of impairments • Improve management of portfolio
Ensure that relevant products are in place in terms of pricing and structuring and improve access to these products	• Clients/project partners	• The risk of margin erosion or loss of income opportunity due to inappropriate or incorrect pricing	• Ensure that appropriate pricing and fee structures are in place • Structure investments to increase direct equity returns
Improve customer service levels, including turnaround times and ease of doing business with the IDC	• Clients/project partners	• The risk of failing to satisfy customer expectations	• Improve customer service
Skilled human resources pool *Deepen the IDC's skills base and reward and recognise employees appropriately*	• Clients/project partners • Employees	• The risk of ineffective/ incomplete due-diligence process	• Ensure appropriately skilled and capacitated human resources
Increase stakeholder engagement *Improve communication with stakeholders, register stakeholder concerns, respond with well-communicated plans and foster cooperation between role players in IDC activities*	• Economic Development Department • Clients/project partners • Employees • Other government departments • Regulators • Funders and rating agencies	• The risk that IDC action or inaction will damage the Corporation's reputation	• Build partnerships with other financiers to leverage different strengths and mandates • Increase engagement with sector players to identify opportunities

Material issues (continued)

Material issue	Key stakeholders addressed	Key risks related to material issue	Addressed in strategic priorities
Ensure that benefits of IDC-funded projects flow to communities *Increase the benefits of IDC-supported projects for local communities, including direct benefits such as job opportunities and secondary benefits such as small business development and improved social conditions*	• Government • Communities	• The risk of social unrest, due to inequality and poverty, could increase protest action by communities and affect IDC-financed enterprises	• Build strong communities around IDC-funded projects
Increase support to government *Through policy research, provide inputs into policy development and support for coordinating government projects*	• Economic Development Department • Department of Trade and Industry		• Leverage and strengthen IDC expertise to shape and influence policy
Influencing environmentally sustainable development *Reduce the IDC's direct and indirect negative impact by influencing the environmental responsibility of IDC-developed and -supported projects and businesses*	• Economic Development Department • Clients/project partners		• Reduce the negative environmental impact of IDC projects and businesses • Reduce industry's negative environmental impact
Increase industrial development impact *The direct impact of the IDC's activities on developing industries and indirect impact on upstream and downstream sectors*	• Economic Development Department • Department of Trade and Industry • Other government departments responsible for sectors in which the IDC is involved	• Sustainability/successful implementation of projects	• Prioritise sectors in which the IDC will play a proactive role and strengthen sector development objectives and strategies • Align IDC activities with the sector's NGP and IPAP objectives and its own sector objectives • Increase project development and implementation • Provide industrial finance to help achieve sector development objectives • Increase regional industrial integration through the development of value chains
Improve socio-economic impact *Including job creation, regional investment patterns in SA and black economic empowerment*	• Economic Development Department • National and provincial government • Communities • Funders		• Ensure an effective and efficiently operating sefa • Develop black industrialists • Achieve outcomes through funding activities
Maintain good governance *Including the maintenance of good risk assessment, fraud prevention and other governance structures and processes*	• Economic Development Department • Regulators • Funders	• The risk of inadequate/inappropriate legal documentation • All forms of internal/external theft or fraudulent activities	
Economic factors		• The risk of macro-economic conditions impacting the IDC's business • The risk of negative sector-specific trends	

Overview of operating environment

Global economic conditions

World economic growth eased marginally to an estimated 3.2% in calendar year 2013, from 3.5% in 2012, while expansion dynamics at regional level changed noticeably.

In many of the world's advanced economies, conditions improved as the year unfolded. Accommodative monetary policies continued to support economic recovery processes and contributed to progressively higher levels of business and consumer confidence, although still relatively weak compared to pre-crisis peaks, as well as significant employment creation, particularly in the United States. The Eurozone eventually emerged from recession, although a modest contraction in regional output was recorded for the year as a whole. Manufacturing production increased in a number of member states, including Germany and France, with encouraging signs of a rebound in manufacturing activity more recently in peripheral economies.

The rate of economic expansion in emerging markets and developing economies as a group eased slightly during 2013. Real GDP growth moderated in regions such as Latin America and the Caribbean, as well as in the Middle East and North Africa. China faced challenges in reducing the dependency of its economic expansion on fixed investments and exports by gradually increasing contributions from other sources of domestic demand. In contrast, sub-Saharan Africa has sustained solid growth performances, underpinned by higher domestic demand, increased foreign direct investment and exports.

Developments in the South African economy

South Africa's gross domestic product expanded by a mere 1.9% in 2013, short of an already modest 2.5% growth rate in 2012. The GDP also contracted by 0.6% on a quarter-on-quarter and annualised basis in the first quarter of 2014.

Various factors contributed to the disappointing economic performance. These included a relatively subdued demand from foreign markets for locally manufactured goods and mineral exports, as well as weaker commodity prices. Domestically, moderating demand, infrastructure-related bottlenecks, such as insufficient electricity supply and transportation/logistical constraints along with protracted industrial action in key sectors of the economy, also contributed to the poor performance of the South African economy.

Mining output rebounded in 2013 although from a low base, underpinned by higher production of gold and platinum group metals (PGMs). The iron ore mining segment reported a sharp slowdown, with export volumes losing momentum due to reduced demand from China, while coal production contracted on a year-on-year basis. Operating conditions in the platinum mining segment deteriorated markedly during the first quarter of 2014, as labour disruptions over an extended period resulted in production shutdowns and sharply lower output.

The manufacturing sector's performance in 2013 was adversely affected by production losses in motor vehicles and components, textiles, rubber and plastics, as well as in segments of the machinery and equipment sub-sector, among others. Early in 2014 the manufacturing sector also experienced the adverse spill-over effects of industrial action in platinum mining as strong sectoral inter-linkages resulted in lower demand for intermediate inputs. Trading conditions were aggravated by weakening household demand for consumption goods.

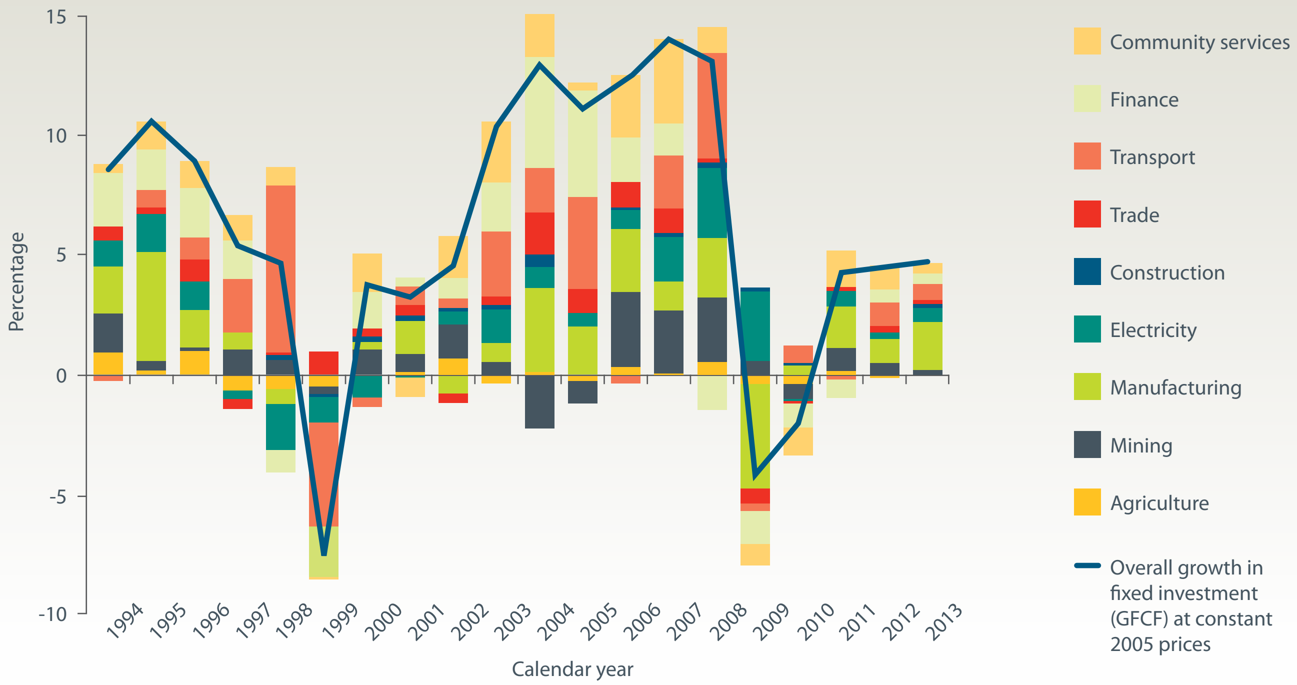
Slower growth in all service-related sectors during 2013, which largely extended into the first quarter of 2014, reflected an increasingly challenging domestic economic environment.

Spending by South African households came under severe pressure due to a deteriorating consumer environment. Contributing factors included modest growth in real disposable income, high household indebtedness, less appetite for new credit and stricter lending conditions by the banking sector, as well as rising inflationary pressures. With consumer confidence at low levels, growth in household consumption expenditure decreased to 2.6% in 2013 from 3.5% in 2012.

Fixed investment activity expanded at a slightly faster pace in 2013 (see figure on next page) due to significantly higher capital outlays by the private sector, particularly in manufacturing. Nevertheless, the momentum was considerably weaker compared to the pre-crisis period and both general government and public corporations reported slower fixed investment growth. Employment gains for the year were due mainly to an increased uptake by general government, but the mining, manufacturing and construction sectors reported lower employment levels.

Developments in the South African economy (continued)

Sector contributions to growth in real fixed investment in South Africa



Policy support

Despite a rise in inflation to above the 6% ceiling of the target band in the middle of the year, the Monetary Policy Committee (MPC) of the South African Reserve Bank kept the repo rate unchanged during 2013. A worsening inflation outlook, due largely to a sharp weakening of the Rand against the world's leading currencies, prompted the MPC to raise the repo rate by 50 basis points at its January 2014 meeting. Nevertheless, monetary policy remains quite accommodative considering that the repo rate is still in negative territory in real terms.

As regards fiscal policy, revenue collection challenges persisted during the 2013/14 fiscal year as the economy performed well below potential, with a budget deficit estimated at 4% of GDP.

At a broader level, the National Development Plan (NDP) sets the framework for achieving key economic and social objectives by the year 2030. In conjunction with the medium-term New Growth Path (NGP) economic strategy and the three-year rolling Industrial Policy Action Plan (IPAP), the NDP provides the basis for South Africa's economic and social transformation. This includes accelerated growth and modernisation, as well as addressing critical developmental challenges, such as alleviating poverty, reducing inequality and improving the lives of South Africans.

Key sectors of the economy continued to benefit from IPAP strategies and support measures. These included the Automotive Production and Development Programme and the Clothing and Textiles Competitiveness Programme, as well as preferential public sector procurement through sector/product designation and other means. The latest version of IPAP for the years 2014/15 to 2016/17 builds on its predecessors by strengthening and/or introducing certain transversal and sector-specific programmes and action plans. The Special Economic Zones (SEZ) programme has been identified as an enabler to expand industrial capacity, improve competitiveness and expand the value-added export sector. The SEZ Bill 2013 was signed into law by President Zuma in May 2014.

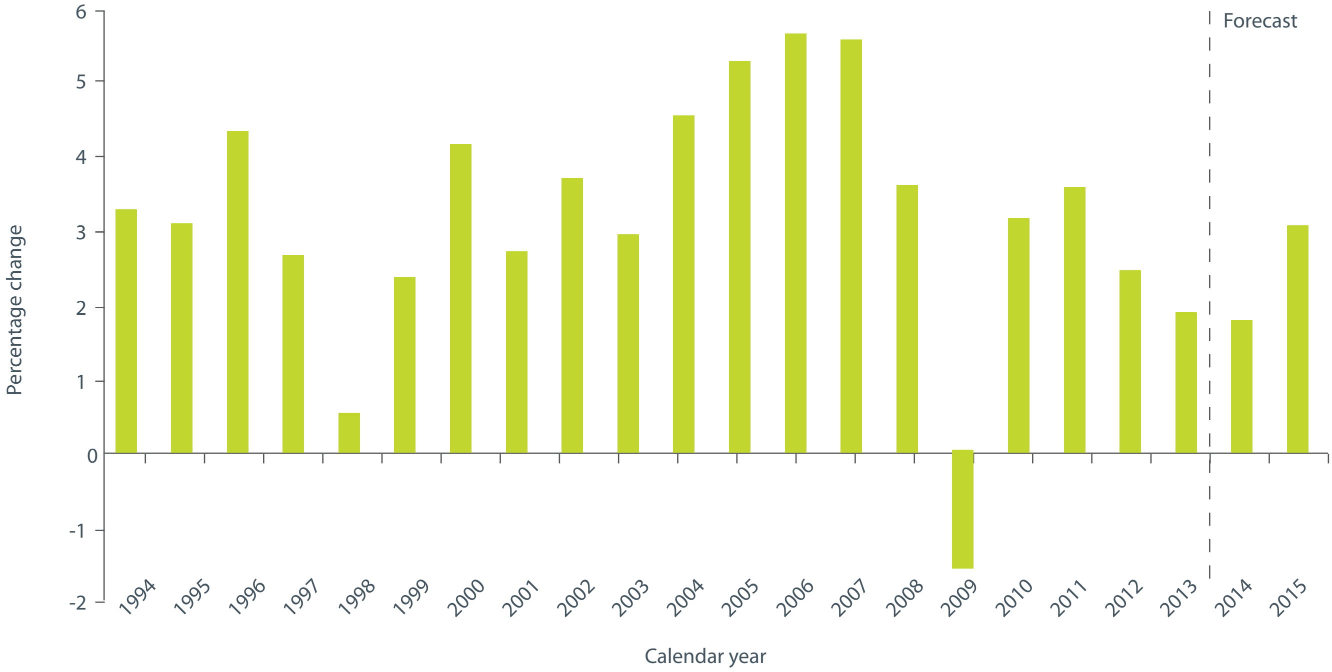
The National Infrastructure Plan, adopted by Cabinet and the Presidential Infrastructure Coordinating Commission, is integrating and phasing investment plans across 18 identified Strategic Integrated Projects (SIPs). The aim is to unlock economic development opportunities by increasing investment in and improving the country's infrastructure. This will stimulate industrial capacity expansion, diversify the domestic economic base and improve its competitiveness. Giving effect to the National Infrastructure Plan and respective SIPs will contribute to the achievement of critical socio-economic development objectives.

Economic outlook

Prospects for the global economy are improving. The International Monetary Fund is projecting an acceleration of economic growth to 3.4% in 2014 and 4.0% in 2015. Advanced economies are expected to record a more rapid pace of expansion than in recent years, possibly around 1.8% in calendar year 2014. Real GDP growth forecasts for emerging markets and developing economies collectively stand at 4.6% and 5.2% for 2014 and 2015, respectively. This implies a moderation in most regions compared to the rates of economic expansion achieved prior to the global recession. In contrast, growth in sub-Saharan Africa is projected to average 5.6% over the next two years, underpinned by strong investment activity, particularly in infrastructure, and household consumption demand.

The short-term outlook for South Africa's economy, however, remains rather unsatisfactory. The IDC's Research and Information Department forecasts an increase in real GDP of 1.8% in 2014 and a moderately higher growth trajectory thereafter. Current low levels of business and consumer confidence are indicative of challenging conditions in the domestic economy and the downside risks to the growth outlook are significant.

Real GDP growth in South Africa



Having experienced a difficult start to 2014, the manufacturing sector is expected to gradually benefit from increased demand for export products as operating conditions improve in key external markets such as the Eurozone. A weaker currency may also sustain the improved price competitiveness of locally-produced products in foreign and domestic markets, at least temporarily. However, excessive levels of household indebtedness, rising inflation and higher interest rates, among others, are likely to dampen local consumer spending prospects.

Fixed investment growth may drop marginally in 2014 despite the expected modestly higher contribution from the private sector. A gradual build-up of demand-driven pressure on existing production capacity is anticipated to lead to higher rates of investment activity from 2015 onward. The expanding electricity generation capacity nationally and improvements in the country's transportation and logistics network should progressively also alleviate operational constraints.

Capital expenditure by public corporations should expand at a more moderate pace, since a number of large infrastructure projects are nearing completion. The projection, however, is that fixed investment expenditure by general government will increase in the light of rising social infrastructure needs. Generally, public sector spending is expected to increasingly benefit the productive sectors of the economy through localisation efforts and support measures.

IDC funding facilitated plant expansion at Pasdec. This facility, based in Brits in the North West Province, manufactures electronic units and wire harnesses used in automobiles.

Leadership commentary

APPROVALS	**R13,8 billion**
DISBURSEMENTS	**R11.2 billion**

Chairperson's statement

Celebrating 20 years of democracy

The year 2014 is a landmark for South Africa as we celebrate 20 years of democracy. The remarkable process of political, economic and social transformation initiated in 1994 has altered South African society irreversibly. Laudable successes have been achieved on many fronts, but the challenges of growing the economy, increasing employment, alleviating poverty and reducing inequalities remain critical.

At the IDC, we are proud to have played our role in the process of transformation and creating a new society, inclusive of all who live in it. We have contributed to various initiatives to expand and transform the South African economy over the past 20 years, as well as processes to facilitate its integration within the global community.

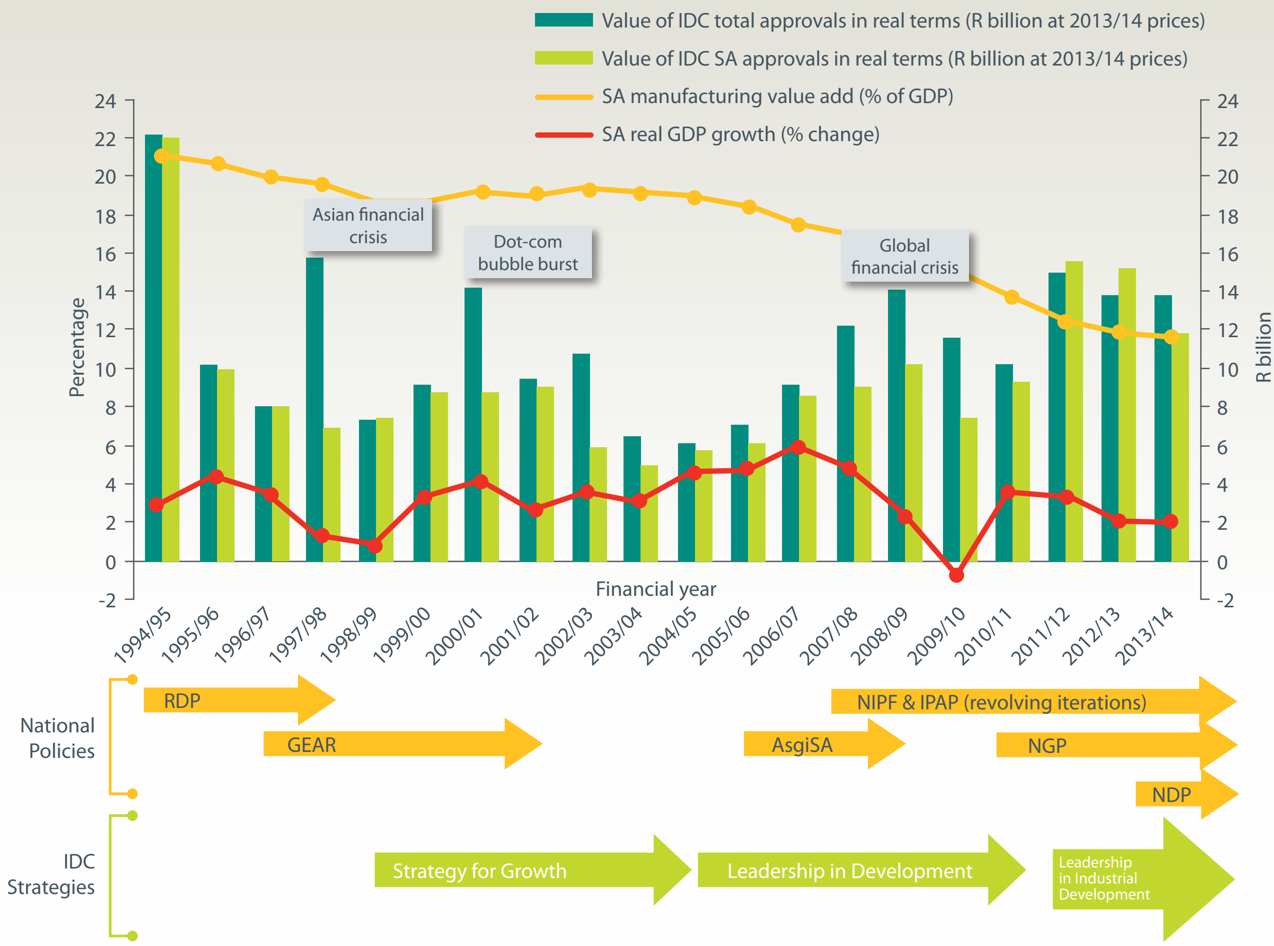
Our strategic journey since 1994

The strategic imperatives of sustainable and diversified economic growth, expanding employment, reducing inequality and eradicating poverty have underscored South Africa's national policies since the onset of democracy. The IDC's strategic direction, focus areas and approach to development funding have been guided by government's apposite policies, strategies and priorities over time.

The ***Reconstruction and Development Programme*** (RDP) introduced by government in 1994 provided the socio-economic framework to address the enormous backlogs in social services and infrastructure prevalent throughout the country, alleviate poverty levels and reduce inequality. Two years later, the ***Growth, Employment and Redistribution*** (GEAR) strategy set out a five-year plan for rebuilding and restructuring the economy, enhancing its competitiveness and outward orientation and securing macroeconomic stability. Trade and industrial policy reforms were core elements of this medium-term strategy, which included

Chairperson's statement (continued)

SA economic growth and IDC funding approvals over the past 20 years



further integration into the global economy through the lowering of import tariffs and industrial restructuring, expanded trade and investment flows in Southern Africa and the development of small and medium enterprises (SMEs).

As a state-owned entity, the IDC had to adapt swiftly to the new political order and developmental imperatives. With South Africa's international isolation at an end, the IDC's new strategic direction was to enhance the competitiveness of domestic industries and their ability to penetrate external markets, as well as withstand competition from foreign producers in local markets given the substantially reduced import tariff protection. This included the provision of innovative financial solutions such as low-interest rate schemes and export financing assistance to counter the threat of de-industrialisation and grow the export sector. In addition, the IDC participated in the development of large beneficiation projects as an initiator or project financing partner.

The IDC also rolled out funding mechanisms to facilitate SME development and black economic empowerment (BEE), which contributed to addressing the prevailing socio-economic inequalities. Our sector coverage was gradually expanded to include a number of services-related activities and, from 1997 onwards, our geographical mandate was extended beyond South Africa's borders to support regional integration and the African renaissance vision.

Our ***Strategy for Growth***, which was adopted in 1999, resulted in an entirely restructured and sector-based IDC that could leverage its industry-specific expertise to develop and implement sector development strategies. Our emphasis was on developing downstream industries along several value chains and supporting emerging entrepreneurs. Assisting domestic industrial enterprises through two difficult economic periods - triggered externally by the so-called Asian and dot.com crises - also proved essential.

Concerns over the inadequate levels of job creation despite higher, albeit still sub-optimal rates of economic growth, led to government's formulation of the ***Accelerated and Shared Growth Initiative for South Africa*** (AsgiSA) in 2005. This initiative sought to strengthen the momentum of an expanding economy and its redistributive effects by addressing "binding constraints" on growth and employment.

The IDC's developmental impact was boosted substantially from the mid-2000s onward through our ***Leadership in Development*** strategy. Employment creation, SME sector expansion, rural development and broad-based BEE were among the key objectives of the strategy, with competitively-priced financing schemes offered for these purposes.

Introduced by government in 2007, the ***National Industrial Policy Framework*** (NIPF) and the three-year revolving ***Industrial Policy Action Plan*** (IPAP) have since provided the framework and sector-specific programmes to grow and diversify South Africa's industrial base, with the IDC as a key implementing agency.

In the aftermath of the global financial crisis of 2007/08, the South African economy experienced recessionary conditions and subsequently a slow recovery. Substantial employment losses and a proliferation of companies in distress demanded decisive counter-cyclical action. The IDC took the pioneering step, among the world's development finance institutions, of launching a special financing scheme in a ring-fenced manner, to assist companies in distress. Many operations were sustained through the crisis period, saving thousands of jobs in the process. Furthermore, our approach to economic transformation shifted towards expansionary and broad-based BEE in order to augment value-addition, facilitate job creation and widen the pool of beneficiaries.

The ***New Growth Path*** (NGP) economic strategy launched by government in 2010 provided further impetus to sector development by focusing on identified drivers of job creation. This strategy was designed to shift our country's development trajectory over the medium-term, aiming to set the economy onto a faster, more sustainable, inclusive and production-led growth path. The longer-term vision for South Africa is encapsulated in the ***National Development Plan*** (NDP), the overarching economic and social development plan adopted by government in 2013. The NDP, which draws on policies and programmes such as the NGP and IPAP, projects investment, economic growth and employment targets for 2030. It also emphasises the critical role of development finance in promoting industrial policy and fostering industrial activity.

The implementation of the IDC's present strategy, ***Leadership in Industrial Development***, started in 2012. The key objective is to support industrial capacity development in line with industrial policy. The roll-out of this strategy initially entailed, among others, the alignment of our operational activities with the priority sectors, focus areas and respective objectives of the NGP and IPAP. The strategy has resulted in a more proactive approach to developing key sectors, such as green-industries, and is closely aligned with the long-term NDP priorities, specifically in areas pertaining to industrial development.

20 years of developmental impact

The funding approved by the IDC during the past 20 years totalled approximately R141 billion, equivalent to R228 billion today, with almost 86% of the financing for South African projects. IDC funding represented just over 3% of total fixed investment by the private sector in South Africa over this period. The impact of our funding extended beyond the projects financed due to linkages with other sectors of the economy and multiplier effects.

Our interventions have improved the livelihoods of many South Africans, as we facilitated the creation of more than 360 000 direct employment opportunities locally since our country's first democratic elections in 1994. In addition, we have assisted in preserving 45 000 jobs, mostly since the onset of the global financial crisis late in 2007.

We have supported the expansion, diversification and transformation of various economic sectors, such as South Africa's mining and minerals beneficiation. The IDC has contributed to the mining sector's extraordinary diversification over the past two decades by financing the establishment of new iron ore, platinum, coal, chrome, phosphate and diamond mining operations. We also assisted in expanding or establishing production capacity in carbon steel, stainless steel, ferrochrome, phosphate concentration, phosphoric acid, rolled aluminium products, as well as cold-rolled and galvanised steel, among others, to add value to the primary and/or secondary beneficiation of our country's mineral resources. In transforming the sector, we supported BEE ownership and participation in segments such as gold, platinum and chrome mining.

The downstream chemicals and pharmaceutical industries are further examples. In the former case, IDC development funding has enabled the establishment and expansion of manufacturing operations ranging from cosmetic products to household paints and detergents. Security of supply, in addition to our traditional developmental objectives, has underpinned our interventions in the pharmaceutical industry. These have included the financing of generics manufacturing, upgrades of contract manufacturing facilities for compliance purposes, as well as a vaccine production project.

Food security and value-addition to our country's agricultural products, in turn, have been key determining factors behind our import-replacing interventions in agro-industrial operations, such as the processing of soya and canola oil, among other food processing industries.

Chairperson's statement (continued)

Drilling works in progress at Platmin. The IDC's R3.2 billion investment in Platmin will support the creation of a mine of significant size to mine the ore body in a continuous and sustainable manner.

> We have assisted in developing and strengthening domestic value chains, as well as in integrating them with global counterparts. For instance, within the forestry value chain, the IDC has funded the establishment of new forestry plantations and the beneficiation of timber resources by establishing and/or expanding pulp and paper milling as well as paper converter capacity.

We also enhanced the international competitiveness of domestic companies targeting export markets or replacing imports by funding operations ranging from corrugated box manufacturing to the production of fencing and decking materials, treated timber poles and furniture, among others.

The development of competitive clusters of industries has been integral to our industrial expansion strategies since the mid-1990s. The automotive cluster is an example of this. By funding original equipment manufacturers (OEMs), we assisted in creating a demand for locally produced components, with the IDC often funding first and second-tier component manufacturers, as well their suppliers, including the foundry, steel-making and upstream plastic industries.

We have contributed to the emergence of new industries and technologies. Our involvement in the agricultural sector over the past 20 years has resulted in the establishment of new high-value segments such as those growing early table grapes, macadamias, walnuts, pecan nuts, persimmons and peppadews. Cognisant of its enormous potential, substantial IDC resources have been dedicated more recently to the greening of South Africa's economy. This important new development focus is integral to driving growth and employment within the NGP.

The IDC has played a catalytic and major funding role in the nascent renewable energy generation industry since government's announcement in 2011 of the procurement process from independent power producers through five bidding rounds. The IDC simultaneously pursued opportunities to finance the localisation of components manufacturing, such as the assembly of photovoltaic panels, production of solar water heaters and manufacture of wind towers. These investments have, in turn, been benefiting less industrialised provinces such as the Northern Cape, where the economic landscape is undergoing radical change.

Localisation opportunities have not been confined to green industries. The massive infrastructure build programme being rolled out by South Africa's public sector has provided numerous opportunities for local procurement, many of which the IDC has pursued actively. Their identification is being effectively facilitated by the Presidential Infrastructure Coordinating Commission (PICC) and the various Strategic Integrated Projects (SIPs), with the IDC as a key contributor.

By funding the development and commercialisation of uniquely South African technologies, the IDC contributed to the emergence of infant industries in fields such as medical technology and bio-technology. The financing provided to set-up venture capital funds, later complemented by the direct provision of early-stage venture capital by the IDC, has supported local technology development and paved the way for the establishment of a venture capital industry in South Africa.

We have, in addition, contributed to the restructuring or consolidation of industries. Prime examples include the restructuring of South Africa's steel industry and related mining assets, as well as consolidation initiatives within the forestry value chain, often involving rural communities.

Funding provided to black-empowered companies reached almost R49 billion over the last 20 years, the majority of which went to enterprises with more than 50% black ownership. Beneficiaries in this regard are active in numerous industries, including consumer chemicals, transport equipment, information and communication technology, as well as the film industry.

The economic importance of the small and medium enterprise (SME) sector and its substantial contribution to employment are evident across the world. South Africa's SME sector is relatively small in international terms, due largely to historical legacies, specifically a concentration of economic power and the associated barriers to entry. Emerging entrepreneurs have often struggled to access funding from commercial banking sources. The IDC has undertaken major strides in alleviating such constraints, considering that more than 70% of approvals over the past 20 years and 18% of their total value pertained to SMEs. More recently, the Small Enterprise Finance Agency (sefa) was established in 2012 as a subsidiary of the IDC to pave the way for a greater impact on SME development by the IDC Group.

Challenging conditions persisted in 2014

The financial year under review proved to be particularly challenging. The South African economy faced serious headwinds, both of an external and domestic nature, some of which unanticipated, and its growth rate consequently weakened. Investment activity levels nationally remained very modest from an historical perspective, reflecting low confidence among businesses and consumers.

Our project pipeline and milestone targets were negatively affected by the adverse operating environment, particularly the limited appetite for investment within the private sector and delays in the roll-out of the capital expenditure programmes by some state-owned companies. Nevertheless, perseverance and proactivity in seeking opportunities for the expansion of industrial capacity translated into R13.8 billion in financing approvals for 2014, a 5.8% increase compared to the previous year.

From a sector perspective, the performance varied. Notable achievements were recorded in areas such as renewable energy generation and components manufacturing, energy efficiency, recycling activities, transport vehicle assembly, as well as the manufacture of metal and wood products, consumer chemicals and cement, to mention but a few. In contrast, protracted industrial action and rising costs affected investment activity and, consequently, our funding levels in the mining sector, while low confidence levels and weakening household demand impacted on investor sentiment in the agri-business sector.

We recently embarked on a major prioritisation strategy to sharpen our operational focus, increase activity levels and derive enhanced value from our industrial capacity development interventions. This involves the prioritisation of industrial sectors and the optimisation of our operating model, including key performance indicators. Our principal goal is a substantially more proactive IDC focused on sectors with the highest potential for large-scale commercial and jobs-rich developmental impact.

Chairperson's statement (continued)

Appreciation

Our developmental journey over the past 20 years has been an inspiring and rewarding one. The many accomplishments and challenges overcome would not have been possible without the dedication and contribution of our highly dedicated staff complement over the years and a solid corporate financial standing.

On behalf of the Board of Directors, I would like to express our gratitude to the Chief Executive Officer, Mr Geoffrey Qhena, his Executive team and the management and staff of the IDC, for their devotion, loyal service and continued efforts in carrying out the IDC's mandate to ensure its developmental impact.

I would also like to express my sincere thanks and appreciation to my fellow Board members for their wise counsel, selfless commitment and support, which underpin the IDC's sound governance and the required leadership for an institution of its calibre.

Finally, on behalf of the IDC, I would like to convey our profound gratitude to Minister Ebrahim Patel for his continued and invaluable wisdom, leadership and support, as well as for his confidence in the IDC as a key agency for national development.

MW Hlahla
Chairperson
August 2014

Board of directors

MW HLAHLA [6]

Chairperson (Non-Executive Director)

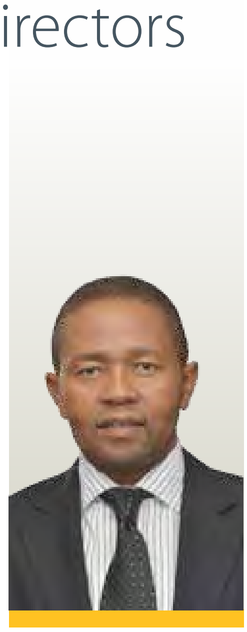
BA (Hons) (Economics) (Pomona College, California), Masters in Urban and Regional Planning (University of California, Los Angeles)

Age: 51 years

Date of appointment
Appointed to the Board on 1 October 2005
Appointed Chairperson on 25 November 2011

Directorships:
- Findevco (Pty) Limited
- Liberty Holdings Limited
- Ministerial Advisory Committee on SME

Chairperson:
- Royal Bafokeng Holdings



MG QHENA

Chief Executive Officer (Executive Director)

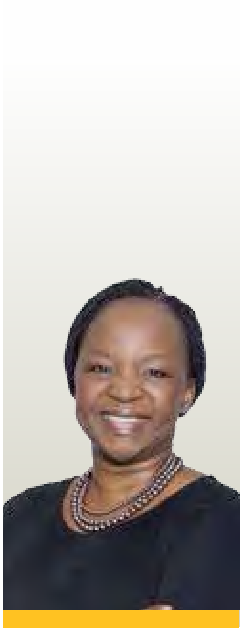
BCompt (Hons) (Unisa), CA (SA), SEP (Wits and Harvard), Advanced Tax Certificate (Unisa)

Age: 48 years

Date of appointment
1 March 2005

Directorships:
- Findevco (Pty) Limited
- Acerinox SA

Chairman
- Foskor (Pty) Limited



BA MABUZA [4, 8, 10]

(Non-Executive Director)

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

Age: 50 years

Date of appointment
25 November 2011

Directorships:
- Findevco (Pty) Limited
- Afgri Limited
- Africa Business News (Pty) Ltd
- Development Bank of Southern Africa
- Lehumo Women's Investment Holdings
- Central Energy Fund SOC Limited (CEF)
- NIH Investment Committee

Chairperson:
- Airports Company South Africa SOC Limited

JA COPELYN [7, 9]

(Non-Executive Director)

BA (Hons) (African Governments) (Wits), BProc (Unisa)
CEO – Hosken Consolidated Investments Limited

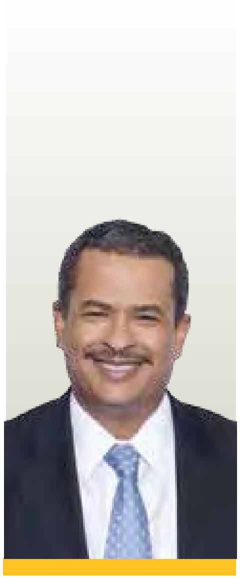
Age: 63 years

Date of appointment
25 November 2011

Directorships:
- Findevco (Pty) Limited
- e.tv (Pty) Limited
- Gallagher Estate Holdings Limited
- KWV Holdings Limited
- Sactwu Mining Investments (Pty) Limited
- Seardel Investment Corporation Limited
- Holds 108 other directorships, details available on request from the Company Secretary

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

Board of directors (continued)



BA DAMES (6, 9)
(Non-Executive Director)

BSc (Hons) (Western Cape), MBA (Samford University)
CEO – Eskom Holdings SOC Limited until 31 March 2014

Age: 48 years

Date of appointment
25 November 2011

Directorships:
- Findevco (Pty) Limited
- EPRI – USA
- World Association of Nuclear Editors (WANO)
- World Business Council for Sustainability Development (WBCSD)
- VGB (Electricity Utility Industry Association)
- UN Sustainable Energy for all members of EXCO

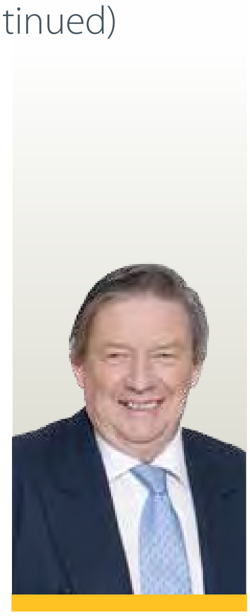
LL DHLAMINI (6, 7, 8)
(Non-Executive Director)

BSc (Computer Science) (UCT), BCom (Conversion) (UCT), CA (SA), Postgraduate Diploma in Accounting (UCT)
CEO –SekelaXabiso Consulting

Age: 40 years

Date of appointment
1 October 2008

Directorships:
- Findevco (Pty) Limited
- Xabiso Consulting
- Nkwenkwezi Investment
- Xabiso CA Inc
- Omigsa
- Omhil
- Omhlife



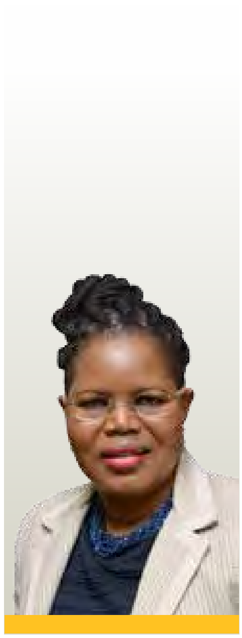
RM GODSELL (6, 7)
(Non-Executive Director)

BA (Sociology and Philosophy) (University of Natal), MA (Liberal Ethics) (University of Cape Town), Postgraduate studies (Sociology and Philosophy) (Leiden University)

Age: 61 years

Date of appointment
25 November 2011

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



PM MTHETHWA (10)
(Non- Executive Director)

BA (Economics) (University of the North), MSc (Economics) (University of Paris), MBA (Corporate Finance) (University of Sheffield)
CEO – National Empowerment Fund

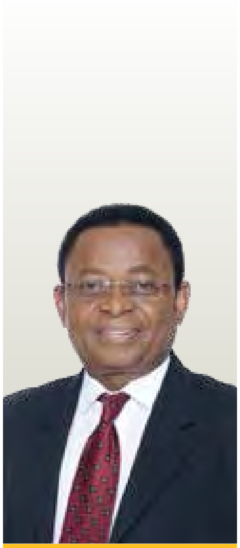
Age: 50 years

Date of appointment
25 November 2011

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

Chairperson:
- Group Five Limited

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



SK MAPETLA [1, 10]

(Non-Executive Director)

BSc Chemistry (Lesotho), MSc Analytical Chemistry (USA), Business Management Diploma (Irish Management Institute Dublin), EDP (Wits), Certificate Programme in Financial Analysis (Wits)

Age: 63 years

Date of appointment
1 October 2008

Directorships:
- Findevco (Pty) Limited
- Biotech Labs (Pty) Limited

Chairman:
- Afrika Biopharma Investment (Pty) Limited

LR PITOT [2, 3, 8, 9, 10]

(Non-Executive Director)

CA (SA)

Age: 67 years

Date of appointment
1 October 2008

Directorships:
- Findevco (Pty) Limited

LI BETHLEHEM [5, 9]

(Non-Executive Director)

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

Age: 46 years

Date of appointment
1 October 2008

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

SM MAGWENTSHU-RENSBURG [7, 8, 10]

(Non-Executive Director)

BA (Management Accounting and Business Administration) (Webster University, Vienna), MBA (Webster University, London), DPhil (Business Management) (UJ)

Age: 54 years

Date of appointment
25 November 2011

Directorships:
- Findevco (Pty) Limited
- The Small Enterprise Foundation
- Ministerial Advisory Committee on SME

Chairperson:
- sefa (Small Enterprise Finance Agency SOC Limited)

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

Board of directors (continued)

ZJ VAVI (6, 8, 9)
(Non-Executive Director)

General Secretary - COSATU

Age: 51 years

Date of appointment
25 November 2011

Directorships:
- Findevco (Pty) Limited

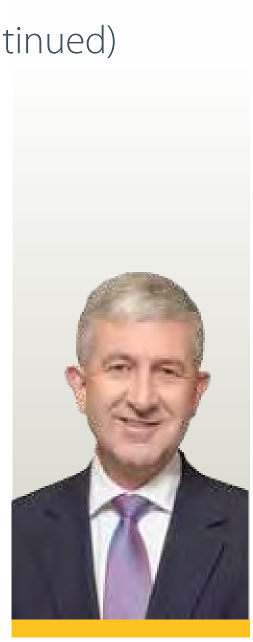
NE ZALK (10)
(Non-Executive Director)

BA (English and Private Law) (UNISA), Postgraduate Diploma in Economics (Development) (School of Oriental and African Studies), MSc (Economics) (with merit) (School of Oriental and African Studies, London University)

Age: 45 years

Date of appointment
25 November 2011

Directorships:
- Findevco (Pty) Limited



GS GOUWS
Chief Financial Officer (Alternate Director)

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

Age: 55 years

Date of appointment
1 February 1999

Directorships:
- Kumba Iron Ore Limited
- Pebble Bed Modular Reactor SOC Limited
- Atlantis Business Park (Pty) Limited
- The Export-Import Finance Corporation of South Africa (Pty) Limited
- Impofin (Pty) Limited
- Konbel (Pty) Limited
- Konoil (Pty) Limited
- Kindoc Nominees (Pty) Limited
- Findevco (Pty) Limited
- sefa (Small Enterprise Finance Agency SOC Limited)
- Herdmans South Africa (Pty) Limited

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

Leadership commentary

JOBS FACILITATED	**18 200**
JOBS SAVED	**1 300**

Chief Executive Officer's statement

It is a pleasure and honour to report on the performance of the IDC Group for the 2014 financial year. The period under review was again challenging, demanding persistence and resilience on the part of the Corporation and our business partners in the face of a difficult operating environment. Nonetheless, we succeeded in enhancing our industrial development impact amidst a subdued macroeconomic performance.

Various adverse factors, both of a domestic and global nature, affected the performance of our business partners, particularly those operating in the manufacturing and mining sectors, as well as investor confidence. Substantial currency weakness, for instance, placed upward pressure on prices of imported capital equipment and intermediate inputs, which affected the operational costs and investment decisions of present and potential business partners. Relatively weak commodity prices due to subdued demand in global markets, in turn, affected the performance of resource producers, while operational conditions in key segments of South Africa's mining sector were aggravated by protracted industrial action.

Positively, several industrial enterprises targeting export markets experienced an improved external demand for their products, particularly in Sub-Saharan Africa on the back of increasing investment activity and household spending, but also in the gradually recovering economies of the United States and Eurozone.

Although the improved price competitiveness brought about by a weaker Rand may have been advantageous for many export-oriented as well as import-competing operations, the full benefits have yet to be realised due to the constrained demand in global markets.

Chief Executive Officer's statement (continued)

Performance highlights

The IDC's commitment to deliver on our industrial capacity development mandate, in line with government's priorities, was again demonstrated in the year under review.

Our funding approvals rose by approximately 6% to R13.8 billion, with the largest contribution to the increase emanating from funding activities in green industries. These expanded by R1.9 billion or 50% relative to financial year 2013, to a total of R5.7 billion in 2014.

The chemicals and allied industries were also key beneficiaries of IDC funding, as approval levels rose to R1.8 billion, from R656 million in the previous financial year.

The units focused on the financing of strategic high impact projects, healthcare, as well as forestry and wood products reported significantly higher funding activity. Approvals reported by the unit dedicated to metal industries, transport and machinery products were also sustained at a high level of R1.6 billion in 2014.

A very challenging environment, especially due to generally continued weak demand for commodities, negatively affected our funding performance with respect to mining and minerals beneficiation. Similarly, the relatively low level of financing recorded in agro-industries reflected, to a large extent, subdued business confidence within the sector, although IDC efforts still contributed to further expansions in production capacity, especially in job-rich rural projects.

Our project funding in rural areas increased from R6.0 billion in 2013 to R6.5 billion in the year under review. However, since this funding was largely for renewable energy projects, it did not result in high levels of sustainable employment in those areas. For the third consecutive year, the Northern Cape Province benefited from these large investments in renewable energy, specifically solar power generation projects.

Financing approvals for black empowered companies, with black shareholding in excess of 25%, amounted to R5.2 billion in 2014 or 38% of the total. Although this percentage is slightly lower than in the previous year, the activity is more closely related to the core of the economy, which provides a good base for blacks to be active in the industrialisation drive.

Against the backdrop of weak employment creation or losses in the primary and secondary sectors of the South African economy, including mining and manufacturing, the number of direct jobs expected to be created as a result of IDC funding approvals fell marginally from 18 922 in 2013 to 18 224 in 2014, while the number of jobs expected to be saved declined from 3 950 to 1 369.

Disbursements, which are a measure of the financial capital injected *de facto* into the economy for investment purposes, amounted to R11.2 billion in 2014. This is the second highest annual level in the Corporation's history, after the record R16.0 billion reported in 2013. Our aim is to continue shortening the turnaround time between approvals and disbursements to ensure that investment funds flow swiftly through the economy, with the concomitant direct impact and multiplier effects, particularly on the employment front. However, we are cognisant of the particular nature of certain projects that necessarily entail extended development periods.

Our total revenue increased by 37% to R20.0 billion in 2014, from R14.6 billion in the previous financial year. This was largely attributable to the R6.5 billion in revenue generated by Scaw Metals, a subsidiary acquired during the 2012 financial year. Scaw Metals was included in the IDC Group's financial figures for a full 12-month period for the first time in 2014. The revenue generated by Foskor, also an IDC subsidiary, increased by 4% due mostly to the effect of favourable exchange rate movements on selling prices. Our operating profit increased marginally to R2.5 billion, from R2.4 billion in 2013.

Although IDC Group impairments stabilised at 18.2% of the portfolio (at cost), this ratio is considered high and, accordingly, we embarked on numerous initiatives to reduce impairment levels without curtailing the risk appetite that is commensurate with the mandate and activities of a development finance institution.

A very challenging operating environment, including downward trending commodity prices, affected the performance of equity accounted investments. Consequently, losses of R310 million were reported in 2014, as compared to R466 million in the previous financial year. The significant increase in taxation from R3 million in 2013 to R560 million in 2014 was due largely to a change in tax legislation that affected the taxation of preference share income. The effect was a reduction in Group profit after taxation from R1.98 billion to R1.64 billion over the two financial years.

Increasing capacity for industrial development

A sample of the projects financed by the IDC is showcased in this report. These reflect the diversity of our activities, from project development as an initiator or co-financier to facilitating the growth of new industries, or promoting the localisation of intermediate inputs manufacturing, to name a few.

Our activities in the metal, transport and machinery products industries assisted in attracting foreign direct investment by original equipment manufacturers and facilitated substantial job creation. The scaling up of localisation endeavours was strengthened by our investment in the manufacturing of steel pipes and pipe fittings required for the National Infrastructure Plan. Moreover, we supported the manufacture of highly sophisticated electronic components for use in renewable energy distribution systems.

Still within the green economy arena, financial close was reached during the year on six Round 2 projects under the Renewable Energy Independent Power Producer Procurement (REIPPP) Programme, and five of the projects awarded preferred bidder status in Round 3 also benefit from IDC participation.

Our localisation and import replacement efforts in the food processing industry extended to the oil-seed industry. We approved funding for a new sunflower processing facility in the Free State province, as well as for the expansion of an industrial facility to produce soya meal products for human consumption. In primary agriculture, we facilitated investment in a vertically-integrated soft citrus farming project that is expected to establish farming and packaging operations in Limpopo, Mpumalanga and the Western Cape, creating 528 new job opportunities in the process.

We continued to develop early stage projects in the broadband and e-waste sectors. Gross approvals of R520 million within the ICT space are expected to facilitate the creation of 700 job opportunities.

Notwithstanding the unfavourable economic environment, with investor appetite towards the mining sector particularly hampered by rising input costs, relatively weaker prices and subdued demand in global commodities markets, we continued to pursue various mining investment and beneficiation opportunities. These included the funding of a broad-based platinum producer, the commissioning of the first module at Masorini Iron Beneficiation in Phalaborwa in Limpopo and the completion of a mini steel mill in Germiston in Gauteng, since we see these as long-term investments.

A notable investment in the chemicals industry involved the injection of R390 million for the development of a state-of-the-art facility by a black-owned industrial enterprise to produce household and personal care products. Targeting export markets, this investment is expected to create 800 job opportunities. Our interventions in the healthcare sector did not yield sufficient employment-creating opportunities due to our enhanced focus on project development, which has resulted in most of our healthcare projects being in a pre-feasibility stage. This included the establishment of the Ketlaphela plant to produce active pharmaceutical ingredients. The developmental outcomes of such projects are expected to be realised in the years ahead.

With respect to the local film industry, we progressed in developing funding schemes in partnership with the Department of Trade and Industry and the National Film and Video Foundation. These should help emerging black film-makers to develop bankable projects aimed at producing low-budget feature films. Furthermore, the much anticipated release of the IDC-funded feature film Mandela: Long Walk to Freedom, demonstrated the capabilities and enormous potential of South Africa's film industry.

Investing in small businesses

This was the second year of operation of the Small Enterprise Finance Agency (sefa), a wholly-owned subsidiary of the IDC funding small businesses and micro-enterprises. Considerably higher levels of financing activity were achieved by sefa during the review period, with more than 46 000 micro-enterprises and small businesses supported in 2014, compared to 28 000 in the previous year. Disbursements by sefa reached R822 million in 2014, while the level of funding approvals rose from R440 million to R1.1 billion. Further information pertaining to sefa's performance is provided in a separate section of the integrated report.

In terms of the IDC's direct impact on the segment of the small business sector not yet served by sefa, our approvals declined from R1.7 billion in 2013 to R1.1 billion in 2014. This reduction demonstrates our drive to ensure that there is complementarity with sefa, as opposed to an overlapping service offer, to avoid confusion in the market.

Investing in South Africa's youth, our future

During 2014, we launched key proactive initiatives specifically geared towards developing South Africa's youth, including youth-owned businesses.

In April 2013, the IDC signed the Youth Accord and pledged R1 billion of the existing Gro-E Scheme towards youth-owned business funding. This intervention was strengthened by the cooperation agreement with the National Youth Development Agency (NYDA) and sefa, which established a tripartite partnership to provide development funding for youth-owned

Chief Executive Officer's statement (continued)

businesses. Through this collaboration, youth-owned businesses can access IDC and sefa finance, as well as NYDA grants.

During the year under review, we approved R60.8 million to seven enterprises with youth ownership exceeding 50% shareholding, and an additional R44.4 million for four businesses with youth shareholding of between 25% and 50%.

Our activities also focused on providing opportunities such as learnerships, bursaries and internships to provide our youth with workplace skills to contribute to addressing the country's prevailing skills shortages. Moreover, we increased our Corporate Social Investment (CSI) role in education with varying degrees of assistance to selected TVET colleges, as well as supporting social enterprise initiatives driven by disadvantaged communities.

Engaging customers

The quality of our service delivery as perceived by existing and potential clients continues to improve. The establishment of the Customer Relationship Management department approximately one year ago has contributed to an improved customer experience, as evidenced by surveys undertaken in 2014.

The turnaround time for non-complex transactions (non-project based South African transactions not exceeding R250 million or requiring IDC equity participation) reached 18.2 days in 2014, reflecting the effectiveness of targeted efforts since 2012.

A learning organisation

Our commitment to sustainable innovation has again earned recognition. The IDC-funded Lodox Systems, which manufactures a state-of-the-art and locally developed X-ray machine, secured an order for 12 units from the Gauteng Department of Health and further orders are anticipated from other provinces. This is in addition to the units already installed in a number of public hospitals. Our venture capital funding interventions continue to target the development and commercialisation of local technologies that may prove to be game-changers in years to come.

As a learning organisation, we strive to ensure that innovation drives internal and external business improvement through Open Innovation initiatives. During the year under review, the IDC extended its Tertiary Institution Business Plan Competition to an additional 20 tertiary institutions. This followed the successful implementation of a pilot competition with the University of the Free State in 2013, which provided students with the opportunity to submit bankable business plans with the potential to obtain funding. This, in turn, has created a pipeline of quality business plans for the IDC.

!Khi Solar One is a 50MW solar tower power station located in the Northern Cape. The R3.9bn project is being developed by Abengoa Solar of Spain and the IDC. The IDC holds a 29% stake in the project, while the local community holds a 20% stake through a trust funded by the IDC.

Employees at Scaw Metals discuss production details. The IDC acquired Scaw Metals to enhance competition in the steel sector and support the expansion of the broader manufacturing industry.

Increasing our footprint on the continent

The IDC approved R2.3 billion in funding for 15 projects located beyond South Africa's borders in 16 other African counties. These included infrastructure projects, mainly electricity generation and telecommunications, forestry projects, hotel accommodation, healthcare facilities, textiles and clothing operations, while lines of credit were extended to other African development finance institutions. A specific example was our investment in a USD31 million cement plant in Mozambique with a production capacity of 880 tons per annum, which will supply various infrastructure projects throughout the country.

Concurrent with these successes, the Corporation encountered several challenges in its business development and project financing endeavours elsewhere on the African continent. These included, among others, a slow uptake by South African companies to do business in other parts of the continent; cost overruns and unscheduled project implementation delays due mainly to various bottlenecks in host countries; and bureaucratic processes that often delayed the issuing of investment licences. In the year ahead, we will review our business development approach and business strategies to significantly improve our project footprint and developmental impact in the rest of Africa.

Enhancing socio-economic impact

During the review period, we approved funding for five community trusts and six workers' trusts to broaden the impact of our industrial development interventions.

The IDC realises that it often takes an inordinate amount of time for such trusts to realise tangible benefits from their investments. We therefore initiated a pilot exercise to encourage investee companies to outsource certain services to workers' trusts so that realised profits can be shared in the short term. We hope to share successes in this regard with our stakeholders in future years.

We have used our ring-fenced Social Enterprise Fund to support enterprises whose social and environmental needs associated with poverty, health and environmental issues, as well as inadequate access to basic services and resources have not been met. We approved R36.2 million in funding for 12 social enterprise projects across South Africa. Among others, these range from farming cooperatives to manufacturing cooperatives, business incubators, a honeybee social franchise and micro-enterprise assistance.

Approximately R34 million in funding support for nine initiatives was approved under the Spatial Intervention Programme. This programme is aimed at providing underserviced areas with resources to plan and implement coordinated, flexible and area-customised activities, such as small and emerging farmer support, collective mechanisation and community energy solutions.

As part of our CSI activities, we enhanced our educational support programme by identifying CSI projects and assisting them to maximise their impact. We also strengthened the respective monitoring and evaluation processes. In March 2013, we announced our involvement in the Whole School Development Programme by adopting 20 schools across the country. Our interventions in this regard varied during the reporting period, ranging from strategic planning to leadership and governance-related aspects, skills acquisition and infrastructure development, depending on the individual needs of each school. Our involvement facilitated the creation of 270 temporary jobs in the respective infrastructure projects. A further nine primary schools, which are feeders for the IDC's adopted schools, have been selected for future support.

People growth and development

We believe that our employees are central to the success of our Corporation. In the year under review, we focused on staff retention and maintaining employee satisfaction. Our employee recognition and reward philosophy supports rewards that are fairly, equitably and consistently based on individual performance and market remuneration trends.

We also have a value proposition that is designed to attract potential new talent and retain IDC employees. The staff turnover rate increased to 7.0% in the year under review, from 5.9% in 2013, but compares favourably with the average turnover rate of 14.4% for the financial sector at national level.

Financial strength

During the financial year, we advanced R11.2 billion in new loans, advances and investments. Consequently, loans and advances rose to R20.8 billion, net of repayments, as compared to R18.7 billion in 2013, while investments expanded from R28.6 billion to R29.2 billion, net of disposals and preference share redemptions.

The value of our listed equity portfolio increased by 15% to R65.3 billion in 2014, from R56.9 billion in the previous financial year. This resulted in a total increase in equity for the Group of R107 billion, from R97 billion in 2013. Total assets increased from R126.9 billion in the previous financial year to R138.6 billion in 2014, which created a strong foothold for the IDC to increase its funding activity in future years.

Looking forward

The year 2014 marks 20 years of democracy in our country. South Africans can proudly celebrate a vast array of achievements on the political, economic and social fronts since 1994. Over this period, the IDC made significant contributions to the expansion and diversification of the South African economy and its integration into the regional and global economies. Our funding approvals since the onset of democracy have exceeded R141 billion, or R228 billion at 2013/14 prices.

However, excessive levels of unemployment continue to affect the lives of millions of South Africans. This demands of us an even greater contribution towards accelerating, sustaining and enhancing the redistributive impacts of economic growth. Presently under way is a major prioritisation exercise which will lead to a review of our strategy, internal processes and key performance measures to sharpen our focus on value chains, sectors and investment opportunities that will maximise our industrial development impact and related outcomes.

Overall, we anticipate a successful performance in the year ahead by further contributing to the expansion and diversification of South Africa's industrial base and its transformation from an ownership perspective.

We will continue to support government's infrastructure programmes, especially by creating sustainable supplier industries on the back of public sector procurement. We will support projects that promote localisation, import replacement and ultimately export market development, in the process assisting emerging black industrialists and increasing youth participation in our economy.

Acknowledgements

I am grateful to our Executive team and staff for their continued commitment during an unquestionably challenging year by upholding good performance standards to support our vision, mission and values. I extend my gratitude to the Chairperson and the Board of Directors for their leadership and wisdom, which have underpinned the IDC's solid governance and strategic direction.

I express my deepest appreciation to the Minister of Economic Development and his team for their guidance and support. I am also grateful to all other departments and state-owned entities for the assistance in the execution of our mandate. I have no doubt that our collaborative efforts are making a difference.

My appreciation is also extended to the chairpersons and members of the various parliamentary portfolio committees for their oversight and keen interest in the IDC's development financing activities and plans. Lastly, I would like to express my sincere thanks to all other stakeholders who partnered with us in a variety of projects, initiatives and areas in our endeavour to position the IDC as an effective leader in industrial capacity development.

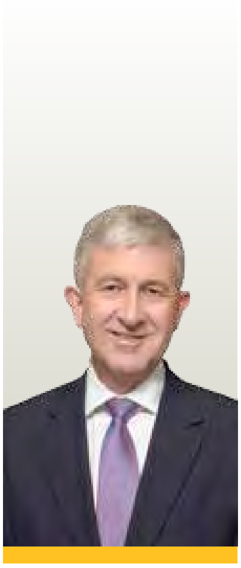
MG Qhena
Chief Executive Officer
August 2014

Executive management

MG QHENA
Chief Executive Officer

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

Age: 48 years



GS GOUWS
Chief Financial Officer

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

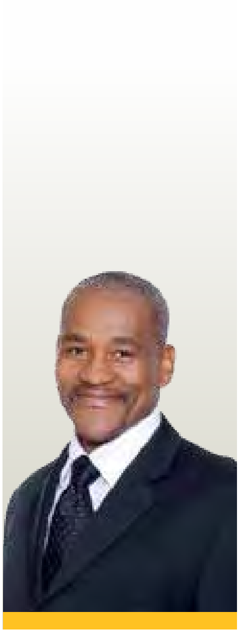
Age: 55 years

KC MOROLO
Divisional Executive: Agro and New Industries

BSc Eng (Mechanical Engineering) (Wits), M Eng (Engineering Management) (University of Pretoria), Board Leadership Programme (GIBS)

Age: 50 years

Date of Appointment:
20 January 2014



LP MONDI
Chief Economist and Divisional Executive: Professional Services

BCom Economics (Hons) (Wits), MA (Economics) (Eastern Illinois University), Advanced Management Programme (Insead)

Age: 51 years

K SCHUMANN
Divisional Executive: Services Industries and Regions

B Home Economics, MBA (Stellenbosch), Advanced Management Programme (Insead)

Age: 45 years

Executive management (continued)

SAU MEER
Divisional Executive: Strategy and Corporate Affairs

BSc (Mechanical Engineering) (University of Natal), MBL (Unisa), Advanced Management Programme (Insead), Executive Development Programme (GIBS)

Age: 51 years

G VAN WYK
Chief Risk Officer

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

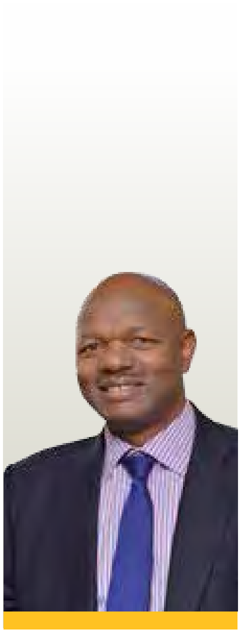
Age: 54 years

Resigned on 31 March 2014

RJ GAVENI
Divisional Executive: Human Capital and CSI

B Admin (Hons) (Industrial Psychology) (Unisa), Masters in HR Management (Golden Gate University, USA), Executive Development Programme (GIBS)

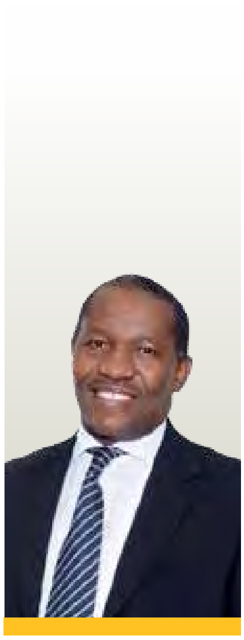
Age: 42 years



AP MALINGA
Divisional Executive: Mining and Manufacturing Industries

BSc (Geology) (UCT), MBL (Unisa)

Age: 49 years



P MAKWANE
General Counsel and Divisional Executive: Legal and Post Investment Monitoring

Bluris, LLB (Western Cape)

Age: 48 years

Investing in the economy

Summary of operational performance

Strategic Business Units (SBUs)

The slow post-recession market recovery and enormity of the resultant challenges impeded the IDC's projected progress during the past financial year. Difficult trading conditions also impacted negatively on IDC clients with write-offs in most of our strategic business units (SBUs), specifically in Mining and Minerals Beneficiation, Tourism, Textiles and Clothing, Metals and Transport and Media and Motion Pictures.

Equally challenging has been the fact that key growth industries, such as mining and agriculture, continued to shed jobs, particularly in the aftermath of labour unrest, depressed commodity prices and persistent uncertainty within the global financial landscape. The prolonged industrial action in the platinum belt, which re-emerged in the first quarter of 2014, is certain to impact negatively on the recovery of the local mining sector.

The IDC has adopted a proactive approach through its SBUs to mitigate business turbulence and continue to lead and enable industrial performance through growth-led interventions. Despite the challenges, the IDC made good progress towards achieving some of its key objectives during the reporting period, as detailed in this Integrated Report.

As a major source of finance for industrial investment, the IDC is a large determinant of fixed investment activity in many sectors of the economy, including the emerging green industries. We remain committed to helping local businesses and IDC-funded enterprises to increase production, improve cost-efficiencies and quality control and adopt technological innovations to boost overall business performance.

Our operational divisions and respective SBUs:

Agro and New Industries

- Agro-Industries
- Green Industries
- Strategic High-Impact Projects
- Venture Capital

Mining and Manufacturing Industries

- Chemicals and Allied Industries
- Forestry and Wood Products
- Metals, Transport and Machinery Products
- Mining and Minerals Beneficiation
- Textiles and Clothing

Services Industries

- Information Communication Technology
- Healthcare
- Media and Motion Pictures
- Tourism

Summary of operational performance (continued)

Agro-Industries SBU

Performance	2011	2012	2013	2014
Total value of approved financing (R million)	937	765	738*	**175***
Total number of jobs expected to be created or saved	4 198	5 057	3 952	**1 304**
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	19%	14%	14%	**13%**

** Net approvals of -R23 million **(2013: R137 million) utilising the Agro-Processing Competitiveness Fund (APCF) and approvals of R15 million (2013: R20 million) utilising the Manufacturing Competitiveness Enhancement Programme (MCEP) are included.*
*** Negative values reflect the impact of cancellations of approvals from prior years.*

Focus areas

Competitive import replacement: Reduce dependence on food imports.
Land utilisation: Development of under-utilised land.
Sector innovation: Developing new and emerging industries and products.

Highlights

2011	2012	2013	2014
• Focus shifted towards agro-processing • Approved R100 million Agro-Processing Linkage Scheme to facilitate links between small-scale farmers and processors • First agricultural investment in Namibia • Provided financial crisis distress funding to a number of agro-processors	• Launched flood relief initiative • Facilitated increased competition in the poultry and dairy value chains • Established large soya mill in Mpumalanga to localise soya value-added products • Diversified berry portfolio with organic berry component	• Increased levels of funding through R250 million Agro-Processing Competitiveness Scheme (managed on behalf of the EDD) • Invested in grain value chain (milling, animal feed and baking sub-sectors) • Facilitated import replacement in the South African confectionery industry • Facilitated links between small-scale farmers and processors in the sugar and soya industries • Supported large-scale horticultural expansion projects in table grape and berry sectors	• First approvals for youth-owned firms under the Gro-E Youth Scheme • Large rural development support in Limpopo, Mpumalanga and Western Cape • Concluded an import replacement initiative in the oil seed sector

Summary of operational performance (continued)

Recent performance

According to the IDC/Agri-Biz confidence index, business confidence in the agri-business sector remained low, although indications point to encouraging prospects ahead. Factors that affected confidence were lower retail sales and consumer confidence, as well as a decrease in fixed capital investment and the recent interest rate increases. The trend of low business confidence in the sector contributed to lower levels of IDC investment in the industry.

Despite lower levels of investment, the IDC continued to increase capacity, especially in job-rich rural projects. Examples include a start-up project in petite pepper processing in Limpopo, a large-scale expansion in soft citrus in Mpumalanga and support for black spot citrus expansion in the Northern Cape, as well as wine grape and processing in the rural parts of the Western Cape. We also supported an urban meat processing expansion, with direct benefits for rural development and linkages with the broader food services industry.

Our initiative to localise the oil seed industry continued with investments in a new sunflower oil processing facility in the Free State and the expansion of a facility that produces soya meal products for human consumption. The processing capacity created during the past three years within the oil seed industry will replace a large portion of imported products. The challenge now is to ensure adequate throughput for these facilities.

The IDC continued to invest in the priority sectors of the Industrial Policy Action Plan. These include investments in rooibos processing and the milling value chain. Other noteworthy investments include instant noodle production, as well as gluten-free and specialised frozen convenience bakery products. We also assisted the Economic Development Department to evaluate and develop a containerised bakery initiative for townships. This project was transferred to the Small Enterprise Finance Agency (sefa). Most of the investments supported by the Agro-processing Competitiveness Fund (APCF) assisted emerging industrialists to improve competition in value chains dominated by large players.

Our commitment to youth development is reflected in a number of youth projects through the new Gro-E Youth Scheme. We supported a youth-owned beverage enterprise in Soweto and vegetable processing in Polokwane.

During the reporting period, the Landbank continued to draw from the facilities earmarked for disaster relief and we foresee further draw-downs from our Agro-Processing Linkages (APL) Scheme commitments in the sugar industry.

We also continued our project development work, while the development of various projects progressed well. These include the cashmere industry in the Eastern Cape, sorghum supply for the Cradock bio-ethanol project, an avocado project on communal land in Limpopo, lemon oil production in Eastern Cape and a starch project.

Challenges

The low level of investment during 2014 is being addressed through the proactive development of a pipeline of projects and sourcing of transactions.

Certain product offerings have to be enhanced. These include the APL Scheme, which did not have the anticipated impact on the contract farming arrangements of agro-processors. The factors that affected the low uptake included certain provisions of the National Credit Act and the requirement that processors must increase internal transformation.

Strategy and prospects

Our strategic focus areas for the forthcoming financial year are:

- **Localisation** – we will continue to identify competitive import replacement opportunities and facilitate the related industrial development.
- **Priority sectors** – we identified job-rich sectors with growth potential aligned with the National Development Plan, where we are proactively developing projects and supporting the industry. One such industry is the sub-tropical fruit sector.
- **Rural development** – we will enhance our capacity to develop bankable rural projects and look at partnerships to enhance our impact in rural development.
- **Inclusive development** – the inclusion of the poor into the agricultural value chain is critical to IDC outcomes. We will enhance our APL Scheme through constructive partnerships and provide agro-processors with better solutions to engage directly in contract farming.

Case study

Indigo farms

Packaged mandarins from one of the Indigo farms on display at a local retail shop.

The citrus industry is driven by a demand for new soft citrus varieties popular among consumers due to their convenience factors.

Indigo Fruit Farming (Pty) Ltd is a vertically integrated soft citrus grower, focused largely on the Nadorcott mandarin, with farming and packing operations in Limpopo, Mpumalanga and the Western Cape. ClemenGold™ is the registered brand name for superior quality Nadorcott fruit and represents a premium citrus product.

Indigo is the single largest Nadorcott grower in South Africa and supplies a leading South African retailer with approximately 70% of all its annual Nadorcott requirements.

The IDC is funding Indigo's nursery expansion, orchard development, pack-house expansion, hail netting installation and the purchase of plant and equipment, as well as facilitating the creation of 528 new jobs.

The transaction is aligned with the business unit strategy to develop under-utilised land and the National Development Plan's focus on adding value to citrus and labour intensity. The funding confirms the IDC's support for the citrus industry at a time when extensive lobbying continues between the European Union and South Africa to prevent a proposed ban on local citrus exports due to citrus black spot.

Indigo's innovative branding, relationship with leading retailers and product extension strategies (juice, salad dressing, chocolates) are firmly aligned with the IDC's focus on funding investments in the expansion of non-commoditised citrus. Applications for funding in Mpumalanga will also increase the geographic diversification of the IDC's agro-industries portfolio.

Nadorcott mandarins, grown at the Indigo farm in Mpumalanga.

Summary of operational performance (continued)

Green Industries SBU

Performance	2012	2013	2014
Total value of approved financing (R million)	5 485	3 827	**5 722**
Total number of jobs expected to be created or saved	2 689	2 031	**1 966**
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	4%	1%	**1%**

LA

Focus areas

Renewable non-fuel power generation: Wind, concentrated solar, photo-voltaic solar and hydropower generation.
Energy efficiency: Heating and cooling, electricity and other fuels, cleaner production/industrial processes.
Fuel-based energy: Waste-to-energy, cogeneration, biogas, biomass.
Bio-fuels: Bio-ethanol.
Emissions and pollution mitigation: Waste management/recycling, clean stoves, air emissions.
Related services: Energy servicing companies (ESCOs).

Highlights

2011	2012	2013	2014
• Started developing renewable energy (RE) projects • Developed business plan for the establishment of Green industries	• Established the Green Industries SBU • Participated in COP17 • Launched Green Energy Efficiency Fund (GEEF) • Signed Green Accord • Facilitated increased investment in solar water heaters • Financed first cogeneration project • Signed new line of credit for small-scale renewable energy with Agence Française de Développement (AFD) • Implemented pilot projects successfully to utilise biogas for fuel in the transport industry • Published ESCO research study	• Eight IDC-supported projects awarded preferred bidder status in Round 2 of the REIPPP Programme • Reached financial close on Round 1 REIPPP projects • Made significant progress with GEEF funding (35% committed) • Launched and commissioned the first cogeneration project successfully • Commenced construction on first two concentrated solar projects in South Africa • SBU total portfolio reached R10 billion	• Participated successfully in Round 3 of REIPPP Programme - five projects awarded preferred bidder status • Reached financial close on six Round 2 projects • Achieved commercial operation on three Round 1 photo-voltaic projects • Financed 3MW biogas energy project under AFD credit line – reached financial close in February 2014 • Established SA Biogas Industry Association with IDC support • Held energy efficiency industry conference on GEEF case studies in June 2013 • Created 406 jobs through the implementation of Bon Accord Waste Recycling Project • Pre-feasibility studies completed for fuel cells as future green energy source

Summary of operational performance (continued)

Recent performance

Government announced its Renewable Energy Independent Power Producer Procurement (REIPPP) Programme in 2011, outlining the process to procure and introduce RE power generation. Developers have five bidding windows for a total allocation of 6 724MW spread across various technologies. Renewable energy is the major thrust for IDC investments, as this is expected to create downstream and upstream development, provide critical mass for local manufacturing and change perceptions about risk and viability.

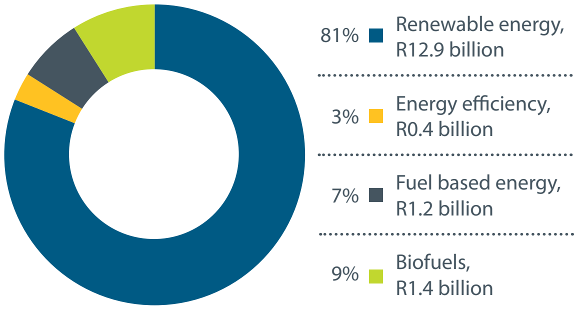
The IDC participated in a total of 22 successful projects during the REIPPP Programme Rounds 1, 2 and 3. Construction has started on all Round 1 and 2 projects. The Corporation's committed renewable energy portfolio increased to R13.2 billion through equity, funding for B-BBEE/BEE participation and debt finance. The IDC is also participating in projects with a combined installed capacity of 1 265MW across solar photo-voltaic, wind, hydro power and concentrated solar. This includes the two flagship concentrated solar projects, under construction in the Northern Cape Province, which will contribute towards local economic upliftment.

The IDC increased its funding for small-scale renewable energy and energy efficiency projects through the Green Energy Efficiency Fund (GEEF) and AFD credit lines. Key focus areas include industrial energy efficiency and biomass-to-energy investments. Total AFD credit line commitments currently represent 30% of the total fund of R400 million, which represents 39% of the R500 million the GEEF has committed since its launch.

The development of fuel-based green energy projects (such as biogas, waste-to-energy and cogeneration) remains a key priority. An example is the IDC's financing of the Bio2Watt project, a biomass-to-energy plant that will produce 3MW of energy for sale under a Power Purchase Agreement (PPA).

The SBU commissioned the Bon Accord Waste Recycling Project, which recycles 6 000 tons per annum (tpa) of waste through an innovative semi-automated process, which facilitated the creation of 406 jobs. A demonstration project showed that the remaining waste can be used to produce biogas as a substitute for expensive petrol and diesel in transport.

Green Industries Portfolio



Challenges

All renewable energy projects include local communities as shareholders through community trusts that own equity. Benefits are paid to the trust in the form of dividends. Challenges include the training and empowerment of trustees to utilise and invest this money over the 20-year lifespan of the projects, as well as development demands. In some regions projects overlap due to resource endowment. These overlaps and the need to invest a percentage of revenue from each project in socio-economic development, complicates the coordination of socio-economic and community investment decisions. The IDC is working with the Department of Energy (DoE) to implement structures with the necessary mechanisms and oversight to simplify investment decisions.

The slow development of South Africa's energy efficiency and small-scale renewable energy market is a key challenge in the implementation and uptake of the GEEF and AFD credit lines, despite the availability of government incentives. The suspension of certain rebates under Eskom's Integrated Demand-side Management (IDM) Programme has also reduced the demand for financing as companies review investments in energy efficiency.

Developing waste-to-energy projects is another key challenge. This is due to the Municipal Finance Management Act (MFMA) regulations that prohibit municipalities from entering into long-term contracts. The development of new fuel-based energy projects, such as cogeneration, biogas for vehicle fuel use and electricity for own use, also require appropriate support and regulatory certainty.

Strategy and prospects

Key partnerships and joint projects with strong strategic partners are important for a sustainable, long-term growth portfolio. Equally important are the IDC's economic development objectives, such as local content, job creation and ownership for historically disadvantaged individuals and local communities. The IDC will remain an active participant in financing green projects in South Africa and expanding its vision into the rest of Africa.

Summary of operational performance (continued)

Going forward, greater attention will be given to strategic partnerships with newly-established local producers of green components. This will maximise value chain and local upliftment opportunities. The IDC will be a key participant in the DoE's small REIPPP Programme, launched during the third quarter of 2013. Utilising opportunities in energy efficiency and small scale renewable energy during the rollout of the GEEF and AFD credit lines will also be a key priority. In addition, attention will be given to industrial energy efficiency, as well as PPA and non-PPA small-scale renewable energy solutions.

The announcement of the imminent launch of the national cogeneration and industrial biomass fuel electricity programme by the Minister of Energy in April 2014, can unlock projects currently being developed. Reduced emissions and increased efficiency through cogeneration will make South African industries more competitive in the global arena. This development is particularly important for energy-intensive sectors, such as minerals beneficiation.

Similarly, the initiative by local authorities and national government to create an appropriate regulatory environment and ownership for waste-for-recycling and energy generation projects can increase investments. The initiative by national government to create a suitable framework for biogas and natural gas as transport fuels can result in further investment in clean fuels at local government level.

The cooperation agreement between the IDC and DBSA Green Fund will address equity funding gaps and facilitate such investments. The biofuels mandatory offtake regulations that will apply from 1 October 2015 and the expected May 2014 announcement of working rules and incentives, will ensure the viability of investments in the nascent biofuels industry and lead to high levels of rural job creation.

Going forward, IDC funding will support the development of an exciting new Green industry through the initial roll-out of clean power from fuel cells that use platinum catalysts to replace diesel generators.

Case study

Bon Accord Recycling Centre

Waste material delivered for recycling.

Historically, South Africans do not have a culture of recycling waste. However, political will and growing public awareness of the degrading effect of waste on the environment and the importance of recycling are gaining traction. Waste management has been recognised as a priority for South Africans, similar to the need for urgent action to reduce, reuse and recycle waste to protect the environment and conserve precious natural resources and energy.

In South Africa, the Waste Act, 59 of 2008, and the National Waste Management Strategy (NWMS) currently regulate the recycling of waste material, recovery of resources, conservation of natural resources and protection of the environment.

Within this context, The Waste Group partnered with the IDC to establish the Bon Accord Recycling Centre. Located within the Bon Accord landfill site north of Pretoria, the facility has a capacity of 6 000 tons waste per month and will reduce the amount of waste dumped into the landfill and extend its life by several years.

The semi-automated operation feeds both unsorted and pre-sorted waste into a process that recovers recyclables. Semi-automation balances optimal material recovery and the creation of employment opportunities through manual picking lines. At full capacity, the project will create 406 permanent jobs, mostly in pre-sorting, but also in waste collection and recycling.

After the recycling process, the remaining, largely organic waste can be used to generate energy. The energy is either combusted to produce heat and electricity or digested to produce biogas that can replace expensive imported diesel and petrol. The IDC and a number of industrial partners and key local authorities are involved in developing the next step in waste utilisation, namely to convert waste into a resource that provides jobs and useful economic products.

Employees sorting waste material.

Summary of operational performance (continued)

Strategic High-Impact Projects (SHIP) SBU

Performance	2012	2013	2014
Total value of approved financing (R million)	1 561	192	**832**
Total number of jobs expected to be created or saved	2 670	627	**1 044**
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	5%	8%	**6%**

Focus areas

Industrial infrastructure: Non-renewable power, rail, ports, toll roads (rest of Africa) and water infrastructure linked to industrial support.
High-impact logistics: Investment in logistics to support and promote industrial activity.
Lines of credit to other African Development Finance Institutions (DFIs): Provide market access for South African manufactured goods and support capacity building of other African DFIs.
Presidential Infrastructure Coordinating Commission (PICC): Strategic Integrated Project (SIP)-5 and SIP-8: Facilitate and support the implementation of the national infrastructure programme according to the PICC mandate.
Localisation office: Support and promote industrial investment opportunities for local content linked directly to South Africa's infrastructure programme.

Highlights

2012	2013	2014
• SHIP mandate expanded to include direct funding • Thelo Rolling Stock established as the first rolling stock leasing company in South Africa • Commissioned bamboo value chain study • Commissioned Li-ion battery value chain analyses	• Established local assembly and end-user facilities for minibus taxis in partnership with China's BAW • Compiled study aimed at facilitating development of local bamboo industry • Completed pilot projects for green transport industry	• Downstream benefit of Thelo Rolling Stock leasing company increased capacity and demand for locally manufactured rolling stock • Signed joint development agreements for a supplier park as a catalyst to improve regional equity, industrial capacity development and growing black industrialists in the Northern Cape • Invested in selected power infrastructure projects in SADC and West Africa to unlock industrial activities and support the Southern African Power Pool and industrialisation initiative • Delivered the SIP-8 business plan which includes the REIPPP Programme • Developing identified localisation opportunities as mandated by the Presidential Infrastructure Coordinating Commission

Summary of operational performance (continued)

Recent performance

The SHIP SBU's mandate is primarily to facilitate and support large-scale projects that promote and enable industrial capacity development. This is achieved by creating supporting infrastructure and logistic structures and establishing lines of credit to other African DFIs to assist local exporters, in the process enabling regional integration.

Two dedicated infrastructure policy units within the SBU have dual reporting responsibilities to the PICC and internally to the IDC Board and Executive Committee. The SIP office is responsible for fulfilling the IDC's role as the coordinating agency for SIP-5, the Saldanha-Northern Cape Development Corridor, and SIP-8, which supports the development of initiatives aimed at greening the local economy. The PICC Localisation Unit is tasked to identify local industrial development opportunities across the 18 PICC-designated SIPs.

During the year under review, project development included the Kathu area in the Northern Cape as part of SIP-5. Current initiatives include partnering with black-owned entities to increase the coal export capacity at the Richards Bay Coal Terminal. During the past year, the SIP office, whose function is to ensure that infrastructure projects within SIP-5 and SIP-8 are initiated and implemented, delivered the SIP-8 business plan. The plan includes the REIPPP Programme and the Solar Water Heaters (SWH) Programme.

The SBU also commissioned a study of the platinum group metal value chain initiative, fuel cell localisation and establishment of a titanium metal powder pilot.

The unit also identified and referred a number of potential industrialisation opportunities associated with infrastructure delivery to other SBUs within the IDC. The opportunities include the demand for inputs and components from supplier industries across the 18 SIPs. The intention is to create a fertile and supportive environment for corresponding investments in new and existing manufacturing industries based on the infrastructure programme.

Notable investments outside South Africa during the past financial year include a gas-powered power plant with a gross rate capacity of 40.29MW and a construction of 100kv transmission line in Mozambique. The IDC invested in the development of a 340MW combined-cycle power generation plant in Ghana, West Africa, that operates on both liquid fuel and natural gas.

Challenges

The ability to fast-track and implement major infrastructure and logistics projects is the major challenge. The lack of bankable projects remains a serious concern as more resources are needed to take early stage projects to bankability. More effective collaboration and integration within and among government departments, state-owned companies (SOCs) and the private sector will result in the implementation and development of large-scale infrastructure projects.

Private sector participation is critical for the country to address its infrastructure backlog. The shortage of strong sponsors and viable offtake agreements pose a major challenge for the localisation and procurement of non-standardised inputs and components. This potentially undermines the creation of sufficient scope for local investment and manufacturing. Externally, different business environments in the rest of Africa (RoA) require more time and resources to secure political and stakeholder support for projects.

Strategy and prospects

The unit's primary focus is to increase industrial capacity within South Africa and the RoA by supporting infrastructure and logistics developments. Locally, we will assist the state with the infrastructure roll-out programme. Beyond our borders, we will focus on enhancing and developing economic links and trade with the RoA by participating in strategic projects in targeted countries.

We will also continue to advise key government departments about local manufacturing project opportunities that support the government's infrastructure roll-out programme. The unit has been working closely with SOCs to identify industrial investment opportunities.

With the anticipated promulgation of the Infrastructure Bill, we expect the SIP office to play a strategic role in facilitating and implementing the national infrastructure programme. The credit lines to African DFIs have helped to create export opportunities and expose local companies to markets in the RoA, as well as support industrial growth initiatives.

Summary of operational performance (continued)

Venture Capital SBU

Performance	2011	2012	2013	2014
Total value of approved financing (R million)	51	187	74	**151***
Expected total number of jobs created or saved	267	697	146	**263**
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	40%	32%	30%	**31%**
** Approvals of R6 million utilising MCEP are included.*				

Focus areas

The SBU invests in globally unique South African technologies in any industry or sector to facilitate the local and/or international development and commercialisation of such technologies into market-ready products.

Highlights

2011	2012	2013	2014
• The IDC Board approved an additional R500 million in venture capital funding in less than four years, after the successful investment of the original R250 million allocation	• Good progress from the majority of companies in the SBU portfolio in developing and/or commercialising their technologies	• Engaged with the CSIR to fund a CSIR intellectual property spin-off as a new company that will commercialise a unique new biotechnology • The IDC sponsored Angel Hub, SA's first managed technology start-up venture capital provider, which assisted a number of entrepreneurs to source seed funding	• The funding mandate of the refocused Technology Innovation Agency (TIA) resulted in a noticeably increased interest from the TIA to collaborate with the IDC VC SBU as a follow-on funder • Launched PTIP's thin film PV demonstration facility • Lodox's persistent targeting of the SA public health care sector started to show results; secured an order from Gauteng Department of Health for 12 units with orders imminent from other provinces

Summary of operational performance (continued)

Recent performance

The IDC invested in three new technology start-ups in the year under review and provided follow-on funding to 12 of its companies. First-round investments typically help companies to finalise the development of new technologies, while follow-on investments provide funding for commercialisation. In some cases follow-on funding is provided when initial development or commercialisation targets have not been met, but only if a re-assessment confirms the potential for successful commercialisation and a return on investment for the IDC.

Since the establishment of the SBU in 2007, 35 new technology start-ups have been supported, with 25 still active. Two investments were exited and eight companies (R99 million) failed, representing 14% of the total R707 million approved to date. Seven of the active companies are still developing their technologies and are generally on track from a cost and time perspective. The remaining active companies are in the commercialisation stage. Half of these are already self-sustainable and the others have gained good initial market traction.

The eight failures should be seen in the context of the SBU's inherently high-risk mandate of investing in pre-revenue companies that want to develop and commercialise unproven technologies. Globally, the norm is that 40% of venture-backed companies fail, while 40% become self-sustainable but only return the original capital invested with a small return. Less than 20% achieve success to the extent that the returns realised make up the losses and low returns on other investments.

To date, the failure rate of the IDC's venture capital investments is lower than the global norm. The portfolio includes companies with the potential to become global success stories and, upon exit, could yield high returns to the Corporation.

Challenges

The IDC continues to experience a limited number of quality investment opportunities from the national innovation system. This is due to a lack of commercially-focused research at universities and science councils, inefficiencies at their Technology Transfer Offices (TTOs) and a shortage of entrepreneurs capable of commercialising intellectual property from these entities.

The local venture capital ecosystem remains under-developed with a resultant lack of alternative sources of co- and follow-on funding available to young technology companies. The IDC therefore has to provide the initial and follow-on funding to facilitate successful commercialisation. The few local venture capital funds often resist the temptation to invest in unproven technologies. They prefer to invest only after a product has gained initial market traction and proven revenue scalability.

Challenges experienced by companies in the portfolio included unexpected difficulties during the technology development stage, weak management (the main cause for failures to date), longer than anticipated regulatory approval processes (relating to medical device investments) and slower than expected market adoption of new technologies, partly due to the slow recovery of the global economy.

Strategy and prospects

The TIA's refocused funding mandate provides an opportunity for closer collaboration with the IDC, as well as a potential pipeline of quality investment opportunities. The IDC could provide follow-on funding for commercialisation purposes to certain companies that have received TIA funding to develop their technologies.

The IDC will continue to consider investments within its mandate across all sectors and will contribute to growth in the broader knowledge economy. The Corporation will pro-actively pursue opportunities that stimulate black technopreneurship through its Venture Capital SBU.

Due to the demands of a growing and maturing investment portfolio, the SBU will focus its resources on providing advice, support and guidance to ensure the success of the companies in which the IDC has invested. The SBU will also leverage its networks, and those of the IDC, to facilitate access to suppliers, markets, other early-stage funders and industry knowledge to accelerate the adoption of technologies and growth of the companies, locally and abroad.

A key objective for the year ahead is to develop a growth and exit plan for each of the mature companies in the portfolio (oldest investment at six years) that will deliver against the SBU's investment return objectives. These plans will be developed with the Board and management of each of the portfolio companies.

Case study

Wondermed

Wondermed was established in 2005 to commercialise Wound-Hub, a wound management system developed by one of the founding shareholders. The IDC acquired shares in Wondermed in 2009 and has funded the product's commercialisation and provided extensive post-investment assistance through its Venture Capital SBU.

The Wound-Hub is a comprehensive, portable system designed to treat wounds, burns and tar abrasions; clean diabetic ulcers; and use air massage for circulation problems. The product removes dressings, debrides and irrigates wounds by cutting away dead tissue and cleans wounds with saline or ozonated water. The Wound-Hub also dries the wound with warm air and applies creams or liquids with different viscosities.

The competitive advantage of the Wound-Hub is that it offers users a 'theatre in a box' with everything required for treating wounds without the need for hospitalisation. The product functions without touching the wound, which prevents cross-contamination between patients, a major risk for hospitals. It also improves infection control, reduces nursing and theatre time and is a less painful experience for the patient.

The Wound-Hub consists of a single electronic mobile unit with about 100 components, of which 80% is of local origin. The company's intellectual property includes registered trademarks and designs and a CE mark certification, which raises the bar significantly for competitors.

The company's primary target market consists of health workers and facilities that treat burns and diabetic ulcers, mainly in developing economies where there is a prevalence of people suffering from such ailments. These regions often lack skilled medical practitioners, such as surgeons and anaesthetists.

To date, Wondermed has sold 25 units locally and abroad. The IDC donated one machine to the Chris Hani Baragwanath Hospital locally, while others were sold in Ghana, Uganda, Indonesia, Saudi Arabia, India, the United Arab Emirates (UAE) and the Philippines. Wondermed has also appointed new distributors in Italy, Malaysia, Philippines, Canada, the UAE, Saudi Arabia and Greece.

Wondermed has successfully commercialised Wound-Hub, a wound management system developed by one of its shareholders.

Summary of operational performance (continued)

Chemicals and Allied Industries SBU

Performance	2011	2012	2013	2014
Total value of approved financing (R million)	541	714	671*	**1 863***
Total number of jobs expected to be created or saved	1 703	3 283	1 029	**1 463**
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	14%	12%	8%	**8%**

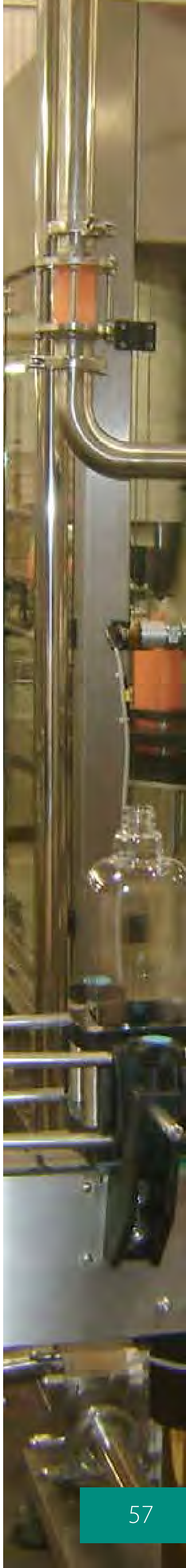
** Approvals of R88 million (2013: R15 million) utilising the Manufacturing Competitiveness Enhancement Programme (MCEP) are included.*

Focus areas

Infrastructure chemicals: Develop at least two projects to bankable stage.
Agricultural areas: Identify at least two new opportunities for investment and provide continued support to Foskor.
Energy: Implement the LPG storage terminal project in Saldanha, Western Cape.
Mineral beneficiation: Develop the titanium and zirconium projects to bankable stage.
Deepening plastic products manufacturing value chain: Target a minimum investment of R100 million in the conversion of polymers locally.

Highlights

2011	2012	2013	2014
• Slight upturn in applications indicated an improved post- recession business environment • Invested in various subsectors including polymer conversion, water, rubber, infrastructure and agri-products • Participated in an internal IDC water focus group to address water challenges proactively	• The formation of REDISA and tyre recycling legislation resulted in applications in this field • Conducted increased number of projects in Chemicals Portfolio • Government approval of import duties on glass boded well for local glass industry	• Implemented projects with potentially positive investment outcomes (LPG, Zircon, etc.) • Focused on import replacement in progressing projects (e.g. soda ash and mineral chemistry), as aligned with government's import reduction initiatives • Investment of approximately R300 million over three years in plastics aligned with IPAP focus to grow industry	• Started implementation of Saldanha LPG project • Partnered with Mpact, a listed entity, to establish South Africa's first PET bottle-to-bottle recycling plant • Approved funding of black-owned and controlled household and personal care manufacturing enterprise to enhance competitiveness and increase industrial capacity



Summary of operational performance (continued)

Recent performance

Notable investments in the year under review included black-owned Amka Products, a manufacturer of household and personal care products. The investment will fund a state-of-the-art production facility to increase the company's competitiveness and export capabilities. This will create a projected 800 job opportunities.

In line with an MoU between Mozambique and South Africa, the IDC invested in the Cimentos da Beira's USD31 million 880 tons per annum (tpa) cement plant. This project will supply various infrastructure projects in Mozambique and is aligned with the IDC's strategy of supporting projects that increase industrial capacity in the infrastructure chemicals sector, locally and in the rest of Africa.

The IPAP-identified potential to create jobs in the plastics manufacturing sector motivated the IDC's R100 million investment to increase production capacity in the sector.

The IDC also invested R240 million in equities and debt in a partnership with MPact, a listed recycling company. The socio-economic spin-offs of this investment should create indirect jobs through the collection of PET bottles and improve the environment.

Challenges

The local chemicals and allied industries experienced several challenges during the year under review. While a weak Rand supported exports, the net impact remained negative since the chemicals industry is a net importer. The industry was also negatively affected by rising input costs, such as labour and above-inflation electricity prices.

Encouraging, however, is that these challenges have spurred some companies to use cogeneration to become more energy efficient. Government's import protection and localisation initiatives in some sectors should also enhance competitiveness in an industry that battles with cheap imports, illegal dumping and substandard goods.

Despite the challenges, the sector reported above-GDP growth. The local chemicals industry can also benefit from increased trade with high-growth countries in SADC and sub-Saharan Africa to create funding opportunities for the IDC's Chemicals SBU.

Strategy and prospects

Going forward, the IDC will continue to focus on opportunities locally in infrastructure and agricultural chemicals, as well as the manufacturing of plastic products, diversification of energy inputs and increased beneficiation of local resources. The Corporation will pursue opportunities in these focus areas in the rest of Africa, particularly in the SADC region.

Activities in the year ahead will focus on implementing current projects successfully, such as the Sunrise Energy LPG Import Terminal in Saldanha, and bringing the mineral beneficiation projects to a bankable stage. Fully developed, these projects have the potential to create new industries in South Africa.

As in previous years, polymer conversion will continue to be a growth area for the Corporation. Large energy projects will be developed to a detailed feasibility and implementation stage within the next two to three years. The IDC has also noticed a trend among local companies in some industry sub-sectors to increase production capacity in a bid to curb imports.

Case study

Amka Products

Some of the plant machinery purchased with IDC funding.

Amka Products was established in 1965 by Mr AM Kalla to manufacture a wide range of fast-moving consumer goods. These include a cosmetics range and personal care and household cleaning products for the local market, as well as for export to the rest of Africa, Europe, North America and Australia. The products are manufactured at Amka's premises in Centurion, Pretoria.

The IDC's initial funding of R5.4 million in 1988 enabled the company to purchase plant machinery and expand its manufacturing premises.

As its production base grew, Amka received additional IDC funding (R90 million by 2005). In 2006, the IDC approved R39.5 million for Amka's acquisition of part-equity in Black Like Me and a company in the nutraceutical market, as well as further factory expansion to extend its product range.

In 2013, the IDC approved additional funding to help Amka increase its manufacturing capacity with a state-of-the-art factory. The investment will enable the company to create a health and beauty manufacturing hub in South Africa and remain globally competitive.

The IDC/Amka partnership of more than two decades embodies the way in which the IDC is supporting the creation of internationally competitive companies, developing black industrialists, establishing new industrial capacity and spurring job creation, as well as increasing exports. This is having a positive impact on communities and the development of the consumer chemicals sector in South Africa.

Summary of operational performance (continued)

Forestry and Wood Products SBU

Performance	2011	2012	2013	2014
Total value of approved financing (R million)	273	363	397	**647***
Expected total number of jobs created or saved	889	6 551	4 656	**1 414**
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	33%	34%	27%	**30%**

** Approvals of R2 million, utilising the Manufacturing Competitiveness Enhancement Programme (MCEP), are included.*

Focus areas

Forestry in South Africa: Develop 25 000 ha of afforested land by 2017, of which 8 000 ha will be implemented by 2020 to expand industrial capacity in the forestry sector.
Pulp: Introduce 250 000 tons of new capacity in the dissolved cellulose pulp industry by 2018.
Paper and packaging: Introduce a new player and additional capacity in the packaging paper industry by 2018 to replace 45 000 tons of imports per annum into SADC.
Forestry value chain in the rest of Africa: Support local companies and other strategic partners to establish a market presence on the continent within the forestry value chains in Mozambique, Tanzania, Ghana and Nigeria.
Sawmilling: Engender new technology upgrades and support efficiency improvements within the sector.
Office furniture: Support manufacturers' response to government objectives under the Preferential Procurement Policy Framework Act, 5 of 2000.
Value-added industries : Support import replacement of niche board products.

Highlights

2011	2012	2013	2014
• SA-Mozambican governments MoU in respect of forestry-based industries • 1 111 water licences issued (2010: 389) by the Department of Water Affairs • Fibre Processing and Manufacturing SETA launched • The IDC approved R20 million grant funding for rural forestry development • Established a service providers panel to support project development, which saw four projects reaching the scoping phase	• Approved distress funding for one of SA's largest furniture manufacturers to retain over 5 500 jobs and improve financial viability, as companies wrestled with a strong Rand and weak global economic recovery • Department of Agriculture, Forestry and Fisheries (DAFF) re-launched its Agri BEE fund, an equity grant facility	• Witnessed an increase in projects in Mozambique due to 2011 SA-Mozambican intergovernmental MoU • Concluded furniture retailer MoU to create opportunities for smaller furniture manufacturers • Increased pipeline of community forestry projects in KwaZulu-Natal and Eastern Cape	• Sector affected by a record 60% increase in minimum wages, aligned with salary increases in agriculture • Forest Sector Council, industry and CEPF support for forest certification process to examine and devise solutions for smallholders • Scaling down of Mondi Merebank mill and market conditions on softwood surplus • Conversion of SAPPI's mills to dissolved cellulose impacts significantly on eucalyptus pricing and increases input costs for value-adding industries • Completed the scoping of 24 community forestry projects in the Eastern Cape

Summary of operational performance (continued)

Recent performance

Persistently difficult conditions in global markets on the back of a weak demand in advanced economies and moderate industrial growth in Asia, continued to impact the forestry sector, with a downward pressure on prices. Local sales of timber products in 2013, estimated at 14.5 million tons, were 2% lower than in the previous year.

The economic imperatives of employment creation, poverty alleviation and the empowerment of rural communities can be advanced in provinces such as the Eastern Cape and KwaZulu-Natal through development opportunities in the forest sectors. Afforestation, mainly in the Eastern Cape, has been identified in key governmental policy and strategy documents such as IPAP, the NGP, NDP, Forestry Charter and Eastern Cape's Jobs Strategy. Strategically, the IDC has partnered with key public sector stakeholders (such as the Eastern Cape Rural Development Agency and Department of Agriculture, Forestry and Fisheries) and private companies with IDC shareholding, to support afforestation, a largely untapped opportunity in this region.

Over the years, the SBU has focused increasingly on project development. During the past year the unit approved R20 million in funding to develop pulp and afforestation projects in South Africa and Mozambique and R250 million for South African and other strategic partners to implement afforestation projects in Mozambique.

The SBU provided expansion capital to an independent manufacturer to enhance competitiveness in the furniture sub-sector, which created 230 new jobs, while the unit also approved funding for a 'proof of concept' to manufacture bamboo laminated boards. A positive outcome will contribute to the IDC's localisation objectives.

The transformation, rationalisation and consolidation of the industry will continue to make non-core assets available and create business opportunities locally and in the rest of the continent. In this regard, the SBU supported Montigny Investments Limited to acquire and re-optimise SAPPI's restructured Swaziland operations, with a substantial impact on beneficiation and regional integration.

Challenges

Constraints that must be overcome to realise the potential of the sector include:

- Administrative delays and a regulatory mindset in water-use licensing
- A lack, among others, of collective community decision-making mechanisms to deal with competing land interests
- Land reform (restitution) and transformation uncertainties and their effect on investment activity
- The state of physical infrastructure, such as the deterioration of roads and rail
- The increasing incidence of fires, pests and diseases.

Seen from a regional perspective, project development in the forestry value chain elsewhere on the African continent often has its own set of challenges. These include political instability and associated risks, somewhat unique operational or business conditions (such as exchange controls, accounting systems, taxation regimes) and infrastructural constraints.

The SBU recommended and/or implemented a number of interventions to address these challenges, improve the operational environment and unlock the industry's potential to sustainably transform, develop and grow. These include:

- Recommending improvement measures for water use licensing and contributing to the review and adoption of the forestry development protocols
- Establishing appropriately structured legal entities for community forestry projects
- Supporting communities and land reform beneficiaries to plan and implement forestry projects to expedite land reform, transformation and post-settlement support
- Contributing to the call for upgrading necessary infrastructure, including rail and roads, to ensure that the sector is competitive
- Recommending the development of long-term research programmes to support the control of pests and diseases
- Re-joining and participating in the Forest Sector B-BBEE transformation charter council
- Signing MoUs with the Eastern Cape Rural Development Agency and the national Department of Agriculture, Forestry and Fisheries, as the custodian of forests in South Africa, to collaborate in provincial afforestation
- Recognition for the benefits from the SBU-initiated Forestry Development Grant for community-owned forestry projects
- Establishing relationships with other DFIs that already operate outside the borders of South Africa, such as the International Finance Corporation and African Development Bank.

Strategy and prospects

South Africa's forestry sector is characterised by primary resource production and secondary and tertiary processing segments and enterprises. The sector contributes significantly to the economy, particularly in rural areas with limited alternative economic activities. Detailed studies to profile the expansion potential of the sector include the 2005 Genesis Report, the 2006 Eastern Cape Strategic Environmental Assessment and, more recently, the Afforestation Potential Assessment in Limpopo, Mpumalanga and KwaZulu-Natal Report, released in 2009.

Summary of operational performance (continued)

These documents informed the determination of the 2010 to 2019 100 000 ha net afforestation expansion target (or 10-year target as reflected in the Charter and IPAP), mainly in the rural communities of the Eastern Cape and KwaZulu-Natal.

The 100 000 ha net afforestation has the potential to contribute and/or yield the following:

- An estimated sustainable 1.3 million tonnage of eucalyptus round-logs for pulp valued at R733 million, based on current prices
- An estimated value addition in forest products of R3.67 billion, based on current pulp prices
- Advancing and/or unlocking additional forest sector value chain opportunities, particularly in the Eastern Cape
- Creating an estimated 15 600 additional jobs in rural communities
- Facilitating the participation and empowerment of rural communities in the economy.

The SBU's focus in this regard is on forestry and other fibre resources projects to support the development of 25 000 ha of the 100 000 ha IPAP afforestation target. The unit is also prioritising supportive interventions in the pulp, paper and packaging sub-sector and the office furniture and other value-adding industries. In addition, the SBU identified the need to support the consolidation and technology upgrades in South Africa's once vibrant sawmilling sub-sector to increase its competitiveness globally.

Going forward, the SBU will continue to provide strategic inputs to relevant stakeholders and collaborate with industry players to address skills challenges. These efforts should also create business opportunities in the small manufacturer/large retailer supply chain.

Internationally, pulp markets are showing encouraging signs of growth, with new market entrants such as China and India. China is expected to become the world's largest importer of woodchips by 2015. This will provide South African growers who supply FSC-certified hardwood timber to chipping facilities in KwaZulu-Natal, with a competitive edge. These developments will also support the SBU's introduction of a new pulp capacity by 2018, for which project development funding has been approved.

As a result of its growth in project development beyond South Africa's borders in previous years, the SBU has prioritised Mozambique, Tanzania, Ghana and Nigeria for future project development in the forestry value chain.

Case study

Treated Timber Products

IDC funding enabled TTP to acquire this plantation as part of the company's growth strategy.

The IDC is committed to supporting South African companies in establishing and developing a market presence throughout the African continent.

Treated Timber Products (Pty) Ltd (TTP) is a family-owned business, established in 1939 and based in Mpolweni, a rural area of the KwaZulu-Natal Midlands. TTP supplies treated timber poles to telecommunications and electricity utilities in South Africa and, on a limited scale, other African countries. Despite a strategic intent to significantly increase its export to the rest of the continent, TTP was constrained by the large cash funding requirements and long payment periods typically associated with export transactions. As a result, TTP approached the IDC for financial support.

The IDC provided the company with a revolving credit facility of R22.5 million to increase its exports of treated timber poles to other African countries. This contributed to South Africa's balance of trade and assisted the importing countries to develop their electrification and telecommunications infrastructure. The funding also helped to create 50 new jobs, while the company's BEE rating improved from a Level 7 to a Level 4. Since the funding in 2011, TTP's total revenue increased by 146% and its export earnings by 102%.

TTP continues to implement its growth strategy and is exploring new market opportunities in India, China and Sri Lanka.

The IDC provided TTP with additional financial support under the Pro-Forestry Scheme to acquire an additional commercial forestry plantation for its backward integration strategy.

Treated timber products from TTP awaiting shipment to Europe.

Summary of operational performance (continued)

Metals, Transport and Machinery Products SBU

Performance	2011	2012	2013	2014
Total value of approved financing (R million)	2 104	1 700	1 721*	**1 809***
Expected total number of jobs created or saved	6 050	6 861	5 638	**4 260**
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	19%	13%	13%	**12%**

** Approvals of R257 million (2013: R207 million), utilising the Manufacturing Competitiveness Enhancement Programme (MCEP), are included.*

Focus areas

Automotive assembly and components manufacturing: Increase local capacity for vehicle assembly (passenger, medium and heavy commercial vehicles) and component manufacturing.
Rail infrastructure and components: Increase local capacity for the assembly and localisation of rail components to support Transnet and PRASA's multi-billion Rand capital expenditure programme.
Energy distribution and generation: Increase local capacity for the production of energy generation and components and equipment distribution, including components for conventional and renewable energy generation and gas.
Ship building and repair: Build capacity for ship building and repair along Africa's coast line.

Highlights

2011	2012	2013	2014
• PPPFA promulgated by the National Treasury • Local products designated public sector procurement • Automotive Investment Scheme launched to promote new investments	• Renewable energy IPP announcement gave visibility to the localisation of components • Launched Stock Boat Programme successfully with the dti • Formed Joint Aerospace Steering Committee to advance the local aviation and aerospace industry	• APDP came into effect • Directive gazetted on controlling the export of scrap metal • Alstom's successful bid for the R49 million PRASA rolling stock recapitalisation programme created certainty about the imminent roll-out of the programme	• Commissioned two COEGA IDZ projects successfully: the first local offshore wind tower manufacturing facility to supply renewable wind energy projects and a scrap metal processing plant • Commissioned the new MSSL plant in Durban, a first-tier plastic components supplier to Toyota • The dti-designated critical water infrastructure products, including pipes and valves, for local procurement by state organs led to increased IDC sector investments • Awarded contracts worth R50 billion to four manufacturers to build 1 064 locomotives for Transnet, with local content, positive spin-offs and to stimulate the local downstream component supplier base

Summary of operational performance (continued)

Recent performance

The SBU reported a varied set of performance outcomes for the year under review. The value of financing approvals increased by 5%, while jobs created by underlying investments approved decreased by 35% relative to the previous year. This was due largely to subdued growth in the South African economy, which reduced the demand for manufactured products to below available sector capacity. Most manufacturers required working capital funding to sustain existing production levels rather than expansionary funding to grow capacity. The delay in rolling out infrastructure and capital expenditure programmes by some state-owned companies (SOCs) prolonged strikes within the mining sector and automotive industry. Difficult conditions in European markets also subdued export demand and further exacerbated the situation.

The SBU remained focused on funding investments and implementing projects aligned with the IDC's strategic objectives, specifically and those of IPAP in general. Investments included R240 million in a new bus and truck assembly plant in Rosslyn to attract foreign direct investment by Italian bus and truck maker, Iveco. The plant is also expected to facilitate the creation of at least 865 new jobs at peak production. The unit also advanced a second round of funding of R187 million to Busmark, a local bus assembler with factories in the Western Cape and Gauteng, for a new bus factory in Blackheath, Western Cape.

The SBU funded the Bambanani Pipes and Afgate projects with R207 million during the reporting period to fast-track the localisation of supply chains for SOCs. These entities manufacture steel pipes and pipe fittings for infrastructure projects such as the distribution of bulk water, gas and liquid fuels. Expanding their manufacturing capacity supports the National Infrastructure Plan and the local procurement of designated steel pipes and valves. The two projects will create 386 jobs in Gauteng.

The localisation of renewable energy components manufacturing is integral to the IDC's green economy strategy and characteristic of successive IPAP iterations. The unit continued to increase its endeavours to expand production in value-added sectors, replace import requirements, promote industrial development and create employment opportunities. An example is the R20 million approved for ILB Helios Power Systems (Pty) Ltd, a start-up company in the East London Industrial Development Zone (IDZ), to manufacture inverters and other highly sophisticated electronic components for the renewable energy distribution system.

Challenges

The rising cost of steel and electricity, as critical intermediate inputs, and uncompetitive logistics costs are key challenges for the industry. The substantial depreciation of our currency increased the cost and price pressures of imported capital equipment and production inputs.

Exchange rate volatility affected foreign direct investment and at times spurred prohibitively high set-up and investment costs for domestic investors. The rising cost of capital on the back of a possible rise in the interest rate could increase the challenges of rolling out new projects.

Growth in the capital equipment industry, with strong links to the mining sector, was adversely affected by protracted industrial action. Skills deficits and mismatches, particularly technical skills (e.g. welders, toolmakers and artisans) continue to plague the industry. Although the domestic market is steadily returning to normality, demand from traditional export markets, specifically in Europe, remains subdued. The industry is faced with the challenge of redirecting exports to new high-growth markets, particularly in the sub-Saharan Africa region.

Strategy and prospects

Potential economic benefits from ongoing public sector investment in physical infrastructure, such as rail transportation, energy and water projects, should stimulate investments in the industry. Decades of inadequate capital investment due to insufficient demand has inhibited plant, machinery and equipment upgrades or replacements.

The substantial infrastructure build programme, however, is stimulating demand, promoting improved competitiveness in the local industry, fast-tracking localisation and unlocking opportunities for new entrants, particularly black-owned and emerging businesses. The progressive designation of numerous products for local procurement by the public sector is also opening up substantial opportunities for components manufacturing. The IDC will increase its support for the fabricated metals and capital and transport equipment sectors through competitive industrial financing and proactively pursuing strategic projects with high job creation potential.

The SBU will continue to increase its support of the automotive sector by optimising export levels and promoting local assembly to improve the industry's trade imbalance. This strategy supports the dti's vision 2020 of locally producing 1.2 million vehicles per annum. The unit will accelerate the R7 billion Multi-Model Original Equipment Manufacturer (OEM) project in the East London IDZ. This development will house several OEMs and localise the assembly of currently imported passenger cars. The project will also create at least 1 800 new direct jobs and substantial indirect employment through the supply value chain.

The pursuit of a greener economy has created numerous opportunities for localising the supply chain into associated industries. The SBU remains focused on supporting the expansion of a local manufacturing base for components and new technologies for renewable energy generation and energy efficiency programmes.

Ship building and repair activities were, and could potentially again be, a substantial source of employment, especially for communities along the coast. The SBU will pursue strategies and initiatives to revive this industry to leverage the resources along South Africa's extensive coastline.

Geographically, the country is strategically positioned to take advantage of the busy shipping routes in its waters. The SBU will continue to seek technical partners to jointly conduct feasibility studies into the technical and commercial viability of establishing new shipyards.

Rapid economic growth in most of sub-Saharan Africa offers opportunities for regional integration and export market development for South African-based manufacturers. The SBU is poised to support local manufacturers in capturing progressively larger shares of a fast-growing regional market by providing pre- and post-shipment export finance facilities. Moreover, the unit is continuously exploring direct investment opportunities in these markets, as aligned with the IDC's mandate.

Case studies

The IDC initiated the local Bus, Truck and Minibus Programme to develop projects that support the local Medium and Heavy Commercial Vehicle (MHCV) industry, with a specific focus on increasing manufacturing capacity and job creation in South Africa.

During the year under review, this initiative benefited the following two strategic projects:

Iveco SA Works

The IDC committed R240 million towards a R440 million project to set up a new truck and bus manufacturing plant in Rosslyn in partnership with Iveco, an Italian Original Equipment Manufacturer (OEM), that is part of the Fiat Group. The IDC's participation facilitated foreign direct investment in a project set to create 862 new jobs when fully commissioned.

Iveco SA Works will operate two main production lines: bus manufacturing to manufacture the Citelis and Euromidi bus series and truck assembly for the Completely Knocked Down (CKD) assembly of the heavy to extra heavy Stralis range trucks. Iveco's Stralis heavy commercial vehicle recently received the prestigious European Truck of the Year Award for 2013, testimony to the quality of the organisation's product offerings.

Iveco SA Works has set aggressive localisation targets for its supply chain and aims to achieve a level 4 B-BBEE rating as part of its corporate strategy. The rating, if achieved, will be among the highest in the industry for foreign-owned OEMs.

Busmark

Following the IDC-funded BEE acquisition of Busmark in 2011, the IDC extended the company's initial working capital facility to manufacture 221 buses under contract to the City of Cape Town for its MyCiti bus rapid transport system. The IDC provided Busmark with a construction loan to build a new state-of-the-art assembly plant in Blackheath, Cape Town. The plant will create 200 new jobs over the 10-month construction period and 144 permanent jobs at peak production. The new jobs are in addition to the company's existing workforce of 756 employees at the Gauteng assembly plant. The IDC has committed R187 million towards Busmark's expansion plans to date.

Black ownership of the company was broadened through a Workers Trust and Management Trust with a 20% shareholding in the company. Busmark's expansion has positive economic spin-offs for the downstream supply chain of locally sourced components. These include air conditioning equipment, fibreglass, finishing products, windows and glass products, lubricants, nuts and bolts, paints and abrasives, rivets, rubbers, safety equipment, seats, steel, timber, tools, upholstery and trimmers. The locally manufactured buses comply with or exceed the dti's requirement of using a minimum of 80% local content for bus bodies.

The profiled projects are aligned with the South African government's broader automotive strategy to develop a vibrant domestic MHCV manufacturing industry that supports the public transport programmes of municipalities across the country.

One of the new truck models earmarked for production at Iveco's new plant, currently under construction.

Summary of operational performance (continued)

Mining and Minerals Beneficiation SBU

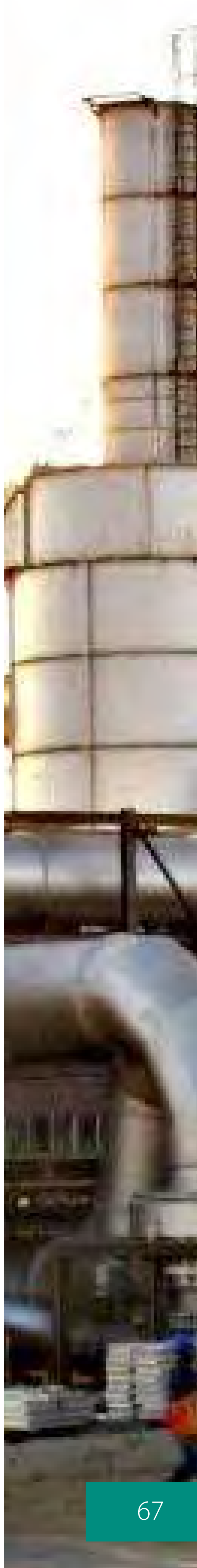
Performance	2011	2012	2013	2014
Total value of approved financing (R million)	737	3 551	5 342	**1 715**
Expected total number of jobs created or saved	3 613	12 110	166	**7 972**
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	14%	16%	11%	**12%**

Focus areas

Steel and steel-related raw material inputs: Support the downstream beneficiation of steel by promoting the development of technologies from locally available raw materials to reduce steel input costs and enable downstream steel fabricators to produce competitively priced steel; and establishing steel-making capacity to increase competitiveness in the sector.
Early-stage project development of mining projects linked to beneficiation: Support early-stage projects in the platinum, coal, manganese and chrome sectors to promote industrial development with low-entry valuation that increases over time and assist high-risk projects with funding.
Development of mineral resources in the rest of Africa: Focus on sustainable, large and scalable mining assets in the rest of Africa, such as copper, coal, iron ore and other bulk commodities.
Building stronger communities: Use an integrated approach to support development beyond the mine by assisting communities with access to the mine's value chain through local procurement and enterprise development.

Highlights

2011	2012	2013	2014
• Pre-feasibility study for integrated steel plant showed positive results that justified further study during 2012 • Construction started on the Kalagadi Manganese mine and sinter plant with approval pending for infrastructure work	• Project development and implementation progressed well • Approvals turnaround time significantly reduced • Project development and implementation progressed well • Approvals to Exxaro, Kalagadi Manganese and Platmin Limited, whose business plans all included beneficiation as a central outcome	• Approved acquisition and concluded transaction for Scaw Metals, a significant player in the regional steel industry • Acquired a stake in Phalaborwa Mining Company, which is central to the IDC's steel initiatives; approval is subject to regulatory approvals in China and South Africa • Good progress with expedited production at Platmin Limited	• Commissioned manganese sinter plant and concluded fund raising to complete the project • Commissioned first unit at Masorini Iron Beneficiation to produce scrap replacement iron units • Approved funding to a broad-based platinum producer with a low-cost, long-life asset



Summary of operational performance (continued)

Recent performance

Mining companies across the globe are facing a range of economic, financial, political and operational challenges. The industry is also under immense pressure from rising input costs, particularly energy, lower commodity prices and a depressed demand for commodities. Diminishing ore deposits are making it increasingly difficult for mines to sustain operations.

As a consequence, mining companies are struggling to meet the expectations of shareholders used to significant profits and lowly-paid employees who want higher wages. The prolonged labour unrest in the local platinum industry, which began during the first quarter in 2014, exemplified this predicament and has resulted in a decline in investment in the industry.

Fewer investments in new projects have negatively impacted the IDC's level of new approvals. Despite these challenges, mining remains integral to South Africa's economic growth and government regards the industry as a key driver of medium- to long-term job creation. Stability in the local mining sector, therefore, is critical to government's economic and social transformation objectives.

The slow but stable recovery of economies in the US, Europe and China as key demand drivers is, however, encouraging. So are the long-term prospects of a full-scale recovery, as the rest of the African continent seems poised to benefit from a commodities rebound.

During the year under review, the IDC's steel initiatives reported steady growth. This included the commissioning of the first module at Masorini Iron Beneficiation in Phalaborwa and completion of a mini steel mill in Germiston. Discussions with an international steel producer as a strategic equity partner in the Masorini Iron and Steel plant, yielded slow progress, but there was encouraging commitment from potential partners.

Kalagadi Mining, in which the IDC holds equity, commissioned its Manganese sinter plant. The IDC also helped Kalagadi Mining to secure funding for its associated infrastructure development. A partnership with Sedibelo Platinum Mines will deliver a scoping study for an alternative technology to supplement the current energy-intensive platinum smelting technology. As a result, the platinum mine reported an encouraging financial performance following an increase in its production capacity.

Challenges

The continued unrest in the mining industry has impacted negatively on the IDC's funding activity in this sector. The current perception that mining is high-risk is discouraging potential investors in the industry.

The unit's impairments remained high in an environment characterised by rising input costs and tight margins – factors which are affecting the viability and profitability of some mining companies. High capital expenditure, rising input costs and reduced research and development funding also limited investment in beneficiation projects.

Despite the IDC's significant exposure to the mining industry, the Corporation's investment in the coal sector is underweighted, especially in the light of Eskom's projected increase in the demand for coal. As the life-span of the Mpumalanga coalfields nears their end, the IDC needs to support the development of coal projects such as those in the Waterberg region.

Going forward, the IDC will pursue the development of two coal projects in the Waterberg region in the year ahead. Apart from limited exposure to the coal sector, the Corporation's overall exposure to the mining industry remains high. This exposure has to be scaled back over time for the IDC to manage potential risk and impairments associated with mining.

Strategy and prospects

The IDC will continue to support the development of mining and minerals beneficiation projects in South Africa and the rest of Africa, particularly energy minerals (coal, uranium), steel inputs (iron ore, manganese, chrome) and precious metals (PGMs).

This relates specifically to developing the various initiatives in the steel sector to support competitively priced steel and downstream fabricators to create a more competitive sector. In the foreseeable future, government's multi-billion Rand infrastructure build programme will sustain the demand for steel, which will support investment in the sector.

This strategy is underpinned by the development of a large steel project for which the bankable feasibility study will start in 2015. Support for mini steel mills to introduce competition and further development of the Masorini Iron Beneficiation technology to produce scrap replacement material will continue.

The Kalagadi Manganese mine will be commissioned by the end of July 2014. The feasibility of corporatising Scaw Metal's operating divisions will be explored in early 2015. Going forward, the beleaguered PGM sector, which has had to deal with supply-side challenges such as a protracted labour strike, increased energy costs, declining grades and deeper mines, will benefit from the recovery of the automotive and industrial markets.

The scoping study for alternative smelting technology at Sedibelo Platinum Mines has reached the pre-feasibility stage and the construction of a demonstration plant at the mine is planned for 2015. The successful development of this technology will save energy and improve the profitability of platinum smelting significantly.

Calls for the nationalisation of resources have resulted in increasing demands from communities surrounding mining operations for better benefits from the mines. As an extractive industry, unmonitored mining can have adverse effects on the environment and surrounding communities. The IDC will adopt an integrated approach in which local government, mining companies, communities, NGOs and development finance institutions will be encouraged to find ways together in which local communities can benefit sustainably from the mining supply chain network.

Case study

IMBS

The IMBS's production plant in Phalaborwa, Limpopo.

The IDC commissioned and funded a study by Mintek in 2007 as part of its steel strategy to investigate suitable technologies with which to address the country's shortage of coking coals. The study also evaluated and catalogued South Africa's iron ore resources as possible feed stocks for new steel plants in the country. The key focus was matching technology to available resources.

Iron Mineral Beneficiation Services (Pty) Ltd (IMBS) is a South African company and has developed a patented technology, termed Finesmelt™, capable of beneficiating fine and superfine iron ore into high quality metallic iron units without agglomeration.

IDC and IMBS built a plant in Phalaborwa to commercialise this technology. The IDC invested R42m equity into the Masorini Iron Beneficiation project in exchange for a 33% shareholding, later providing R34.5 million in debt. The remaining stake is held by IMBS.

This commercialisation unit utilises the locally designed, developed and built Finesmelt™ technology to produce metallic iron, providing the local steel industry with a lower cost alternative to steel scrap.

The key benefits of the Finesmelt Technology include the ability to:

- Provide metallic iron to promote electric steelmaking versus environmentally unfriendly blast furnace operations
- Operate at significantly lower emissions than traditional steel-making processes
- Operate without input pelletising or agglomeration iron ore fines
- Utilise thermal coal versus expensive coking coal in the iron-making process
- Use superfine iron ore, which is traditionally waste and is already mined
- Enable iron ore miners to improve yield recovery because of the ability to use superfine iron ore in the process
- Remove unsightly waste dumps
- Be independently energy sustainable, utilising its own off-gases
- Become one of the lowest cost producers of metallic iron
- Produce iron ore at source to reduce logistics.

Summary of operational performance (continued)

Textiles and Clothing SBU

Performance	2011	2012	2013	2014
Total value of approved financing (R million)	539	501	426	**504**
Total number of jobs expected to be created or saved	10 158	2 420	4 020	**940**
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	41%	51%	60%	**63%**

Focus areas

Industry development: Building an environment that is conducive to industry development.
Competitive value chains: Building competitive local and regional value chains.
IDC investments: Stabilising major IDC investments in the industry.

Highlights

2011	2012	2013	2014
• The dti/IDC Production Incentive Programme was launched • Spike in cotton price impacted the entire value chain	• Sector designated for local procurement by government • Annual rate of job losses in the sector falls to 3 100, compared to an average of 10 200 for the previous three years • Substantial uptake of Production Incentive Programme • New entry-level wage dispensation agreed	• Weaker rand assisted companies to compete with imports • Retail sector explored collaboration with local manufacturers to increase procurement of textiles, clothing and footwear • Project Re a Lokisa initiated to reassess IDC's subsidiary investments in the textiles sector	• Weaker rand continued to assist local manufacturers • Marked increase in retailers sourcing locally manufactured textiles, clothing and footwear • Tangible benefits derived from the Production Incentive Programme • Dramatic increase in addressing illegal imports, specifically by SARS • CTCIP approves R200 million for Sustainable Cotton Textiles and Apparel Cluster • Approval of further R250 million for the Clothing, Textile, Footwear and Leather Competitiveness Scheme • Project Re a Lokisa recommended corrective interventions for the IDC's subsidiary investments

Summary of operational performance (continued)

Recent performance

The year under review saw a notable increase in retailers sourcing local apparel, household textiles and footwear. The benefits included quick turnaround times characteristic of consumers in the fast fashion space and steady improvement in capacity and efficiencies among local manufacturers. The dti's Production Incentive Programme has had a positive impact on the industry and more than 200 manufacturers have benefited from the programme's aim to, among others, enhance production processes in local manufacturing.

The local manufacturing of footwear (leather and synthetic) increased due to quick turnaround times and the ability to provide retailers with on-demand stock replenishment. There has also been a notable improvement in product design and quality, as well as efficiency improvements supported by the Production Incentive Programme.

Challenges

The IDC's textiles and clothing portfolio continues to experience a high level of impairments due to an array of challenges within the industry. Where feasible, the IDC's Project Re a Lokisa will restructure its textile investments and develop interventions to enhance value chains. Such interventions and improving market conditions have already stabilised investments such as Prilla and Sheraton, among others. Colibri has been restructured and is fast gaining market traction and re-establishing its once reputable brand.

Where possible, concerted interventions assisted distressed businesses with turnaround initiatives. Despite a slowly recovering industry, as well as improved efficiencies and progress in manufacturing, some manufacturers are still affected by high input costs, such as electricity and labour.

Illegal and under-invoiced imports remain a major threat to the industry. The IDC welcomes the interaction between the South African Revenue Service (SARS) and the industry, as well as the resultant recommendations to address this challenge.

Strategy and prospects

The Textiles and Clothing SBU strategy is to build an enabling environment for the survival and growth of the industry through collaboration with the dti and support from the Clothing and Textiles Competitiveness Programme. Going forward, the IDC intends to extend its activities in value chain development within the natural fibres sub-sectors (flax, cotton, wool and mohair), as well as work wear.

The Preferential Procurement Policy Framework Act, 5 of 2000, which prioritises local manufacturers in public sector procurement, is slowly gaining traction. Local manufacturers should therefore ensure that they have sufficient capacity to meet an increasing demand. Other niche focus areas include support for local fashion designers. Although the industry is stabilising, with positive growth in sub-sectors such as footwear, challenges such as illegal imports still need to be addressed. The IDC will continue to review existing investments and the management of turnaround initiatives.

Employees hard at work at Chic Shoes.

Case study

Chic Shoes

Some of the shoe ranges manufactured at the Chic Shoes plant in Parow, Western Cape.

Established towards the end of 2004, Chic Shoes manufactures genuine leather ladies footwear. Since inception, the IDC's assistance has supported the company's business development significantly. The funding stabilised business growth and contributed to an increased product range for the company.

Their pump shoes (flat ballet style shoe) was the highest selling footwear item for Woolworths during the past year and indications are that this is a sustainable future trend. Due to a growing demand for its products, Chic Shoes entered a second phase of expansion, which will create approximately 236 new jobs. The latest expansion will also attract skilled shoe makers and provide opportunities to nurture young talent in the shoe manufacturing industry.

Chic Shoes used the expansion finance to source significant volumes of leather locally through value chain integration - a development which will assist the ailing footwear leather tannery sub-sector.

Local footwear manufacturing is one of the more successful sub-sectors within the Clothing, Textiles, Footwear and Leather industry and the IDC's investment in Chic Shoes is aligned with industry prospects.

Summary of operational performance (continued)

Information Communication Technology (ICT) SBU

Performance	2011	2012	2013	2014
Total value of approved financing (R million)	410	532	1 045	**(64)***
Total number of jobs expected to be created or saved	2 131	1 766	211	**(1 013)***
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	26%	25%	26%	**32%**

** Negative values and job numbers reflect the impact of cancellations of approvals from prior years.*

Focus areas

Broadband infrastructure: Increase supply-side capacity in the national backbone, metro and last-mile access levels, with a focus on rural and underserved areas.
Digital migration: Support the analogue to digital migration process by funding the local manufacture of set-top boxes.
ICT Green e-Waste and demand-side management: Promote the recycling of e-Waste and projects that leverage smart metering solutions to deliver demand-side management.
Electronics: Focus on local manufacture of smart meters and LED lights.
Other funding areas: Business process services, electrical service contracting to increase energy generation and transmission capacity and contract-based IT.

Highlights

2011	2012	2013	2014
• Approved funding for a contract electronic manufacturer to support the local manufacture of digital TVs in the Eastern Cape that includes job creation, import replacement and skills transfer • Approved funding for a mobile incumbent to increase network capacity as part of regional integration in SADC	• Approved the first phase of an open access last-mile business model • Increased funding into the broadband infrastructure services and contractor sub-sector • Approved funding for an electrical services subcontractor as part of the REIPPP Programme	• Funding approved for two business partners for to manufacture set-top boxes as part of the digital migration process • Continued project development in rural underserved and last-mile regions • Facilitated localised LED manufacture as part of energy demand-side management	• Continued capacity development funding support for local LED manufacture • Approved funding for a wireless broadband project spanning multiple jurisdictions in Africa • Approved 2nd round funding for an open access last-mile project • Scoped e-Waste PCB recycling project successfully

Summary of operational performance (continued)

Recent performance

Economic challenges prevalent throughout the telecommunications sector affected the activities of the SBU. During the year under review, the unit's inability to implement and financially close-out certain material transactions approved in previous years impacted negatively on its net value of approvals and net jobs created. This was due, mainly, to challenges in concluding material financing agreements that involve other funders, as well as tender procurement issues and securing the envisaged commitment from off-takers.

Nonetheless, the SBU continued to develop early-stage projects in the broadband and e-Waste sectors and fund projects in other focus areas, although smaller in value. The SBU's activities resulted in nearly R520 million (gross) in approvals and facilitated the creation of 700 jobs. Due to an increase in impairments, the SBU focused on closely monitoring and consolidating its committed portfolio of nearly R3.6 billion. Going forward, the SBU will manage high impairment and significant value transactions more actively, in conjunction with the Post Investment Monitoring and Workout and Restructuring Departments.

As a countercyclical sector funder, the SBU also had to balance its drive to increase sector funding within the IDC's mandate of responsible and sustainable development finance lending. In the year ahead, the SBU will create opportunities to play a substantial funding role in the sector.

Challenges

Shrinking margins and consolidation mooted by various sector operators and service providers saw entrenched telecoms players protecting market share and profitability. Larger projects are becoming more difficult to bank, with significant perceived market risk. The National Planning Commission (NPC) has identified other impediments, such as policy constraints, conflicting policies between responsible departments, regulatory failure and a perceived lack of coordination and integration. Should these be addressed, however, competition would increase with wide-ranging benefits for society at large.

The cost of broadband in South Africa is still viewed as excessive compared to global standards. In addition, limited affordable access impedes access in rural and underserviced areas. The recent promulgation of the broadband policy, as well as the expected spectrum allocation and eventual commencement of the delayed digital migration process could, however, see infrastructure investments based on a coordinated, integrated national broadband plan and strategy. This expectation is supported by the coordinating role of SIP-5 as part of the broader PICC initiative, which is resulting in a more coordinated approach by government, especially in leveraging private sector investment.

The IDC, through the SBU, will continue to participate in the national broadband strategy implementation and infrastructure investment process. The intention is to create critical links within the public and private sectors to address perceived constraints, such as funding.

Strategy and prospects

The primary strategic goal of the SBU is to continue its supply-side role of providing broadband infrastructure across various access levels in South Africa and the region. The objectives are to reduce broadband costs, increase penetration and provide affordable access. This will be achieved by funding open access projects that increase terrestrial network capacity and create competition. In particular, the SBU aims to contribute to extending coverage to the national backhaul, metro and last-mile, as well as rural and underserviced areas. The development of a viable funding model to support infrastructure build is deemed critical, particularly in areas with small market and commercial potential. In these areas, the IDC will leverage government spend and support, as well as private sector investment, through long-tenor offtakes, subsidies or equity injections.

The second strategic goal is to support ICT green initiatives. This includes the development of an e-Waste recycling plant to extract precious metals. A current project is the recycling of PCB. Electricity demand-side management will focus on developing a model to roll out smart metering systems to facilitate billing and assisting municipalities to manage cash flow and optimise end-user energy consumption.

A final strategic goal is to localise manufacture in the electronics sector. The strategy for this sector is to advance funding for the manufacture of set-top boxes (STBs) as part of digital migration, as well as for establishing local LED and smart metering plants to replace imports.

In addition, the SBU will continue to consider funding applications across the other sub-sectors (electrical contracting, contract-based IT and business process outsourcing). The intention is to partner with relevant stakeholders to identify opportunities and increase our funding role substantially.

Case study

Vektronix

Since 2003, Vektronix has manufactured more than 150 000 flat panel televisions such as this one pictured above.

Vektronix, a black empowered Level 3 B-BBEE company, was established in 2003, after the management buyout of South Africa's first TV manufacturing plant, which was established in East London in 1974.

The company provides employment to more than 200 permanent workers and has remained one of the most flexible, cost-effective consumer electronic contract manufacturers in the country, despite a challenging manufacturing environment. Vektronix also draws from a pool of contract workers who have been trained and developed in-house over a period of 15 years.

South Africa's New Growth Path and National Industrial Policy Action Plan identify the electronics sub-section as a priority sector. The IDC's partnership with and funding support for Vektronix as a local, black empowered electronics manufacturing company, has undoubtedly spurred job creation in this sector in a generally poor region.

Initial funding in 2008 involved the acquisition of a 30% stake in the ownership of the company by a BEE group. A year later, the IDC's payment guarantee to an international supplier enabled Vektronix to assemble a range of flat-panel television sets locally for an offshore global brand.

The IDC's continued support for business growth at Vektronix peaked with funding for a $15 million manufacturing facility in East London. As a volume manufacturer, the company's track record of 150 000 flat panel TVs and 2.5 million set-top boxes for the local and sub-Saharan African markets since 2003 is impressive.

More recently, the IDC approved an extended payment guarantee facility and equipment loan to increase the company's production capacity. This included a revolving credit facility to fund the expected increase in demand for set-top boxes to meet South Africa's DTT analogue to digital migration process requirements.

Vektronix ascribes its business success to IDC support and its relationships with global brands and technology providers. The company is well positioned to qualify for other major contracts with Original Equipment Manufacturers and has contributed to South Africa's reputation as an attractive contract electronics manufacturing destination.

An employee assembles a product at the Vektronix production plant in East London.

Summary of operational performance (continued)

Healthcare SBU

Performance	2011	2012	2013	2014
Total value of approved financing (R million)	264	170	302	**713***
Expected total number of jobs created or saved	1 606	1 626	910	**1 209**
Impairments as a % of outstanding book (at cost excluding commitments not drawn)	6%	4%	8%	**22%**

** Approvals of R46 million utilising the Manufacturing Competitiveness Enhancement Programme (MCEP), are included.*

Focus areas

Healthcare services: Develop public-private partnerships (PPPs) to improve access, reduce healthcare costs and ensure security of supply via hospital PPP models.
Pharmaceuticals: Support the local manufacturing of pharmaceuticals, specifically antiretrovirals (ARVs), and the development of innovative technologies for vaccines, active pharmaceutical ingredients (APIs), medical isotopes and medicinal extracts, among others.
Malaria: Promote the development of an African value chain for antimalarials, specifically Artemesinin-based.
Medical devices: Support the development of the local medical devices industry.

Highlights

2011	2012	2013	2014
• Assisted two local pharmaceutical manufacturers to upgrade factories to international standard • Momentum in uptake under the Township and Rural Hospital Scheme demonstrated the demand for hospitals in under-serviced areas	• Approved first funding for a PPP hospital concession in Phalaborwa, Limpopo • Successful listing of hospital group, Life Healthcare, enabled the IDC to exit the business • Sod-turning held for a R100 million Dismed pharmaceutical plant in Midrand • Approved funding for a 100-bed hospital in Soshanguve, Gauteng that caters specifically for women and children	• Funded a local orthopaedic bracing products manufacturer whose products can replace imports and boost exports	• Completed basic process design and conceptual layout successfully for the Tenefovir- based gel microbiocide project

Summary of operational performance (continued)

Recent performance

The IDC's strategic involvement in the healthcare sector is aligned with the objectives of the proposed National Health Insurance (NHI). The NHI aims to make healthcare affordable by streamlining the entire healthcare value chain.

During the year under review, the IDC's direct contribution to job creation in the healthcare sector was adversely affected by its revised hospital-related mandate. Most healthcare projects are currently in pre-feasibility stage, which reflects the corporation's increased focus on project development.

Notable among these projects is, the establishment of the 500 tons Ketlaphela API plant. Although delayed, the project gained traction during the reporting period. The RFP process did not yield a successful bidder for the project and a decision about its future will be made in the forthcoming financial year. Government will engage further with the industry on this matter.

Strategy and prospects

During the reporting period, the Competition Commission published the terms of reference for the enquiry into the private healthcare sector. The review panel is mandated to identify the reasons for above-inflation price increases and expenditures in the sector and recommend a policy and regulatory mechanisms to support accessible, affordable and quality private healthcare. The panel will also advise on price-setting mechanisms within the context of fair competition.

Over the past five years, the IDC's healthcare sector mandate has evolved significantly to increase the development of projects with a higher debt-to-equity ratio. Going forward, the slightly higher risk appetite for project development may increase this ratio to almost 40% over the next five years.

Government sees South Africa's pharmaceutical industry as a key enabler of cost-effective healthcare nationally. As such, the sector remains a strategic focus area for the IDC. In addition, government support for the local manufacture of ARVs through public sector tenders is a positive development for the industry.

Aligned with its revised mandate for funding hospitals, the IDC will:

- Consider private licence holders if a fairly significant portion of their beds are contracted to the state
- Fund hospital PPPs, including concessions where a private party contracts with the state without a stipulation for a set number of beds for public sector patients
- Fund entirely privately-owned hospitals in the rest of Africa. Sourcing equipment for these projects from India and China may, however, limit the potential pipeline due to the IDC's emphasis on benefiting the South African export sector when funding regional ventures.

E-health (telemedicine), as an affordable mechanism for providing distance healthcare services while addressing skills shortages in specialised fields, is critical for the effective implementation of the NHI. Going forward, the Healthcare SBU will develop telemedicine projects with increased access to specialist services. Progress in this regard depends on the pending E-Health strategy of the DoH, which will address ethics and patient confidentiality. The availability of broadband is critical for the effective implementation of a successful telemedicine system.

Challenges

The existing public healthcare infrastructure needs refurbishment to implement the NHI successfully. Accordingly, a countrywide NHI pilot, which started in April 2012, was conducted among 11.1 million people across the country to determine the effectiveness of the NHI. Results clearly showed the principal focus should be on non-hospital expenditure. The pilots helped to determine the cost of the NHI and the urgent need to develop future revenue collection models for the industry. The NHI aims to enhance sustainable private sector involvement in the healthcare sector by encouraging private healthcare service providers to levy reasonable fees. Subsequently, the Minister of Health commissioned a review of the healthcare fee structure in January 2014 for completion in September 2015.

During the past year, the formulation of strategies to combat malaria progressed well. One such project is the development of a value chain for antimalarials in Africa, given the high prevalence of malaria across the continent and often excessive cost of treatment. Collaboration with local stakeholders, specifically the Council for Scientific and Industrial Research (CSIR), is on track to identify suitable growing sites for the Artemisia plant. Preliminary trials in Limpopo yielded positive results, with a satisfactory harvest in December 2013. The testing of the Artemesinin content is underway. The challenges, however, include attracting a foreign technical partner.

An employee packing medical products at the Biodelta plant in Franschhoek, Western Cape.

Case study

Biodelta

Biodelta's products in the a warehouse, ready for distribution.

The IDC approved R1.5 million in working capital funding for Healthpops CC in March 2009. The company was established in September 2004 to penetrate the complementary and alternative medicines (CAMS) markets, with a specific focus on pediatrics.

The company currently supplies a variety of in-house brand products to mainly pharmacy chains and independent pharmaceutical retail outlets. The range of products includes, vitamins and mineral supplements, omega oils, creams and diagnostic kits.

In November 2010, Healthpops took a strategic step by securing its own GMP and ISO accredited tableting facility in Biodelta (Pty) Ltd. Healthpops applied for IDC funding to acquire the company. Established in 2002 to harvest, process and package spirulina, Biodelta invested in a state-of-the art production facility. The company established a reputation for high-quality products. Most importantly, the expansion of the state-of-the-art facility resulted in 18 new jobs.

Biodelta's blue chip clients include Clicks, Pick 'n Pay, Dis-Chem Pharmacies, Tiger Brands and Alpha Pharm. IDC funding assisted Biodelta to manufacture and pack pharmaceuticals for the export market. This development will boost South Africa's pharmaceutical manufacturing capacity and capability, which faces strong competition from countries such as China, India and Brazil.

The project is aligned with the IDC's objective to promote the development and diversification of the national pharmaceutical industry, in support of the Industrial Policy Action Plan.

As part of its growth strategy, Biodelta intends to revive the growing of spirulina and has formed a strategic partnership with the University of Cape Town (UCT) to realise this objective. In turn, UCT applied for funding support from the Technology Innovation Agency to expedite the outcome of this partnership.

Summary of operational performance (continued)

Media and Motion Pictures SBU

Performance	2011	2012	2013	2014
Total value of financing approved (R million)	164	429	192	**60***
Total number of jobs expected to be created or saved	898	1 400	745	**78**
Impairments as a % of outstanding book (at cost excluding undrawn commitments)	22%	29%	76%	**76%**

** Approvals of R5 million utilising the Manufacturing Competitiveness Enhancement Programme (MCEP), are included.*

Focus areas

Sustainable production of motion pictures: Support the production of local low-budget feature films in collaboration with key stakeholders, including the dti, National Film and Video Foundation (NFVF) and local producers.
Audience development: Address audience development as the main weakness in the film value chain by creating access to cinemas in townships through the Digital Cinema pilot project, aimed at enhancing audience support for local feature films.
Animation: Exploit South Africa's potential to compete internationally in animation, the highest job creator in the sector with jobs and skills that are in demand globally.
Broadcasting: Explore opportunities for local broadcasters to expand into the rest of Africa at low additional costs.

Highlights

2011	2012	2013	2014
• Launch of Top TV, SA's second pay TV operator • Funded six local films *(Shuck's Survival Guide to 2010, Blitzpatrollie, Khumba* and *Semi-Soet)* • Funded construction of Cape Town Film Studios	• Funded *Long Walk to Freedom* feature film on Nelson Mandela's life • *Semi-Soet* generated R10 million plus in box office revenue • Funded *Vehicle 19*	• Funded the first water tank and beach reservoir in Africa • Funded Power FM • Developed a funding model for a television series • Launched a Digital Cinema Project	• Release of the film *Long Walk to Freedom* • Launch of Power FM • IDC-funded film, *Four Corners*, selected as SA's Oscar entry • International recognition of Cape Town Film Studios as a world-class facility • IDC-funded, low-budget films are gaining traction in the international market • Funded *Mandela's Gun*, a unique story not commonly known

Summary of operational performance (continued)

Recent performance

The local film industry has shown an increase of 126% in box office revenue from local films. This included the release of a number of IDC-funded films, such as *Semi-Soet, Blitzpatrollie, Vehicle 19, Zambezia and Fanie Fourie's Lobola*. The local film industry contributed an estimated R3.5 billion (2012) to South Africa's GDP directly and through linkages with other sectors.

The IDC continues to support local productions with high levels of South African content, to enhance the image and value of South African films in the international market.

IDC funding for new projects in the industry fell short of projections for the reporting period, mainly due to a more hands-on approach required to develop bankable projects.

Despite a challenging business environment, good progress was made with initiatives such as developing a strategy to augment the low-budget film pilot project that focuses on supporting emerging black filmmakers. Efforts to develop the local animation industry received a boost with funding for the first local commercial render farm to support the animation hub infrastructure, which is facilitated through cloud computing.

The IDC-funded Power FM was launched during the year under review, while CNBC Africa expanded into six new African territories. Several of the films backed by the IDC were well received by audiences. These included *Vrou Soek Boer*, which became one of the top 20 South African films of all time, with box office earnings of more than R5.6 million. In addition, *iNumber Number* premiered at the 2013 Toronto Film Festival to critical acclaim, with Universal Pictures securing the remake rights to the film.

Challenges

During the reporting period, the challenges within this sector were similar to those of previous years:

- An underdeveloped value chain with a lack of township cinemas, which has resulted in an underdeveloped market for locally produced feature films
- A lack of private sector funding to augment IDC and government funding
- Insufficient marketing of local films and poor cinema attendance, which fuels the negative cycle
- Insufficient development funds for film projects, particularly in the private sector
- The negative impact from piracy on revenue generation from feature films
- Anti-competitive behaviour by monopolies.

The continuation of these challenges has resulted in a poorly functioning film value chain with inadequate box office support for local films about local stories. In addition, the large impairment of On Digital Media has created negative perceptions about the industry.

Strategy and prospects

A collaborative approach between the dti, NFVF and IDC to develop South African stories, coupled with the development of distribution channels and audiences, will create the momentum for a profitable and successful South African motion picture industry.

Sustainable production of motion pictures

The IDC will continue to drive the development of a sustainable local film industry. This will be done, primarily, through supporting low-budget films with the potential to recover costs in the local market. The new initiative to fund emerging black filmmakers in collaboration with the dti and NFVF will assist in this regard.

Audience development

Distribution is a crucial component of the film value chain. The IDC's main focus in this area is the development of three cinemas in townships through the digital cinema pilot project. The intention is to develop a new cinema business model, which unlike the traditional model, does not rely on concession sales and a dedicated use of the cinemas. The IDC anticipates that the pilot project will spearhead the development of future cinemas.

Animation

The IDC will continue to support the animation industry, primarily though the development of an Animation Hub. Co-production will be a core strategy for the Animation Hub. Building the Hub infrastructure and enabling the planned strategic intra-sector digital connection, are priorities for the forthcoming financial year. The IDC will also continue to fund stand-alone animation films.

Broadcasting

While expansion into Africa can create economies of scale for local broadcasters, first-mover advantage is being eroded by new entrants from China and the USA, who are aggressively expanding on the continent. Going forward, the IDC will support local broadcasters to expand their operations.

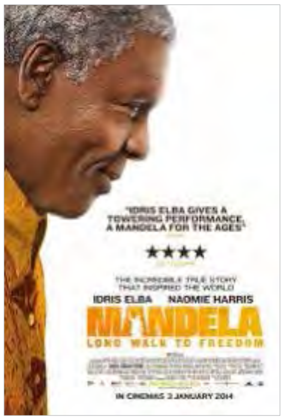
Infrastructure

The IDC will continue to support the development of world-class studios, including the expansion of the Cape Town Film Studios.

Case studies

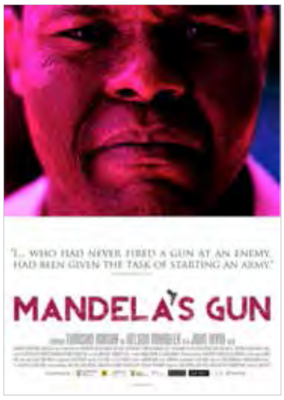
The IDC is proud to have funded many successful South African films such as the Academy Award winning *Tsotsi,* which scooped the prize for best foreign language film. Other successful local feature films include the memorable *Semi-Soet*, the hilarious contemporary love story *Fanie Fourie's Lobola* and the action-packed *Vehicle 19*. The IDC was also the major funder of the most successful South African animated feature film, *Adventures in Zambezia*.

Long Walk to Freedom



The IDC funded *Mandela: Long Walk To Freedom*, a film based on the inspirational autobiography of an international icon. The film tells the story of a man who inspired a nation and captivated the world with his courage, persistence, hope and strong belief in a better South Africa. It shows the life of Nelson Mandela, from his humble beginnings in a rural village to his inauguration as South Africa's first black President. The film explores a lesser-known side of Mandela and is a celebration of a man known to many as the Father of the Nation.

Mandela's Gun



This is a new feature documentary film. The film tells the story of Nelson Mandela's journey from Ethiopia to the Liliesleaf farm in Rivonia, carrying the Makarov pistol and ammunition that reputedly was the first weapon of MK's armed struggle. The gun was buried in the grounds of the farm two weeks before Mandela's arrest and has never been found. The film depicts the early days of the armed struggle and the current high-tech search for the weapon by the film-makers.

This project is of significant national importance as it contributes to the history of our country as we celebrate 20 years of freedom and democracy in South Africa.

Four Corners

This locally produced feature film was selected as South Africa's official entry in the Academy Award best foreign language film category. *Four Corners* received local and international acclaim and was nominated by the International Press Academy as the best international film.

The film carries a strong message of hope with a focus on the importance of family and the positive influence of community activity (in this case chess) to mitigate the seduction of gang membership.

Summary of operational performance (continued)

Tourism SBU

Performance	2011	2012	2013	2014
Total value of approved financing (R million)	134	233	273	**429**
Total number of jobs expected to be created or saved	276	447	838	**15**
Impairments as a % of outstanding book (at cost excluding undrawn commitments)	8%	12%	16%	**12%**

Focus areas

Niche tourism offerings: The development of high-impact sustainable tourist attractions and diversified product offerings in South Africa to stimulate new demand.
Business in the rest of Africa (RoA): The establishment of world-class business hotels in fast growing nodes in South Africa and the RoA.

Highlights

2011	2012	2013	2014
• Changed IDC strategy to focus on niche tourism in underdeveloped nodes and the rest of Africa • Concluded feasibility study for beach resort • Approved funding for kite surfing facility in the Western Cape	• Commissioned Environmental Impact Assessment (EIA) on KwaZulu-Natal beach resort • Identified two additional projects in underdeveloped areas	• Concluded EIA on beach resort • Concluded feasibility studies on additional projects • Identified and scoped six further projects in niche sectors and underdeveloped nodes • Identified two potential projects for possible development, one each in East and West Africa	• More traction gained on funding opportunities in the rest of Africa • A ground-breaking initiative to use unutilised state assets to develop budget accommodation will tap into a new market • Good progress with attractions under development. EIA for God's Window skywalk completed. Feasibility studies for the cable car and theme park are ongoing

Summary of operational performance (continued)

Recent performance

The local tourism industry experienced flat growth in new capacity as the supply of hotels continued to outweigh demand. The demand for quality hotels in the rest of Africa, however, remains high, which prompted the IDC to focus on opportunities to the north of Africa. As a result, the value for RoA gross approvals contributed about 78% of investments during the year under review.

High RoA growth levels and political stability - at least in some regions - position the continent as an attractive investment destination for South Africans and the rest of the world. In addition to tourism investment opportunities, the discovery of minerals and natural resources has increased investment activity in the RoA. This resulted in higher levels of business travel, with most mining companies booking long-term hotel accommodation for their staff. The IDC will, therefore, align its tourism activities with those of other primary IDC sectors, such as mining and green industries, to achieve maximum impact.

This shift in focus resulted in a low number of direct jobs created and subdued investment in local tourism during the year under review. The IDC's investments in the RoA will, however, benefit the South African economy in the long-run through the export of goods and services. In particular, South African construction companies searching for growth opportunities to the north of the continent are increasingly benefiting from the construction and infrastructure development boom in SADC and the RoA region. The IDC has adopted a more proactive approach to bringing these projects to a bankable stage due to the language barriers, different legal systems and culture differences that extend lead times to conclude RoA transactions.

Due to the risk involved, the IDC has closely monitored its RoA investments. The 25% decrease in the overall level of impairments was partly due to the slow but gradual recovery of the industry. Despite the emergence of some green shoots, smaller establishments are still battling to regain their growth momentum due to a prevalence of tight industry margins. An encouraging development is the strong capital security and resulting increases in the prospect of a long-term recovery.

Challenges

Five years after one of the worst economic recessions, local tourism is still reeling from the aftermath of the financial meltdown. The supply of mainly urban-area hotel rooms still far outweighs demand, which diminishes the short-term prospects of new capacity. Despite a noticeable improvement in rates and occupancies, slow economic growth and cash-strapped travellers with less disposable income to spend while travelling affect these gains. In addition, reduced expenditure on travel by government due to cost containment measures will have an impact on the industry.

Strategy and prospects

In addition to opportunities in the RoA, the IDC's strategy in the local tourism industry is to develop high-impact, sustainable tourist attractions and product offerings that stimulate new demand. In partnership with the national Department of Tourism, the IDC undertook a feasibility study to identify the prospect of redeveloping underutilised state assets and converting them into affordable accommodation for the low-income market segment. This initiative is intended to inculcate a culture of travel in this market.

Developments include a skywalk at God's Window and a cable car at Blyde River Canyon in Mpumalanga. The finalisation of land claims for these developments has impacted on the delivery timeframe.

The proposed development of the Nonoti Beach Resort in KwaZulu-Natal has been hugely disappointing. Despite a significant investment, the zoning and EIA were rejected. The project is currently on hold pending the outcome of stakeholder engagements.

Case study

Cape Canopy Tours

Canopy tours are a relatively new and rapidly growing eco-tourism adventure activity in the tourism industry. People are taken up to the forest canopy to traverse tree house-type platforms along steel cables. The platforms are constructed around the trunk of large trees or against cliff faces at the forest canopy or an elevated environment level – typically at heights up to 30 metres.

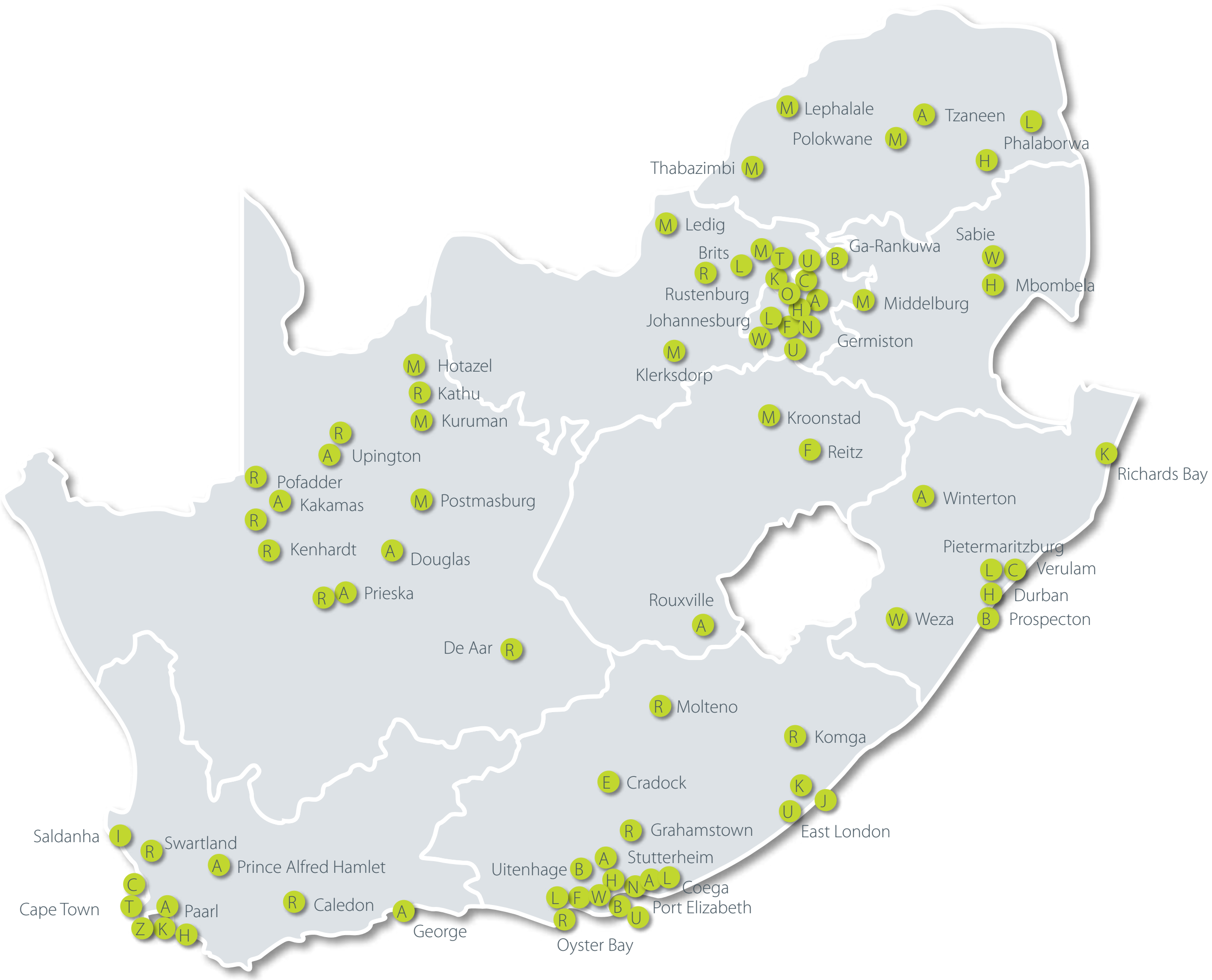
Cables between platforms are anchored at a slight downward angle at distances of 20 to 250 meters. Clients wear climbing harnesses attached to pulleys and slide along the cables through the forest canopy to land on the next platform. The idea of establishing Cape Canopy Tours (CCT) followed the success of the current six official canopy tour companies in Southern Africa: Karkloof (KwaZulu-Natal); Magaliesberg (Gauteng), Drakensberg Mountains (KZN), Magoebaskloof (Limpopo), Malolotja (Swaziland) and Tsitsikamma (Garden Route).

CCT is located in the Hottentot's Holland Nature Reserve situated within the Hottentot's Holland Mountain range about 90 km south-east of Cape Town. The facility is being constructed against rock faces and opperations will commence in June 2014. CCT will provide a combined adventure tourism/eco-tourism education and awareness experience to promote conservation, environmental awareness and community involvement.

The IDC funding of R1.65 million is expected to create 32 jobs (28 permanent, three annually seasonal and one annual construction) with a cost per job of R78 844. The funding of CCT is aligned with the Tourism SBU strategy to diversify its product portfolio to include the development of attractions and untapped tourism nodes, such as eco-tourism and adventure tourism.

Project footprint in South Africa

Selected IDC projects and investments of more than R50 million



- A Agriculture and agro-processing
- B Automotive
- C Chemicals and plastics
- E Ethanol
- F Food processing
- H Healthcare
- I LPG storage terminal
- J ICT
- K Machinery
- L Metal products
- M Mining
- N Non-metallic mineral products
- R Renewable energy: wind and solar
- T Textiles
- U Tourism
- W Wood and paper
- Z Motion picture production

Investing in the rest of Africa

In the year under review, the IDC approved R2.3 billion in new funding for 15 projects in 16 countries on the continent. This was for projects in:

- Infrastructure (mainly electricity generation and telecommunications)
- Lines of credit to sister DFIs to finance SMMEs that import South African technology
- Forestry
- Tourism (primarily business hotels)
- Healthcare facilities
- Textiles and clothing
- Media/broadcasting.

An analysis of the projects approved and those in the pipeline going forward in our rest of Africa strategy, revealed that the IDC's investment in the region is starting to bear fruit as the effect of projects in the rest of Africa on South Africa's economy becomes more visible. This is evidenced by the expansion of local operations and shareholding in the region, as well as a greater uptake of South African raw materials, capital goods and related services in Africa through these projects. The IDC's current exposure (at cost) of R7.5 billion (out of R11.1 billion committed/approved) in the rest of Africa covers 60 projects in 20 countries.

Investment challenges in the rest of Africa

The Corporation's approach to the continent is centred on the economic merit of a specific transaction, as well as its development impact on the host country and the South African economy. The large contingent of South African companies doing business on the continent attests to the merit of the IDC's investment in its rest of Africa strategy.

Despite the abundance of opportunities on the continent, a number of persisting challenges that are detrimental to investors looking for a foothold in Africa.

Some of these challenges, which have also affected the IDC, include:

- Difficulty in ensuring that projects the IDC is requested to finance contain sufficient local (South African) content, given that South African goods and services are not always sufficiently competitive in a regional or international market place
- A slow uptake by South Africans to doing big business in the rest of Africa (particularly in respect of large infrastructure and manufacturing projects)
- Unscheduled cost overruns and project implementation delays due mainly to various bottlenecks in host countries
- The re-emergence of sporadic security threats due to an increase in global terrorism
- Protracted bureaucratic processes to obtain an investment licence.

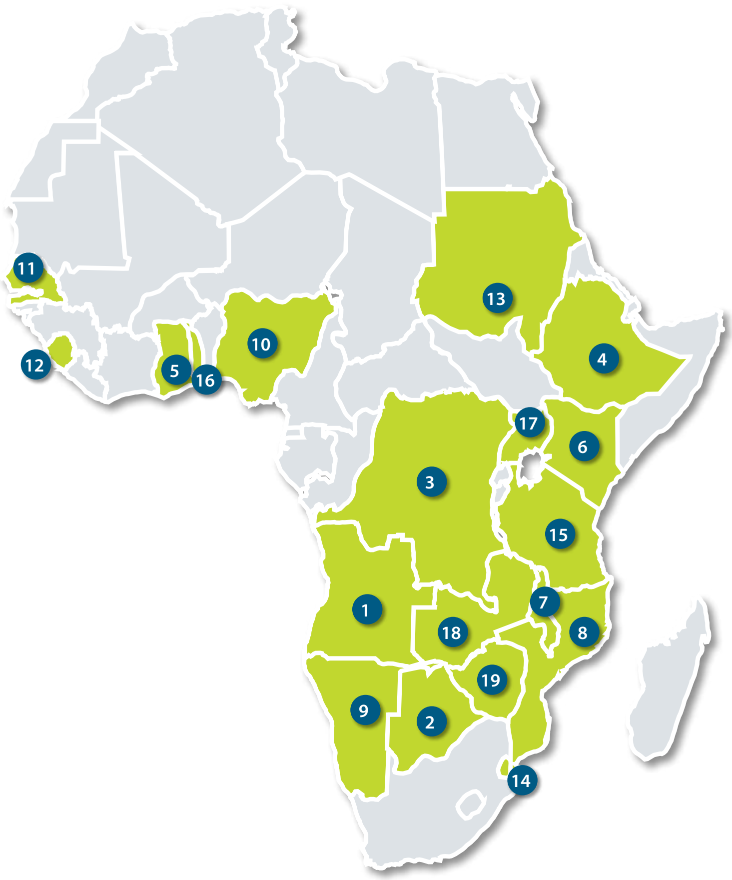
Case study

Cimentos da Beira, a cement production plant still under construction in the Mozambican port city of Beira, is majority-owned by Consolidated General Minerals (CGM), a consortium of investment companies.

As part of its entry into the cement market, CGM designed and is constructing a clinker grinding and cement packing plant in Beira. The IDC invested a significant amount in this project, which is aligned with its strategy of supporting projects that increase industrial capacity in the infrastructure chemicals sector, both in South Africa and the rest of the continent.

The plant has a design capacity of 800 000 tons a year and will supply quality cement at a reasonable price to the growing local market and certain export markets in landlocked Zimbabwe, Zambia, Malawi, as well as the mineral-rich Katanga Province in the DRC. The prospect of business success for Cimentos da Beira is good, given the rising demand for cement due to an increase in infrastructure development across the continent. Most importantly, however, is that this project is certain to create jobs for the local Mozambican population.

The IDC's footprint in the rest of Africa in March 2014



	Country	Sector description
1	Angola	• Electrical contracting
2	Botswana	• Hotels
3	Congo (DRC)	• Restaurant (franchise)
4	Ethiopia	• Agro-processing (fruits) • Cement
5	Ghana	• Hotels • Power generation • Telecommunications
6	Kenya	• Agro-processing (sugar) • Power generation • DFI lines of credit
7	Malawi	• Agro-processing (tea and macadamia nuts)
8	Mozambique	• Forestry • Hotels • Cement • Agro-processing (sugar and bananas) • Mining and beneficiation (aluminium) • Power generation
9	Namibia	• Mining and beneficiation • Fabricated metal products • Power generation • Agro-processing (grapes and poultry) • Cement
10	Nigeria	• Hotels • Telecommunications
11	Senegal	• Infrastructure (airport and seaport)
12	Sierra Leone	• Agro-processing (bio-diesel)
13	Sudan	• Infrastructure (water)
14	Swaziland	• Agro-processing (cassava starch) • DFI lines of credit • Forestry and related products
15	Tanzania	• Agro-processing (sugar)
16	Togo	• DFI lines of credit
17	Uganda	• Hotels • Infrastructure
18	Zambia	• Fabricated metal products • Infrastructure (grain silos) • Healthcare (private hospital)
19	Zimbabwe	• Hotels • DFI lines of credit • Mining and beneficiation • Telecommunications • Healthcare

Ensuring financial sustainability

PROFITABILITY:	**R1.6 billion**
TOTAL ASSETS:	**R138.6 billion**

Chief Financial Officer's report

LA

Value-added statement (IDC Company) Figures in Rand million	2014	2013
Value created		
Net interest income	1 602	1 327
Impairment losses on loans, advances and investments	(1 789)	(2 268)
Other income from lending activities	846	748
Other investment income	2 760	3 253
Operating expenditure	(492)	(457)
	2 927	2 603
Value allocated		
Benefits to employees	843	801
Social spending in communities	113	74
To government as taxation and dividends	601	233
Taxation (including deferred tax)	551	183
Dividends to shareholders	50	50
Value reinvested in operations	1 370	1 495
Transfer to reserves (retained earnings)	1 354	1 470
Depreciation and amortisation	16	25
	2 927	2 603

Chief Financial Officer's report (continued)

Five-year financial overview – extract from the Group's annual financial statements

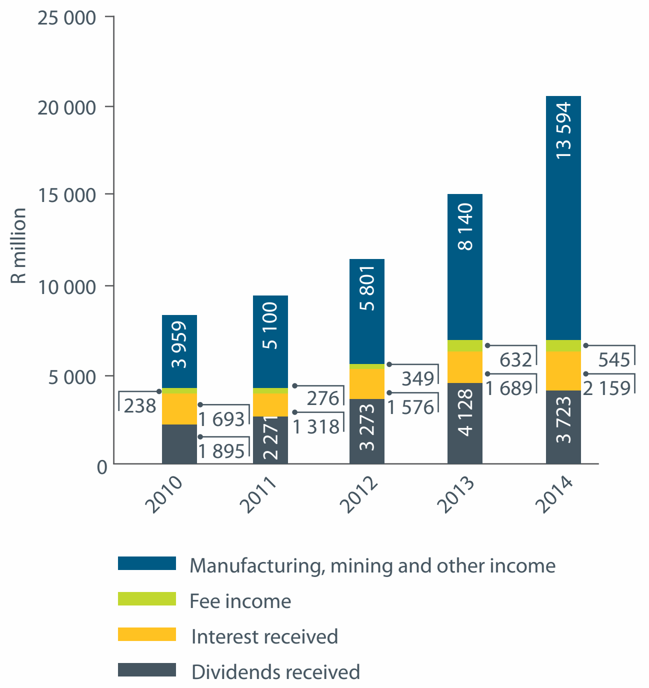
Figures in Rand million	2014	2013	2012	2011	2010
Statement of financial position					
Cash and cash equivalents*	7 877	9 009	7 825	5 828	2 866
Loans and advances	20 818	18 666	15 978	12 053	10 374
Investments	92 337	84 116	80 231	81 971	68 891
Property, plant and equipment	9 012	7 913	4 772	4 587	4 136
Other assets	8 549	7 181	3 424	2 367	2 364
Total assets	138 593	126 885	112 230	106 806	88 631
Capital and reserves	106 769	96 766	91 862	92 726	79 189
Non-controlling interest	215	174	331	342	366
Other financial liabilities	21 350	19 025	9 923	6 677	3 527
Other liabilities	10 259	10 920	10 114	7 061	5 549
Total equity and liabilities	138 593	126 885	112 230	106 806	88 631
Statement of comprehensive income					
Operating profit	2 513	2 447	3 412	2 285	2 008
Income/(losses) from equity-accounted investments	(310)	(466)	(2)	633	40
Profit before taxation	2 203	1 981	3 410	2 918	2 048
Taxation	(560)	(3)	(107)	(206)	181
Profit for the year	1 643	1 978	3 303	2 712	2 229

** To be utilised to fund commitments of R28 996 million.*

Revenue

Revenue for the year increased by 37% to R20 021 million from R14 589 million in 2013. This was mainly attributable to revenue of R6 452 million from a subsidiary acquired during the previous year, Scaw South Africa (Pty) Ltd (Scaw), which has been consolidated for the full financial year as opposed to only four months (R2 197 million) in 2013. Revenue from Foskor rose by 4% from the previous year to R5 113 million, mainly due to the favourable impact of the Rand/US Dollar exchange rate on selling prices. Interest income of R2 159 million was 28% above the previous year due to an increase in loans and advances and an increase in interest rates during the year. Dividends received were 10% below the previous year as a result of once off dividends received in the previous year from the redemption of certain investments.

Revenue



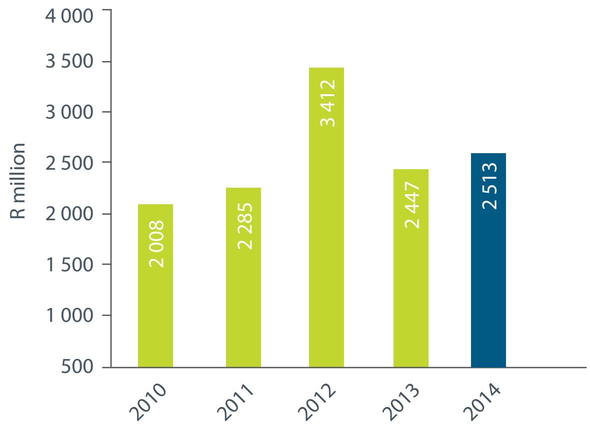
Operating profit

Operating profit for the year increased from R2 447 million in 2013 to R2 513 million in 2014, due mainly to a reduction in impairments. Impairments for the Group decreased by R139 million from R1 736 million to R1 597 million, despite the difficult trading conditions that continued to persist in the local economy. Financing costs increased by 49% to R1 026 million due to increased borrowings during the year. Operating expenses were well controlled during the year and although costs (excluding impairments) increased by 7% from R3 807 million to R4 089 million, this was due mainly to accounting for Scaw for only four months in the previous financial year.

During the 2014 year, the IDC received R231 million from the South African government to fund the Small Enterprise Finance Agency (sefa) (2013: R171 million).

The Export Credit Insurance Corporation of South Africa Limited (ECIC) operates an interest make-up scheme, through which participating lenders are compensated for interest rate risk, liquidity risk, basis risk and credit risk assumed in the funding of export credit loans insured by the ECIC. This is a scheme implemented by the government to promote exports of South African goods and services. The IDC received R36 million from the scheme in 2014 (2013: R78 million).

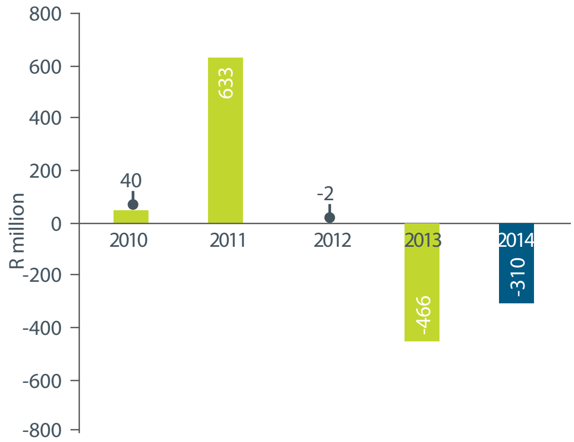
Operating profit for the 2010 to 2014 financial years



Income/(losses) from equity accounted investments

The performance of equity accounted investments has been under severe pressure in the last two years, accounting for losses of R466 million in 2013 and R310 million in 2014. These investments have been significantly impacted by downward pressure, especially on commodity prices as a result of the worldwide economic downturn.

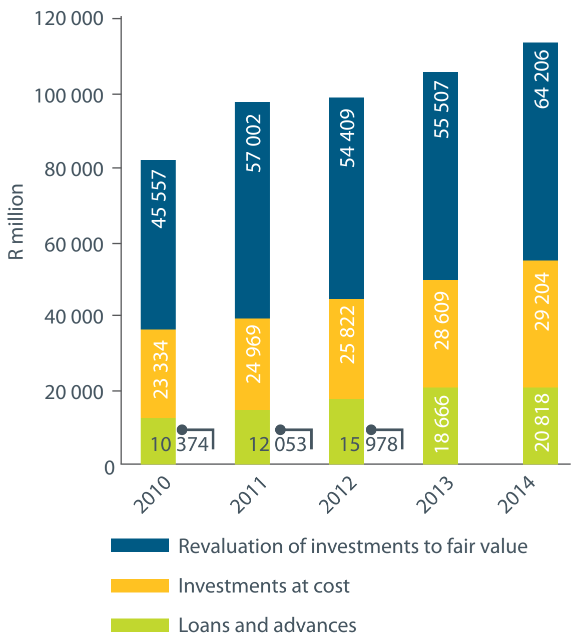
Income/(losses) for equity accounted investment for the financial years 2010 to 2014



Loans, advances and investments

The IDC advanced R11.2 billion in new loans, advances and investments during the year, down from R16 billion in 2013. This resulted in loans and advances growing to R20.8 billion (net of repayments) from R18.7 billion and investments growing from R28.6 billion to R29.2 billion (net of disposals and preference share redemptions). The revaluation of investments to fair value has increased from R55.5 billion to R63.1 billion, due mainly to the increase in the value of listed equities. The value of the IDC's unlisted investments generally decreased during the year, mainly as a result of weaker commodity prices.

Loans, advances and investments for the 2010 to 2014 financial years



Chief Financial Officer's report (continued)

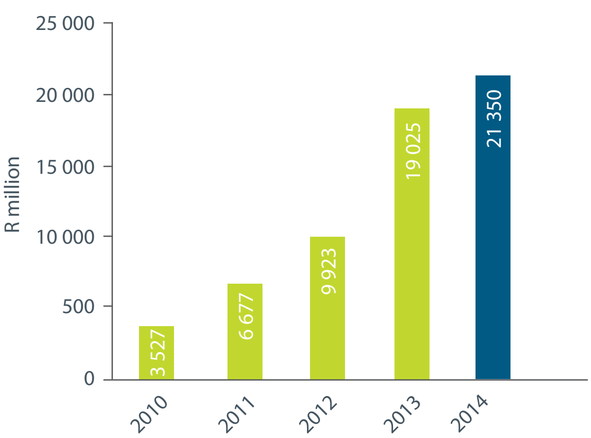
Borrowings

The IDC's borrowings portfolio has grown over time to support its objectives of industrialisation, which are in line with growth in loans and advances. Borrowings for the year grew to R21.4 billion from R19.0 billion in 2013.

In October 2013, the IDC marked a historic occasion when the Corporation issued a R1.5 billion public bond, the first under the IDC Domestic Medium Term Note programme (DMTN). The bond was 2.6 times over-subscribed and was issued over three, five and seven-year maturity periods. The three and five-year bonds are at variable interest rates and the seven-year bond is at a fixed interest rate. The success of the issuance indicated overwhelming investor confidence in the Corporation. The public bond issuance is part of the IDC's strategy to diversify its borrowing sources to meet growing financing requirements.

The IDC continues to utilise its traditional source of borrowings from development finance institutions such as Proparco, KfW, AfDB, AFD, EIB and China Development Bank, among others. The private placement bonds issued by the IDC to PIC (for green initiatives) and UIF (for creating and sustaining jobs) continue to be tapped, cementing the strong collaboration between these government entities and the IDC. Cumulatively an amount of R1 billion has been issued under the PIC bond and R3.5 billion under the UIF bond. Overall, the debt activity during the year includes R6 958 million sourced from commercial banks, DFIs and bond investors, while repayments amounted to R4 648 million. The IDC continues to service its debt, while maintaining excellent relationships with its lenders and investors.

IDC borrowings for the 2010 to 2014 financial years



Total assets, capital and reserves and debt/equity

Total assets grew from R126.9 billion in 2013 to R138.6 billion in the current year, *inter alia* as a result of increased advances. The IDC's borrowings have grown accordingly. The higher debt levels resulted in a marginal increase in the debt/equity ratio from 19.7% in 2013 to 20.1% in 2014.

The IDC's total assets, capital and reserves (R million) and the debt/equity percentage for the 2010 to 2014 financial year

Future performance

The IDC expects 2015 to be a challenging year as a result of the continued sluggishness of the economy, with a slightly negative impact on profitability going forward. However, the IDC's balance sheet remains strong and the Corporation intends growing its balance sheet further during the next five years, with advances of between R76 billion and R102 billion in total over that period. This will be funded mainly from borrowings of between R54 billion and R84 billion and share sales of up to R2 billion, with the balance being funded through internally generated funds. Gearing levels are expected to increase over the next few years, in line with the strategy to utilise more debt funding. The IDC remains well-placed to make a meaningful impact on the economy and job creation specifically, in the years ahead.

Risk profile of the IDC's book

Credit risk

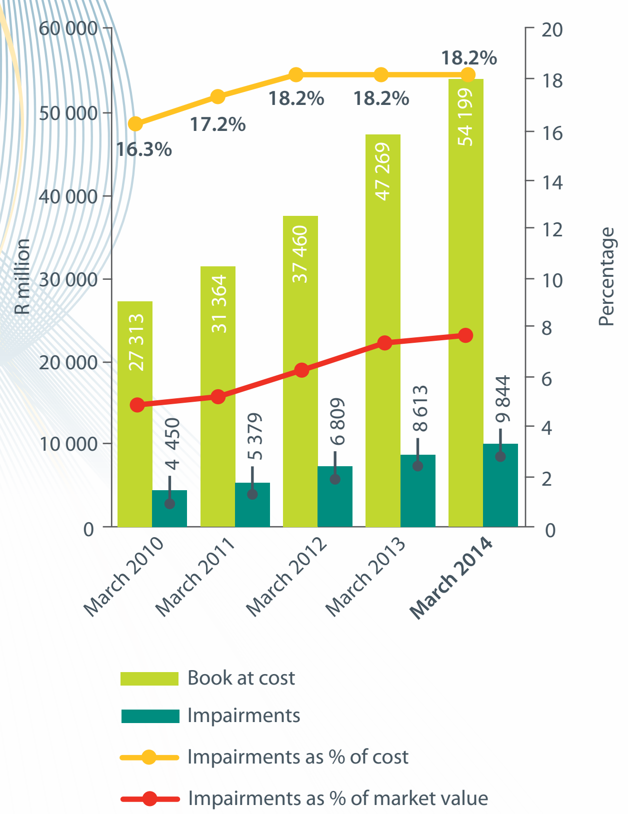
Impairments

The IDC's level of impairments has increased steadily over the past five years, with the ratio of impairments as a percentage of the portfolio at cost rising from 16.3% in March 2010 to 18.2% in March 2014. Despite the rising trend, the level remains within the threshold approved by the IDC Board.

The increasing impairment levels are aligned with the IDC's risk appetite and its role in supporting high-risk sectors and businesses unattractive to commercial financiers. The trend also reflects the IDC's renewed focus on funding early stage projects and start-up operations. Despite the rising trend in cumulative impairments, the impairment charge to the income statement of R1.8 billion for the year ended 31 March 2014 was 21% lower than the charge reported in 2013.

The main reasons for impairments included the change in commodity prices and deterioration in trading conditions. The IDC's Mining, Forestry, Textiles and Metals business units contributed significantly towards the increase in impairments.

Impairments



Write-offs

The IDC writes off investments when the exposure is considered unrecoverable and all viable turnaround and restructuring options have been fully exhausted.

During the financial year to 31 March 2014, the total amount written off, net of recoveries, increased by 10% to R519 million, compared to R470 million for the 2013 financial year. The average amount written off over the previous four years, from 2009 to 2012, was R417 million.

The Metals (25.5%), Venture Capital (22%) and Agro (16.9%) SBUs accounted for the majority of the write-offs. The major write-offs occurred as a result mainly of management and marketing challenges, particularly an inadequate marketing focus and consequent inability to penetrate the market.

Capital at risk

Capital at risk is defined as total capital outstanding (excluding commitments) for facilities with capital repayments in arrears of more than 60 days. Capital at risk for the year ended 31 March 2014 amounted to R6.2 billion (12% of cost), an increase of 3% from 31 March 2013. As at 31 March 2014, R1.1 billion of the total capital at risk was attributable to the Mining SBU. The sector was plagued by industry-wide industrial action and volatility of commodity prices.

The second largest contributor was the Metals and Machinery SBU, where business partners are also indirectly affected by the instability of the mining industry and the slow-recovering automotive industry. The IDC has various safeguards in place to manage and review the level of capital at risk. The IDC Investment Monitoring Committee (IMC) meets on a quarterly basis to follow up on clients in this category and recommend a course of action to protect the IDC's interests.

The IDC's Post Investment Monitoring Department (PIMD) actively monitors these clients and recommends either restructuring the facility, should there be economic merit to do so, or instituting legal action in an attempt to recover outstanding monies.

Unlisted equity investments

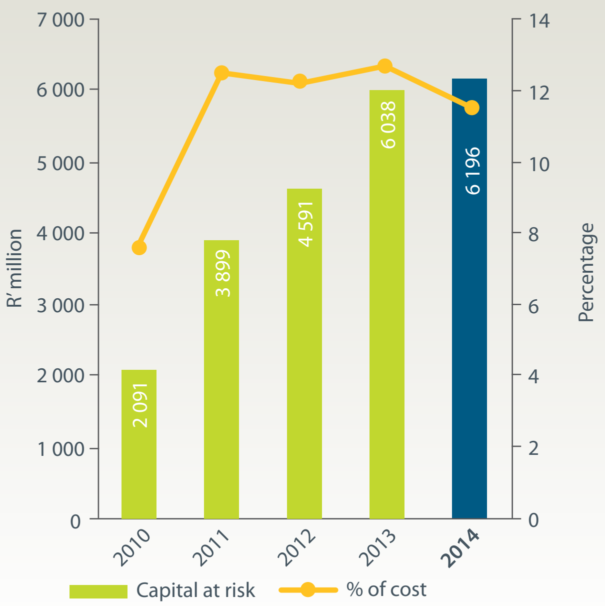
The IDC's private equity portfolio as at 31 March 2014 includes ordinary shares, preference shares, interest-free shareholders' loans and quasi-equity loans.

For the period ended 31 March 2014, the overall number of private equity investments amounted to 477 with a fair value of R32.2 billion (2013: R32.2 billion). The decline in the fair value of some investments for the year has been offset by new investments made.

Commodities account for 75% of the fair value of the private equity book, while four of the larger clients account for 35% of its fair value.

Risk profile of the IDC's book (continued)

Capital at risk



Clients at Workout and Restructuring (W&R)

The primary objective of W&R is to minimise the risk of failure of the IDC's business partners. The IDC proactively identifies high-risk business partners who are financially distressed or unable to meet their financial commitments. W&R applies suitable and practical commercial solutions, such as restructuring and turnaround (R&T), to minimise the risk of failure. These include business rescue interventions for clients with a reasonable prospect of being viable and thus qualifying for rehabilitation.

Restructuring is provided to qualifying clients who require the restructuring of their balance sheets, stemming mainly from cash flow constraints. Turnaround efforts are provided to clients who require major operational interventions. When the financial failure or liquidation of a business partner is inevitable, W&R optimises the financial recovery of IDC exposure through the sale of assets financed by the IDC, as well as through settlements from clients and related parties.

The W&R portfolio increased by 15% from R8.7 billion to R10 billion as at 31 March 2014, representing a total of 329 clients (2013: 283). The W&R portfolio represents 18% of the total IDC portfolio at cost and 21% of the total number of IDC business partners.

For the year under review, the W&R portfolio of R10 billion comprised mainly of Mining (18%), Textiles (18%), Media (13%), Metals (12%) and Agro (11%).

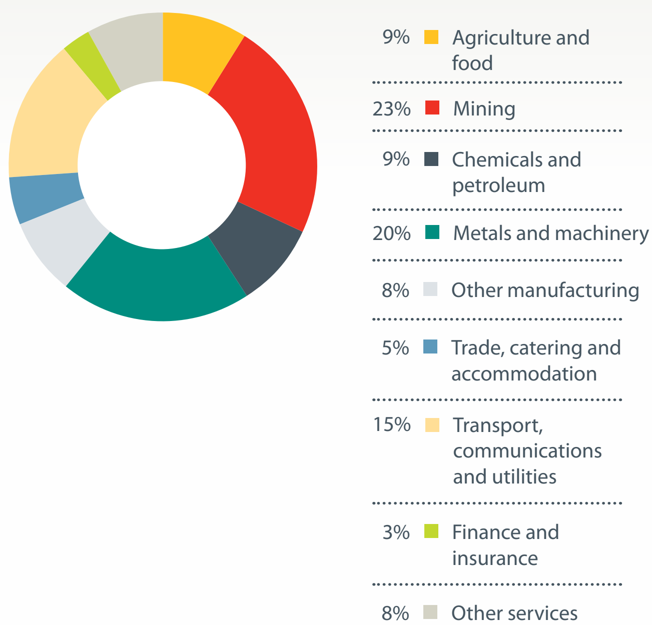
Concentration risk

Sector concentration remains one of the key strategic priorities of the Corporation. The manufacturing sector declined from 44% of the total portfolio in 2013 to 37% in 2014. This is a direct result of significant investments in the Green economy over the past two-and-a-half years, as well as investments by the Strategic High Impact Projects (SHIP) business unit.

Exposure to the mining industry declined to 23%, compared to 30% in the previous year. The main driver of portfolio diversification is the annual Board-approved capital allocation process, which allocates capital among different SBUs over a five-year period.

Additional safeguards against concentration risk include the sector and counterparty limits guidelines and the monitoring of the IDC's portfolio by the Corporate and Portfolio Management Department.

Sectoral concentration*



**Measured in line with standard industrial classification cluster.*

Commodity concentration

The IDC has made significant progress in diversifying its portfolio from resources to non-resource-based investments. This shift is intended to limit the IDC's exposure to factors beyond its control, such as market and labour volatility, while improving its ability to exercise its developmental mandate.

The IDC's continued support for non-resource-based investments in the Green economy, agro-industries, financial services and other manufacturing sectors has increased the non-resources sector to 47% of the existing IDC portfolio.

Financial product concentration

The total market value of the IDC portfolio (including commitments) increased by 17% to R170 billion for the 2014 financial year (2013: R145 billion). This was due mainly to a number of large transactions approved in the Green Industries, Mining and

Risk profile of the IDC's book (continued)

Chemicals SBUs. The book at market value is dominated by equity (both listed and unlisted, representing 67% of the portfolio, with the remainder attributable to loans (33%).

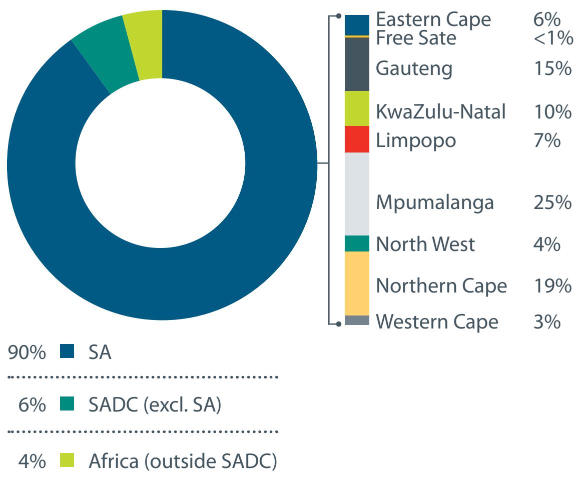
The IDC's position in development finance requires the Corporation to assist distressed companies and start-up entities, as well as support and grow traditionally marginalised industries. The IDC has applied a number of models designed to widen the funding pool and distribute the risk to achieve this. The IDC has also participated in syndication with other banks and financial institutions that prefer senior debt funding.

Regional concentration

The IDC continues to diversify its regional funding profile from being historically concentrated in the developed regions (Gauteng and Western Cape) to other less developed provinces. The Gauteng portfolio has reduced from 37% to 15% over the past year, while investments in Mpumalanga increased from 17% to 25%, as a result primarily of investments in mining and healthcare. Significant investments made in Green industries in the Northern Cape increased the IDC's footprint from 2% in 2013 to 19% for the reporting period.

Investment in the rest of the continent is driven by the IDC's 'Rest of Africa Engagement Strategy' and managed through our investment criteria and regional investment limits, including country boundaries.

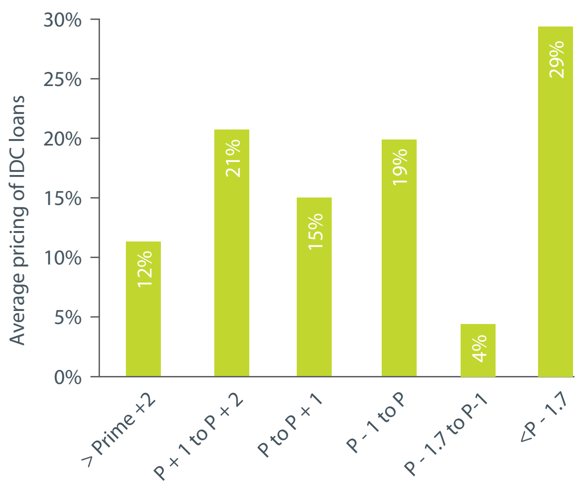
Regional concentration



Financial return-risk

Sources of income

The IDC's dividend income of 53% affirms the strategic importance of its portfolio. A major part of the IDC's balance sheet consists of large, mature, listed investments, which imply some dependency on market sentiments and the cyclical nature of such sources of income.



Pricing

The majority of IDC loans are priced below prime, which reflects strongly the developmental role of the IDC as a financier of higher-risk ventures.

The IDC uses a cost-plus pricing calculation, which recognises development impact and financial return for risk taken. In addition to accommodating industry dynamics, the income generated by the loan portfolio covers at least the cost of borrowings, impairments and a substantial portion of operating costs.

Loan tenure

The bulk of IDC loans (48%) have a tenure of between five and ten years, followed by an interval of between one and three years (19%), while 16% of the loans are repayable in more than ten years. The average tenure across all business units is six years. It is important to monitor loan tenure to avoid a mismatch between borrowing and lending terms.

IDC initiatives

A key focus area of the Corporation's Leadership in Industrial Development Strategy is to retain a robust balance sheet that delivers the funding required to make a meaningful impact in the IDC's targeted industries over the next five years.

Initiatives to ensure long-term financial sustainability within an acceptable risk profile include:

- Stratify investments to take cognisance of different risk profiles and ensure that the returns of these investments are in line with the risks taken
- Structure investments to increase direct equity returns
- Reduce impairments to remain within risk appetite levels
- Ensure that the interest and fees generated from the IDC's loan portfolio are appropriate and the level of cross-subsidisation is reduced
- Increase sourcing of lower cost funding
- Improve portfolio management
- Increase measures to manage concentration risk in the portfolio.

Sustainability framework

IDC sustainability strategy

The case for sustainability

The IDC's sustainability framework is a tool which guides the organisation's sustainability journey. Seen from the IDC's perspective, sustainability is economic and social development that does not erode social and environmental value.

We are conscious that business cannot achieve success in undeveloped communities and that companies should behave responsibly to gain and return public trust in the communities in which they operate. This is fundamental to our mandate and the reason for our decision to formulate a sustainability framework as a basis for our sustainability strategy. We have identified a number of sustainability focus areas for the years 2013 to 2016, which we will co-ordinate to achieve maximum impact.

During the year under review, we assessed our key business drivers, risks and opportunities to identify priorities for our sustainability strategy. We have since achieved the following:

- The IDC's strategy is woven around the five capital model and takes the King III and GRI requirements into account
- A more regular, participative approach was used to determine material issues
- The material issues are aligned with the IDC strategy.

The IDC's sustainability strategy is incorporated into our corporate strategy.

Natural capital – we aim to reduce the IDC's natural footprint, promote environmental stewardship to business partners and reduce industry's negative impact on the environment. We understand our potential influence on good business practices and the impact of our decisions on natural capital. Performance in this regard relates to our carbon footprint, water usage and funding of energy initiatives. In the long-term, we will look at how to influence greater transparency regarding environmental impact in our business partners.

Social capital – we aim to promote effective governance and good ethical conduct, increase industrial development impact, improve customer satisfaction and align community spend with the development imperatives of the country. Performance in this regard relates to the number of jobs created, value of funding in rural areas, initiatives to maintain governance, customer satisfaction index, community trust funding and corporate social investment spend. In future, we will look at how we can build stronger communities around the projects that we fund.

Human capital – we will develop our capacity to serve the IDC's customers effectively and fulfil its mandate to government. We will increase the capacity of our partners through business support.

Manufactured capital – we can have a positive impact by enhancing the efficiencies of manufactured capital to gain maximum value from our investments.

Financial capital – as a responsible financier, we aim to continue with considered investments to ensure our sustainability for many generations to come.

The priorities or key performance indicators for the different capitals are aligned with our material issues discussed in pages 20 to 21 and reported throughout this document.

Since the cross-cutting nature of sustainability requires time for it to become entrenched within an organisation, we have used this past year to create the baseline. We have also established a working group with representatives from different departments, to work on the indicated capitals. The departments are collaborating to ensure that we achieve our objective. The resultant clarity on how we are going to achieve our sustainability outcomes is encouraging. The Board Risk and Sustainability Committee, whose role is discussed in detail on page 150, oversees the work of the different departments.

Investing in human capital

People growth and development

Delivering through our people

The passion, commitment and enthusiasm of our people drive the IDC's contribution to extending industrial capacity and developing our country. We deliberately recruit, develop, recognise and reward a talented workforce that is as diverse as the industries and sectors we support.

The IDC's performance-driven corporate culture is embedded in a work environment that encourages our people to continuously enhance their capabilities and strive towards performance excellence.

People growth and development (continued)

Our talented workforce

During the reporting period, the IDC experienced year-on-year net growth of 2% in its workforce. The majority of our employees (75%) are professionally qualified specialists who fulfil roles in the executive, management and professional bands.

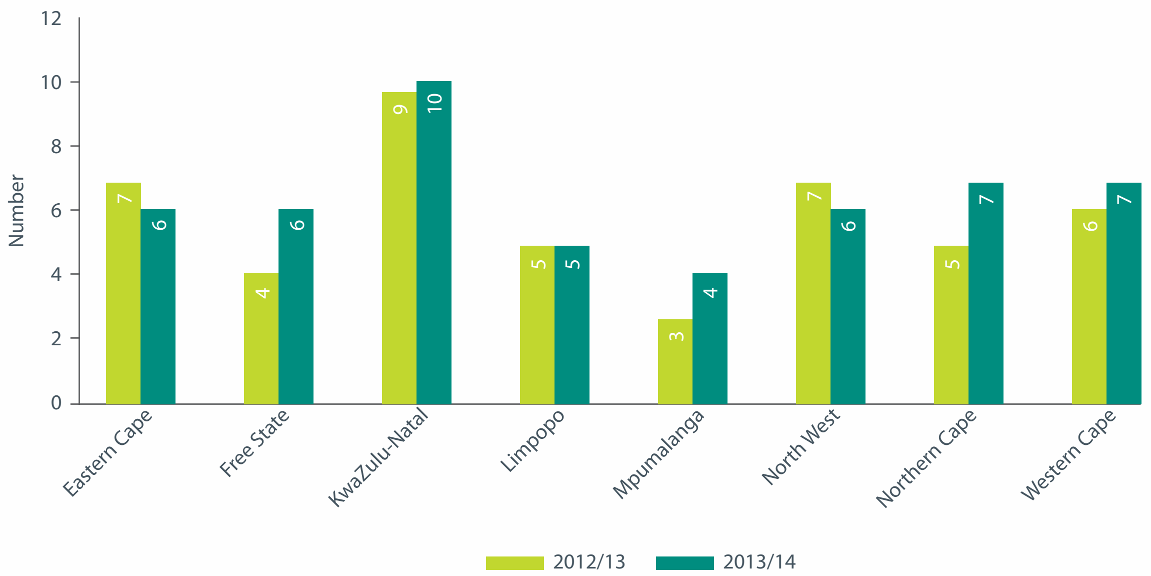
Employee composition by band

Employee subgroup	Band	Headcount as at 31 March 2014	Headcount % per band as at 31 March 2014	Headcount as at 31 March 2013	Headcount % per band as at 31 March 2013
		828	100	812	100
Executive management	E band	9	1	9	1
Senior management	M1 and M2 band	50	6	51	6
Management	M band	226	27	215	27
Professional staff	P band	340	42	341	42
Administrative staff	A band	192	23	186	23
Support staff	S band	11	1	10	1

The staff complement of 828 employees comprises 804 full-time permanent employees, while 24 employees are on three-year fixed term contracts, of whom 12 manage the IDC's child care facility and 12 are trainee accountants on a chartered accountant learnership. Of the 24 employees on the three-year fixed term contracts, 75% are female and 25% are male. In addition, in the period under review, the IDC utilised the services of three temporary employees (one female and two males).

The IDC is represented nationally through its regions to respond to region-specific business needs and opportunities. Our regional staff complement increased by 11% overall (2013: 24% overall). The number of staff per region is reflected in the figure below.

Regional staff representation excluding head office employees



People growth and development (continued)

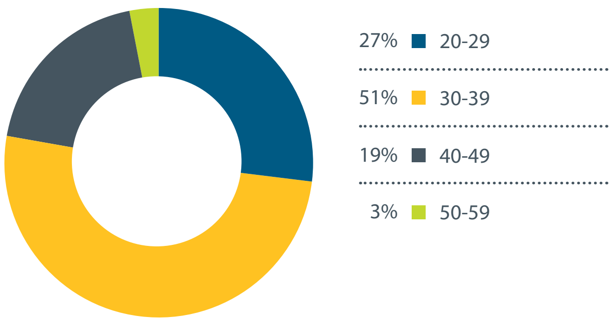
Attracting and retaining the best people LA

Recruiting and retaining the best people in a market environment with a shortage of skilled and experienced staff who are increasingly mobile, remains critically important. The right people at the right time will ensure that the IDC delivers against its mandate of extending industrial capacity to drive development.

Staff movement numbers over the last three financial years (2011/12 to 2013/2014)

Total IDC	Actual end March 2014	Actual end March 2013	Actual end March 2012
Employees at start of period	812	768	737
Added: Recruitment	74	92	88
Lost: Resignations	(53)	(35)	(46)
Lost: Deaths	0	(1)	(1)
Lost: Retirements	(3)	(6)	(9)
Lost: Dismissals	(1)	(4)	(1)
Lost: Ill-health	0	0	0
Lost: Expiry of contract	0	(1)	0
Lost: Other (deployment to subsidiaries)	(1)	(1)	0
Total employees at end of period	**828**	**812**	**768**

Age groups of employees appointed during the 2013/2014 financial year



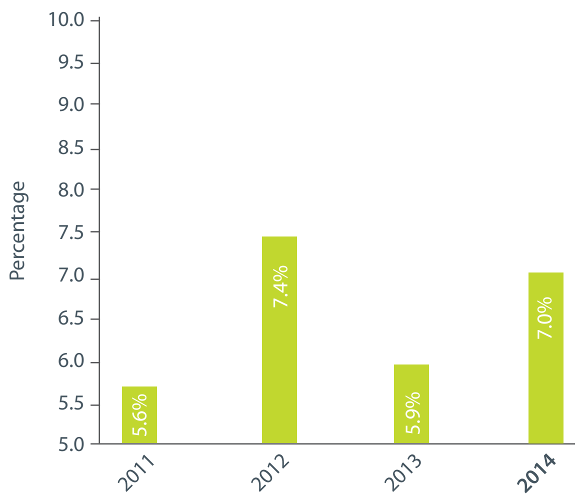
During the period under review, 78% of new employees were in the 20-39 age group. Our recruitment decisions were aligned with the deliverables of the IDC's employment equity plan to enhance workforce representivity and inclusivity. During the reporting period, 95% of new employees were from designated groups, which include African, Coloured and Indian male and female individuals and White females.

Aligned with our emphasis on gender representivity, females accounted for 66% of employees recruited during the past year, while 66% of all new appointments during the same period were at the professional/specialist, management and executive levels to give effect to our strategic objectives.

Staff turnover

Staff turnover increased by 1.1% during the past financial year, with an average turnover rate of 6.8% for the past three financial years (2011/12 to 2013/14). This compares favourably with the average turnover rate of 14.4% in the financial sector nationally. Employees in specialist/expertise, management and executive roles accounted for 5.0% of the turnover experienced during the reporting period.

Average staff turnover for the period 2011 to 2014



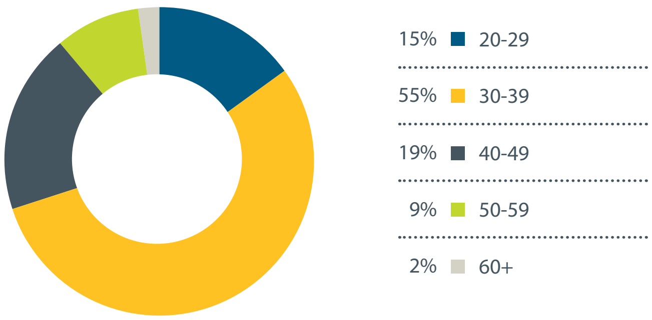
People growth and development (continued)

Resignations included employees at the professional level and upwards (82%), those at head office (96%) and in the regions (4%) and female employees (58%). The loss of female employees contributed to the focus on appointing female staff during the past year.

The loss of staff in the 30-49 age group (74% of all resignations) again highlighted the demand for and mobility of skilled and experienced resources in the marketplace.

Turnover by age group

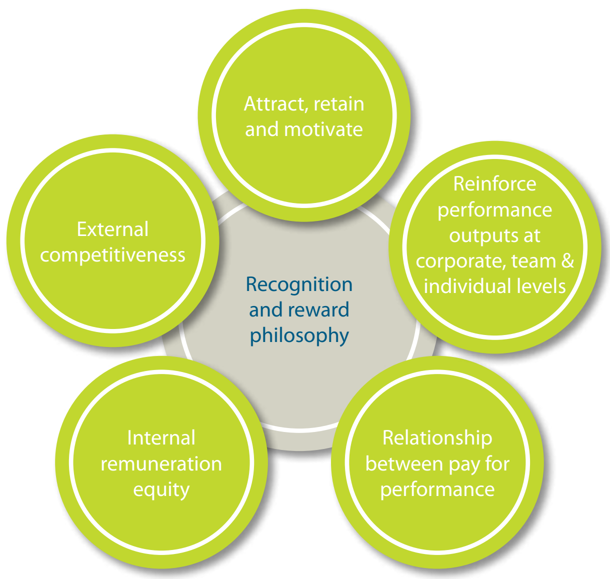
Staff turnover according to age group for the 2013/14 period



A well-developed, articulated and compelling 'people promise' is integral to the IDC's ability to attract and retain the best people. This value proposition is designed to appeal to existing employees and convince potential employees to join the IDC family. The 'people promise' also intends to differentiate the IDC from other employers and position the Corporation as an employer of choice.

Recognition and reward philosophy

The five pillars of the IDC's recognition and reward philosophy



Our reward and recognition philosophy complements our employee value proposition, supports the IDC as an employer of choice and enhances our ability to attract and retain a talented workforce.

As prescribed by our remuneration philosophy, employees are remunerated fairly, equitably and consistently, based on individual performance, market remuneration trends, the relative value of each position within the IDC and societal inequality.

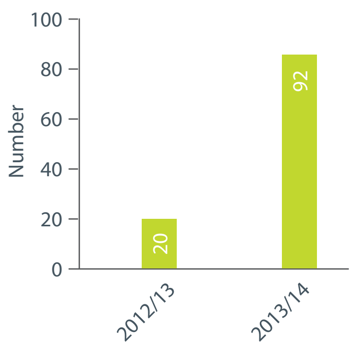
The IDC benchmarks its remuneration practices annually to attract and retain the best people. Detailed remuneration information by occupational level, gender and location is shared with senior management to address within their respective divisions.

In addition to the normal statutory benefits such as leave, we support our staff with benefits such as a provident fund, medical aid, insured benefits (death and disability), child care facility, gym, formal study support (bursaries), performance incentive schemes, canteen facilities, vehicle and household insurance through the IDC's insurers and various IDC loan facilities. Employees on the three-year fixed term contracts enjoy the same benefits, with the exception of participation in the IDC's incentive schemes. Incentive schemes are aligned to measure IDC's achievement of its long-term objectives. All other temporary employees are provided with all statutory benefits stipulated in the Basic Conditions of Employment Act, 75 of 1997.

We acknowledge employees who exceed expectation through e-Wards, a tailored recognition programme implemented for the first time in the previous financial year. The use of e-Wards has more than doubled since its inception in 2013 and is a positive way for employees to recognise their colleagues.

Recognition programme

The number of e-Ward recipients during the 2012/13 and 2013/14 financial years



Staff remuneration and related costs as a % of total expenditure for the IDC are reflected in the related table.

People growth and development (continued)

Staff costs for the 2012/13 and 2013/14 financial years

Financial year	Total expenditure for the entity (R million)	Staff costs* (R million)	Staff costs as a % of total expenditure	Number of employees	Average staff cost per employee (R'000)
2013	3 625	801	22.1%	812	986.5
2014	3 253	843	25.9%	828	1 016.9

** Staff costs include normal salaries, bonuses, provident fund contributions, training and other staff and salary-related costs.*

The table below reflects the IDC's performance against objectives set to attract and retain talent during the reporting period, as well as future plans in this regard.

Performance against staff attraction and retention objectives during 2013/14

Objectives	Progress	Future objectives
Communicate employee value proposition ('people promise') internally and externally	Developed a 'people promise' approach and communication plan aligned with and integrated in the corporate communication strategy	Embed internal and external 'people promise' (EVP) through a focused and continuous communication strategy Update careers website to reflect 'people promise' externally Evaluate impact of 'people promise' on staff recruitment and retention
Attract and grow core operations skills	Trained 13 business analysts through the operations training programme	Increase the supply of qualified dealmakers
Ensure appropriate reward and recognition mechanisms are in place	Increased the use of e-Wards recognition platform Conducted annual remuneration benchmark	Review, enhance and align reward, performance and benefit strategies to the IDC's long-term strategy
Enhance talent sourcing strategies	Implemented employee referral programme Investigated online and social talent attraction platforms	Implement cost-effective online and social talent platforms Optimise internal process efficiencies
Retain and transfer organisational knowledge (knowledge management)	Implemented the re-aligned knowledge management strategy in IDC operations Focused knowledge management outcomes in core business (operations) and targeted support areas to share and retain knowledge	Enhance platforms to: • Harvest/extract expert knowledge • Share corporate intellectual knowledge • Record successes and failures and implement lessons learnt programme

Managing and supporting our talent

The performance of our employees to their fullest potential enables the IDC to deliver on its mandate. This requires a work environment in which employees feel 'connected' and can work productively.

Employee engagement

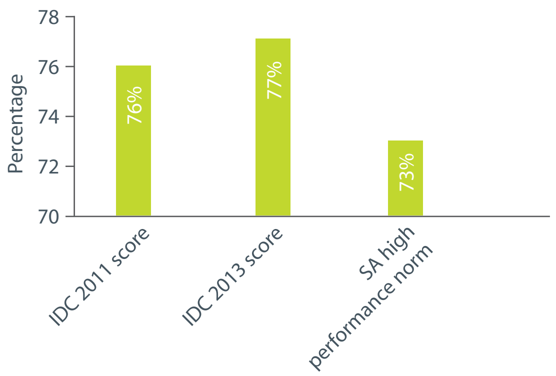
Employee engagement is the extent to which employees commit to the organisation, work effectively and remain at the Corporation as a result of that commitment. In November 2011, the IDC embarked on a continuous improvement strategy that independently measures the levels of employee engagement. We identified the key strengths and challenges that affect employee interaction, developed action plans and monitored the improvement in employee engagement. A second survey was conducted in January 2013 to monitor progress, which resulted in a 1% improvement in the overall employee engagement index. The employee engagement

People growth and development (continued)

survey is available to all permanent employees to complete. The survey of employees conducted in 2013 resulted in a response rate of 81% (2011: 69%).

Employee engagement entails not only what people do but how they do it. Managers are engagement conduits who build trust with employees through open communication. Within this context, our aim is to create a culture that promotes positive engagement by providing the tools and support to enhance engagement.

Employee engagement index



The mostly positive survey results did indicate various areas for continued improvement and focus going forward. This is achieved by sharing results divisionally with management and all employees, as well as reviewing and tracking detailed Corporate and Divisional action plans that support the employee engagement process. Improvements in this regard will be evaluated in subsequent surveys.

Talent management and succession planning

The primary objective of our talent management strategy is to ensure that the IDC develops and retains critical skills to effect its mandate and ensure business continuity. We regard talent management as the systematic acquisition, development, deployment and engagement/retention of talent that is critical to the Corporation. As such, the IDC has adopted an integrated talent management approach. Talent is aligned with the criticality of key positions which, if not filled, will impact the IDC's operations.

The Corporation re-evaluates the identification and management of its talent pool annually. This is done to create a sufficient talent pipeline for critical roles and ensure that appropriate short- and long-term succession plans are in place. Potential successors and employees with high potential are identified for focused development and considered for future leadership roles.

During the year under review, employees with high potential, as well as managers and leaders, participated in various development initiatives. A tailored and needs-specific development approach was developed and approved for implementation in the forthcoming financial year. The roll-out of competency assessments for identified high potentials (HIPOs) and potential successors will be prioritised through approved development platforms.

Staff appraisals and development plans LA

The IDC uses staff performance appraisals and development plans to manage its talented workforce and ensure that employees contribute effectively. Overall, 97% of staff completed performance and development reviews. The tables below provide a breakdown of employees by gender and occupation levels (including foreign nationals), who have concluded the process.

Female employees by band for the 2013/14 period

Female (429)	S band	A band	P band	M band	E band
Number of staff	3	159	171	93	3
Percentage of staff who completed performance and development reviews	100%	91%	98%	100%	67%

Male employees by band for the 2013/14 period

Male (399)	S band	A band	P band	M band	E band
Number of staff	8	33	169	183	6
Percentage of staff who completed performance and development reviews	100%	100%	99%	100%	100%

Driving a team and performance-based culture

Improving business performance requires effective, agile and high performing teams. The IDC is a team-based organisation and continuously implements initiatives that enhance this team-orientated culture. During the past financial year, we used a customised intervention to build the effectiveness of natural teams, support team performance, enhance engagement levels and instil the cooperation culture in teams.

During the final quarter, we also initiated "Project SHIFT", a strategic initiative developed to transform the existing corporate culture into a desired future culture that will take the IDC to the next level of business growth. A concerted "shift" in employee behaviour is required to align the IDC with high performance organisations and enhance the Corporation's contribution towards the country's industrial development.

Supporting employee health and wellness

As a responsible employer, the IDC implemented a comprehensive health and wellness strategy to create awareness and educate employees about personal wellness. The employee wellness programme (EWP) is designed to enhance employee health and wellness through the prevention, identification and resolution of personal and family problems.

The IDC partnered with ICAS Southern Africa to provide employees and their immediate family members with wellness services. The staff uptake of this service increased by approximately 5% to just over 50% at the end of the reporting period.

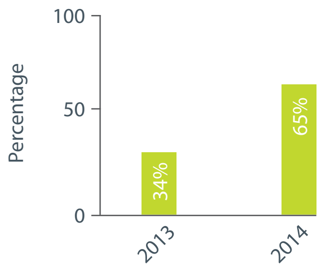
People growth and development (continued)

Preventative medical management programme

This programme provides annual medical screenings to encourage our management team and all employees over the age of 40 years to adopt healthy and productive lifestyles and proactively manage their health risks. A focused drive to create awareness about the benefits of this service has seen an increased year-on-year uptake of 31% by eligible employees.

Medical management utilisation

The utilisation rate of medical management services for the 2013 and 2014 periods.



Additional initiatives included the establishment of a mother's room for returning breast-feeding mothers and hosting of an employee Health and Wellness Day at which the participation rate increased by 31% compared to the previous financial year. Voluntary counselling and testing for HIV/Aids increased by 30% among staff who attended the Health and Wellness Day. The IDC also observed other key national health/calendar events in particular World Aids Day, Heritage Day and breast cancer awareness events.

LA Managing finances and retire fit training

The IDC will make retire fit training available to assist employees to plan effectively for retirement. In addition, employee wellness support through the IDC's appointed service provider (ICAS) is available to counsel and advise employees preparing for retirement. Guidance and advice about financial management for retirement is available through our Remuneration and Benefits Unit and appointed financial advisor.

Managing employee relations

During the period under review, the IDC dealt with 14 (2013: 17) employee relations matters to ensure that employee conduct and behaviour is managed effectively. Disciplinary action taken is reflected in the related table.

Disciplinary action taken during the 2013 and 2014 periods

Nature of disciplinary action	Number of disciplinary matters 2013	Number of disciplinary matters 2014
Verbal warning	2	1
Written warning	11	10
Final written warning	0	2
Dismissal	4	1
Total	17	14

In addition to creating awareness about serious misconduct that results in dismissal, all such matters are communicated internally to act as a deterrent to potential misconduct by employees. Line managers are required to manage and engage employees about their concerns. Failure to resolve these can be escalated within the leadership structure. In addition to the available mechanisms to address staff concerns, formal employee grievance processes can be followed.

The IDC's well-communicated employee relations policy, which is available to all employees via the staff intranet governs the management of employee grievances and is aligned with the Labour Relations Act, 66 of 1995. Relevant stakeholders, particularly line managers and the Human Capital Employee Relations unit ensure that due process is followed in managing employee grievances.

During the reporting period, employees benefited from comprehensive employee relations training, while new employees were acquainted with the employee relations policy as part of their induction process.

The IDC managed and resolved three formal grievances during the past financial year. All matters were resolved by the end of the reporting period, while no grievances from the previous financial year had remained unresolved. LA

Any matter whereby potential involvement in unethical business conduct, such as fraud and/or corruption, is suspected can be reported using the IDC Tip-Offs anonymous hotline.

The IDC is a non-unionised environment with no recognised collective agreements with any union. Minimum notice periods for operational changes are therefore not applicable.

Certain IDC subsidiaries (particularly Foskor and sefa) are unionised environments. Notice periods have to be adhered to in line with the agreed and negotiated collective agreements. Similarly, should they compromise the right of employees to exercise freedom of association, the operational activities of IDC subsidiaries may be severely impacted. Each entity is managed by a Board of Directors and an Executive Management team that ensures proper governance and management of employee relations matters. Progress against specific objectives to support the management of talent, as well as future plans, is detailed in the table on the next page.

People growth and development (continued)

Progress against talent management objectives during 2013/14

Objectives	Progress	Future objectives
Drive employee engagement	Communicated 2013 results throughout the business Aligned 2011/2013 results and action plans; monitoring and implementation in progress	Monitor and implement action plans to enhance employee retention and a high performance culture Conduct employee engagement survey to track progress
Manage talent and succession planning	Conducted 2014 review of employees with potential and potential successors and reviewed succession plans Finalised development and obtained approval of tailored and customised leadership development programme/s Developed automated talent management system	Implement approved customised leadership development programme/s Roll out automated talent management system Define future talent capabilities required for management and leadership talent pipeline
Drive IDC team and performance-based culture and team capabilities	65% of natural teams completed the team effectiveness initiative Developed sustainability plan with internal capacitation to drive initiative going forward	Facilitate team engagement sessions to enhance performance and support key business drivers Measure impact and return on investment Define the desired future culture and measure alignment with desired behavioural attributes
Implement and facilitate talent management development platforms	Career development platforms and approach approved by Exco	Enhance career development opportunities to extend beyond traditional training
Drive employee health and wellness	Developed and approved a holistic wellness strategy Implemented key initiatives aligned with the National Health Calendar Implemented bereavement support guidelines	Continue to encourage staff participation in wellness initiatives Observe the health and wellness initiatives aligned with the National Health Calendar Communicate wellness strategy for continued awareness

Growing and developing our talented workforce

The investment in targeted formal and informal learning and development opportunities continued during the reporting period. The development of employee skills and capabilities to meet stakeholder expectations remains a priority.

The significant financial investment in the development of our people remained fairly consistent compared to 2013. The 2014 period saw a continued drive to embed development platforms and initiatives, as well as align development more concisely with prioritised needs.

The IDC maintained good governance in terms of skills development in submitting and obtaining approval for its 2014/15 workplace skills plan and 2013/14 annual training report. The documents were presented for input to the employment equity forum to facilitate employee consultation.

People growth and development (continued)

Staff and training costs for 2014

IDC	Staff costs* (R million)	Training expenditure (R million)	Training expenditure as a % of staff costs	Number of employees trained	Average training cost per employee
2013	801	15.7	2.0	740	R21 216
2014	843	14.8	1.8	702	R21 083

** Staff costs include normal salaries, bonuses, provident fund contributions, training and other staff and salary-related costs.*

Skills development annual summary for the period 2011 to 2014

Skills development summary	2014	2013	2012	2011
Number of employees trained	702	740	739	706
Black employees as a % of employees trained	81%	81%	80%	78%

Despite the decline in investment and the decrease in the number of employees trained year-on-year, permanent employees received an average of 10 training hours each for the year ended 31 March 2014 (2013: 10.7). This attests to the focused development approach to learning opportunities. The investment in training hours were afforded to IDC permanent employees, with no additional training provided to fixed-term contract or temporary employees in the period under review. A breakdown of the average training investment per employee per level is reflected in the tables below.

Training investment for female employees for the reporting period

Female (429)	S band	A band	P band	M band	E band	Total
Total in days	4	178	220	114	2	518
LA Average hours per employee in category	10.7	8.9	10.3	9.8	5.3	9.6

Training investment for male employees for the reporting period

Male (399)	S band	A band	P band	M band	E band	Total
Total in days	5	67	221	206	15	514
LA Average hours per employee in category	5.0	16.2	10.5	9.0	20.0	10.3

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

In addition to formal learning opportunities, employees also have access to a significant number of other development platforms to support their continuous growth and development. This is supported through the following platforms:

- Tertiary bursary support
- External Board participation
- Mentoring
- Formal coaching
- Secondments
- Job rotation
- Strategic project workgroups
- External learning assignments.

During the reporting period, the IDC launched its own customised e-learning platform. This was done to provide employees with real-time, just-in-time learning and development support customised to learner needs and enhanced cost-efficient training delivery. Going forward, the IDC will create awareness of and market the platform to increase utilisation.

Supporting youth development

The IDC is committed to growing and developing South Africa's talented youth. Various youth development platforms, including a matriculant learnership, graduate internship programme, chartered accountant learnership and a Technical and Vocational Education and Training (TVET) internship, were offered to 56 learners. The

People growth and development (continued)

intention is to provide learners with workplace experience and exposure to enhance their marketability in the labour market and ability to obtain permanent employment.

During the period under review, 12 learners were employed permanently, five at the IDC and seven externally. An additional two learners received IDC bursaries to further their studies.

IDC operational training programme

The programme focuses on the training and development of IDC operational staff in deal-making skills, including the evaluation of business proposals during due-diligence investigations. The training is provided to existing operational staff and business analysts who are appointed bi-annually into the IDC's new dealmaker training programme. The training ensures a constant supply of quality trained personnel to the IDC's operational units and supports its business growth.

The table below summarises the progress of the new dealmaker training programme during the past three years.

Progress of the dealmaker training programme for the period 2012 to 2014

Operations training programme	2014	2013	2012
Number of business analysts remaining in the programme	18	27	20
Number of business analysts who successfully completed the training programme	13	19	22

The table below summarises additional operational training for the same period.

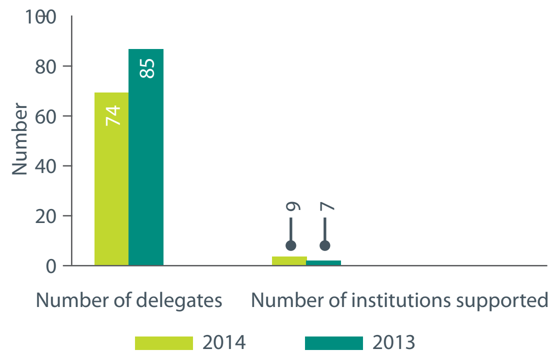
Summary of other operational training for the period 2012 to 2014

Number of delegates	2014	2013	2012
Business analysts (new dealmakers)	7	11	20
IDC operational employees	189	132	86

Assisting IDC-affiliated organisations/other DFIs to improve operational staff skills

A core function of the IDC mandate is to assist other development finance institutions (DFIs) to build their operational staff capacity. This is done through staff training for other local and African DFIs.

Capacitation of other institutions



The figure above shows capacitation of DFIs for the 2013 to 2014 period.

The progress against specific objectives to support the growth and development of our talented workforce is reflected in the table below.

Progress against people growth and development objectives during the 2013/14 financial year

Objectives	Progress	Future objectives
Build and develop management and leadership capability (improve line management skills)	Provided public management and leadership programmes Provided customised soft skills operations team leader programme Developed and piloted transitional programme for new managers Measured return on investment of key initiatives with a positive investment return	Continue to provide needs-based management and leadership development training Enhance measuring return on investment of management and leadership programmes Enhance transitional programme for new managers
Implement core operations skills training	Trained 189 staff in operational business practices Trained 74 people from other DFIs	Continue to provide a steady supply of qualified dealmakers Continue reach and scope of operations training internally and externally
Implement and facilitate formal and informal development platforms	Employees benefited from additional career development platforms	Pursue ongoing career development platforms beyond traditional training Increase utilisation of e-learning platform

People growth and development (continued)

Driving transformation and change in our business

The IDC continues to implement employment equity and inculcate diversity and inclusivity throughout the Corporation, as a diversified, demographically representative workforce is integral to its business success. Representivity enables the IDC to fully engage in business opportunities and make a significant impact in the areas in which we operate. Harnessing the diverse skills and backgrounds of our talented workforce, irrespective of cultural or ethnic origin, entrenches the IDC's standing as a versatile and inclusive South African employer of choice.

A representative employment equity forum, appointed for a period of three years, steers the IDC's employment equity initiatives. A new representative forum has been elected to take over from the existing forum at the end of its term of office on 31 March 2014.

Forum members represent the IDC's demographic profile, as well as employees with disabilities, in regional offices and across all occupational levels.

The representivity by gender and occupational levels of the employment equity forum members are reflected in the tables below.

Gender representivity within the employment equity forum

Race	Male	% male representivity	Female	% female representivity
African	5	25	7	35
Coloured	0	0	2	10
Indian	1	5	1	5
White	2	10	2	10
Total	8	40	12	60

Employment Equity Forum representation by occupational level

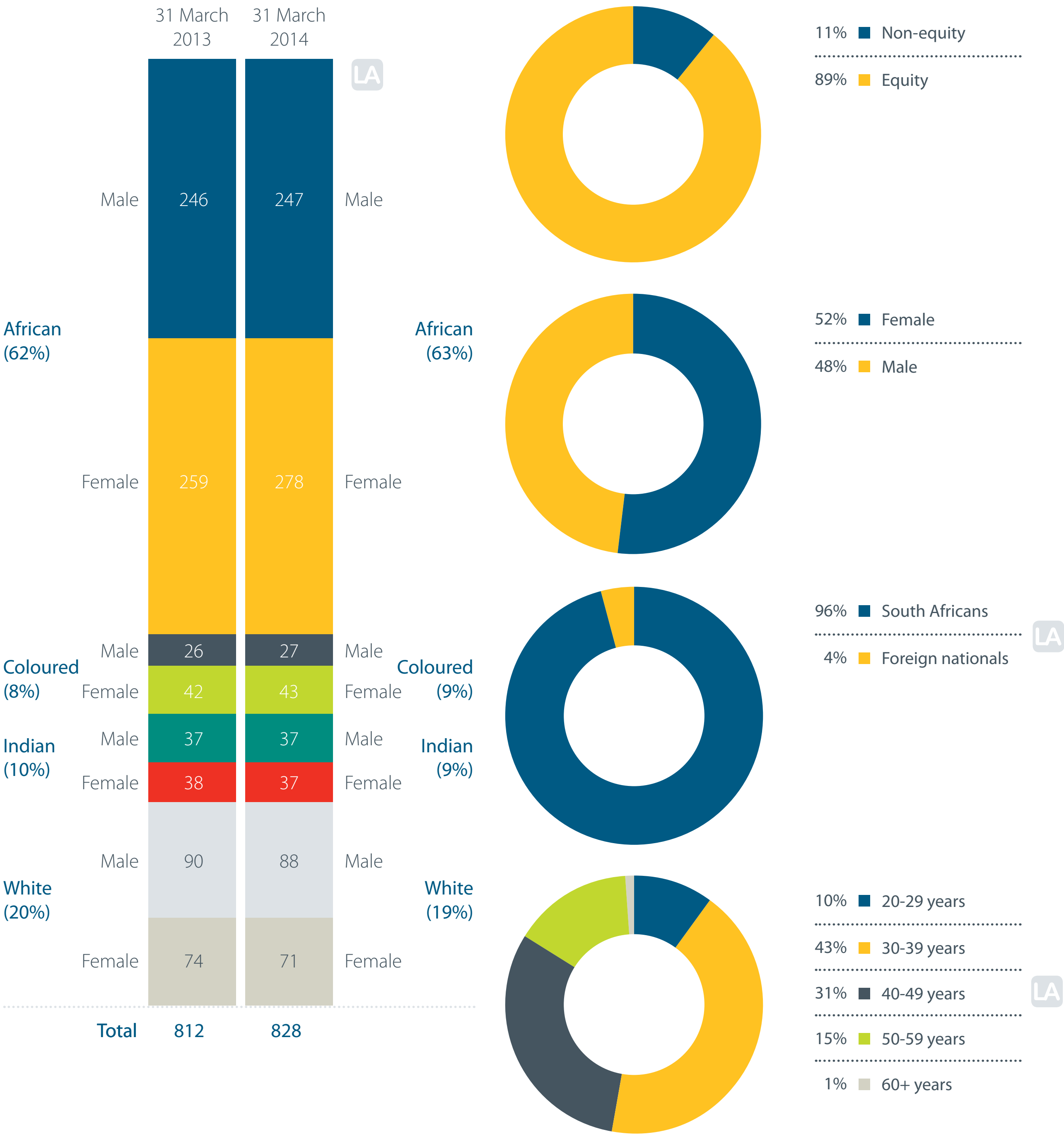
Levels	Number of members	% representation
Top management (E band)	1	5
Senior management (M1 band – Heads and Champions)	2	10
Professionally qualified (M band)	9	45
Skilled (P band)	1	5
Semi-skilled (A band)	7	35
Unskilled (S band)	0	0
Total	20	100

The IDC management executes the employment equity plan. The plan details employment equity targets to business unit level and takes each unit's business priorities and skill requirements into consideration. Customised action plans address areas for improvement to ensure that we sustain a favourable and productive work environment.

Overall workforce representivity remained consistent during the reporting period, with 89% of staff from designated groups. African female representivity improved by 2% to 34% (2013: 32%). White female representivity declined marginally by 0.5% to 8.5% (2013: 9%). Overall female representivity improved by 1% during the reporting period to 52% (2013: 51%).

People growth and development (continued)

IDC workforce breakdown including employment equity



The figures on the next page detail the IDC's workforce profile, including the employment equity breakdown for the reporting period.

The IDC's overall staff composition ensures that there is equitable representation of South Africans and people from other countries, as aligned with the Corporation's employment equity plan. Overall foreign nationals represent 4% (2013: 4%) of our workforce with 0.1% (2013: 0.1%) of those at senior management level (Heads of Strategic Business Units/Department). People with disabilities are regarded as minority groups where enhanced representation is required (see actual vs targeted performance for people with disabilities on page 108).

The staff composition as at end March 2014, in relation to IDC's employment equity targets for race, gender and occupational level, are reflected in the table on the next page.

People growth and development (continued)

Employment equity targets for male employees LA

Occupational levels	Males							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management (E band)	4	5	0	0	1	1	1	1
Senior management (Heads and Champions)	10	17	2	4	3	5	21	23
Professionally qualified (M band)	74	73	11	14	19	18	43	43
Skilled (P band)	122	99	12	16	14	15	21	21
Semi-skilled (A band)	29	28	2	5	0	0	2	2
Unskilled (S band)	8	5	0	1	0	0	0	0
TOTAL	247	227	27	40	37	39	88	90

Employment equity targets for female employees

Occupational levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management (E band)	2	3	0	0	0	0	1	1
Senior management (Heads and Champions)	12	13	0	0	1	1	1	3
Professionally qualified (M band)	41	58	11	13	8	11	19	16
Skilled (P band)	110	103	13	18	22	17	26	28
Semi-skilled (A band)	110	93	19	18	6	8	24	23
Unskilled (S band)	3	3	0	1	0	0	0	0
TOTAL	278	273	43	50	37	37	71	71

As indicated in the staff attraction and retention section, most of our employees are appointed as professionals, specialists/experts and managers. Our achievement against employment equity targets for 2014 still lag behind in these areas.

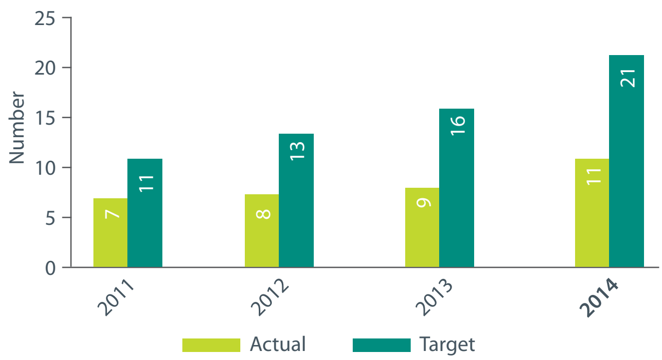
Going forward, we will continue to prioritise the attraction, development and retention of women to ensure alignment in this area with the IDC's employment equity plan.

We will also focus on closing the gaps in appointing African and Coloured male and female employees, as well as people with disabilities. Currently, people with disabilities represent 1.3% of the overall staff population, an increase of 0.2% from 2013. This is marginally higher than the national disability representation average of 1%.

Appropriate policies are in place to manage and mitigate any aspect of discrimination in the workplace. The democratically represented and constituted employment equity forum monitors evidence of any discriminatory practices which are addressed as required. Employees have the right to report any incidents of discrimination, which are addressed through a formal grievance policy and process. All formal grievances are recorded and managed in line with this policy.

There were no incidents of discrimination reported for the period under review.

Employment of people with disabilities



People growth and development (continued)

The IDC remains committed to the long-term equity plan outlined in 2013 to address its long-term action plan, which is aligned with the 2014 plan as outlined in the table below.

2014 employment equity action plan

Areas of concern	Action plan	Status of implementation
Improve representation in areas identified with under-representation	Task line managers to have specific development plans for the affected groups	Staff recruitment aligned with unit plans
Improve representation of African and Coloured males and females in senior management and professionally qualified roles	Implement targeted recruitment to attract candidates from the affected groups	Engaged disability associations (Disabled People of South Africa) to help recruit people with disabilities
Increase the number of people with disabilities	Prepare reasonable accommodation measures to assist employees with disabilities Align talent management outcomes to support employment equity	Implemented a diversity management programme to acknowledge and include people with disabilities and encourage the disclosure of disability to spur other staff to do the same

The table below highlights the specific strategies that are implemented continuously to drive change and transformation.

Progress against change and transformation strategy objectives

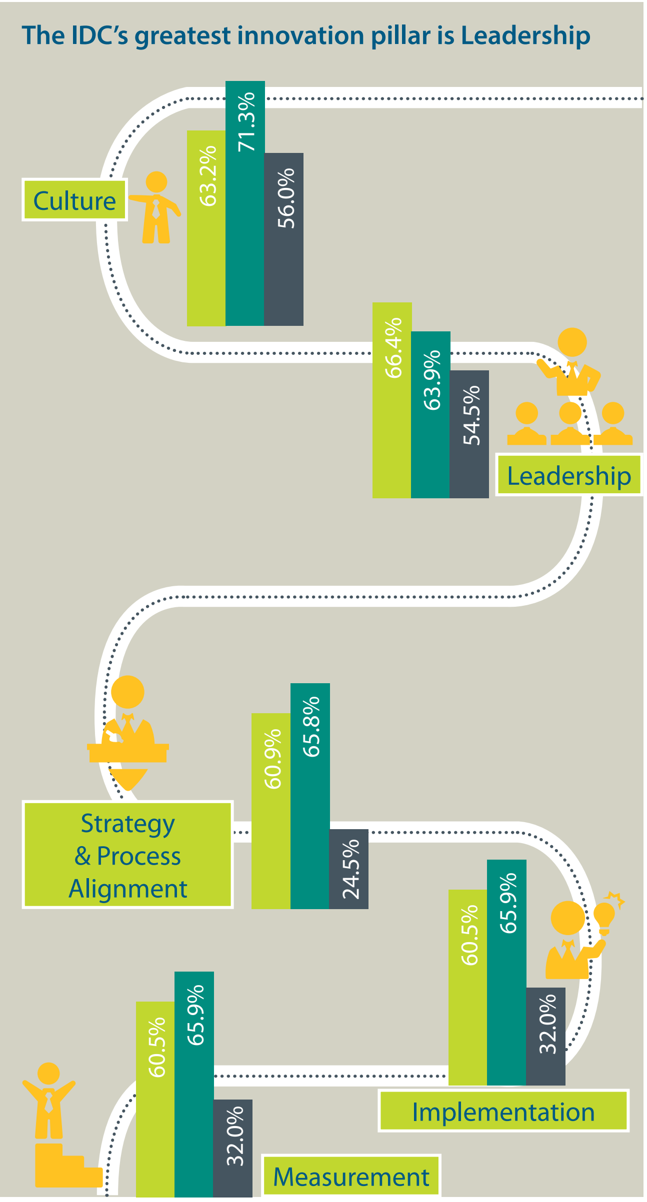
Strategy	Objectives	Progress	Future objectives
Facilitate change and transformation in our business	Manage diversity awareness (drive inclusivity and cultural awareness)	Customised and implemented a diversity management programme with 58 attendees to date Compiled a diversity awareness calendar	Continue to roll out diversity programme to staff Include the recognition of different cultural events in the marketing and communication strategy
	Implement the approved employment equity plan	Achieved marginal improvements against plan	Continue to drive employment equity plan with particular focus on gap areas and people with disabilities
	Embed change management capability in the business to remain agile (ability of leaders and managers to remain responsive to environmental changes)	Implemented a change management framework and transfer skills to line managers through 'real-time' change initiatives	Continue to enhance change management capability Implement approved change management forum and align internal reporting mechanisms to ensure proactive change management

Innovation

In today's globalised environment where information is readily and freely available, the key to growth and sustained success is a company's ability to innovate and adapt at a greater rate than its competitors. The IDC is building innovation capacity internally and supporting innovation within the African economy to address this challenge.

During the reporting period, the IDC extended its open innovation mandate to creating jobs and generating economic activity in the provinces by using dormant or under-utilised infrastructure innovatively. The Corporation and local government look forward to seeing results from these projects in the next financial year.

Year-on-year comparative scores as reflected in the IDC's 2013 innovation survey



The IDC also successfully extended its Tertiary Institution Business Plan Competition 2014 (formally the MBA Business Plan Competition) to include 20 tertiary institutions. Students confirmed their invaluable learning experiences, while several winning business plans are being amended for submission for potential funding during the forthcoming financial year. Going forward, the IDC plans to include international networks in the competition.

The IDC launched a Leadership in Innovation intervention in 2013 in response to the results of an internal innovation capability survey. Recently, the results of the 2014 innovation capability survey confirmed the success of the intervention, showing a clear improvement in the internal leadership pillar. The IDC will continue to build innovation capacity and visibility, particularly at a senior leadership level in the year ahead.

The 2014 survey also showed clear progress in terms of the IDC's culture of innovation. The results confirm that IDC employees feel that their ideas can be heard and acted upon and that the innovation process as a whole is democratic. Next year's internal innovation initiatives will take cognisance of all the feedback from the survey to build on the current achievements.

The IDC extended its Tertiary Institution Business Plan Competition successfully in 2014. The winners of the competition, pictured above, display their prizes.

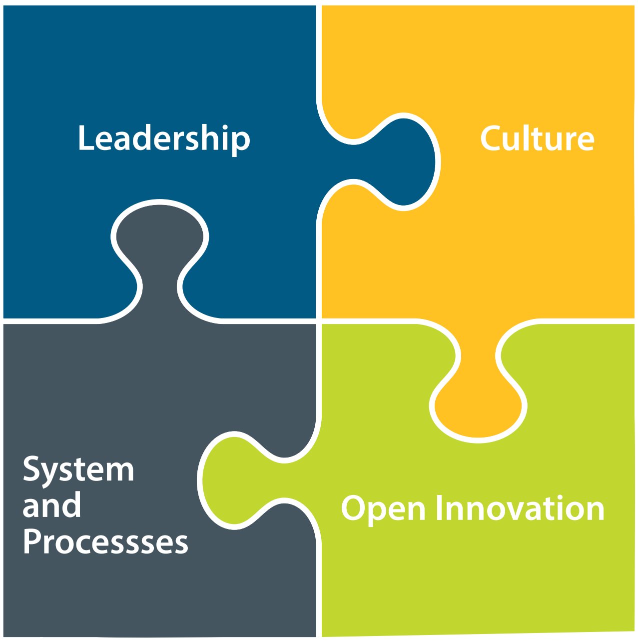
Innovation (continued)

Aligned with international best practice, the IDC's Human Capital Learning and Development Department developed an e-learning platform known as "iLens". The platform combines the efficiency of learning content management and core internal process management into a robust single portal to address the development needs of employees. The platform provides a cost-effective and efficient way to manage time and resources for learning and research.

iLens is a web-enabled teaching and learning platform that is designed with great flexibility to operate in different environments for various types of users. Features for mobile learning, iPad and Android devices are integrated into the platform.

Innovation has become a clear driver of business improvement at the IDC. Ideas logged internally are now predominantly strategically focused, with an average implementation of 20% of all new ideas logged. In the forthcoming financial year leadership, culture shift and the continued expansion of open innovation will form the bulk of the Innovation Department's strategy, as illustrated in the figure below.

IDC's future innovation focus areas



An improvement in Innovation Leadership and the expansion of the Open Innovation initiatives were some of the highlights during the 2013/14 financial year. The slight decline in some of the innovation pillars, identified during the innovation survey, however, was disappointing and could be due to a maturing innovation environment within the IDC. A strategy has been devised and is being implemented to address the areas of concern.

During the reporting period, the IDC co-funded and helped to commercialise many exciting innovative businesses. Novelquip Forestry commercialised their Multipit product with funding from the Venture Capital business unit. This innovative automated tree planting technology for the forestry industry provides slash reduction, weeding, fertilisation, pitting, seedling deposit, seedling extraction and watering systems. There is no doubt that this comprehensive planting technology is an innovative breakthrough for the industry.

The fuel cells project in the Green-Industries SBU is another very innovative project. Fuel cells were first used in 1839 as one of the oldest forms of electricity generation. They were used in NASA's space craft in the 1960s to provide clean power and water as the "emission". These cells operate efficiently at low temperatures and use platinum as a catalyst. Southern Africa has 90% of the global platinum reserves.

Growth in the fuel cell market to supply clean power can potentially increase platinum demand four-fold. This can have major economic benefits for South Africa. The technology costs for fuel cells are decreasing significantly annually as the market has increased by approximately 80% per annum over the past three years.

Africa has an opportunity to leap-frog this development by adopting fuel cells with other renewable technologies, such as solar PV, to provide reliable distributed power compared to unreliable power that is generally backed up by diesel generators at high power costs.

The IDC is working with selected leading global fuel cell technology companies in partnership with local energy provider, Mitochondria Energy (Pty) Ltd, to develop fuel cell power solutions for targeted markets in Africa.

The IDC's entry into the bond market was an innovative move that allowed it to raise much needed funds for disbursement. The IDC has become the first financial institution in South Africa to issue a Green Bond with funds earmarked for Green projects. The IDC can now issue bonds with ease on a needs basis.

During the past financial year, Tugo Toys and education was commercialised through the Support Programme for Industrial Innovation (SPII). Tugo Toys consist of building pieces that support development in children three years and older, by starting with basic stacking and packing and moving to more advanced skills. Tugo Education introduces core learning concepts and skills, such as short- and long-term memory development, which are essential to start primary school. Tugo helps children to overcome various challenges as they progress to complicated models. This progression also helps them to master geometry in terms of design, strength, form and function.

The IDC's role in the South African economy continues to be pivotal and the importance of sustained job creation cannot be overstated. The Corporation recognises that to meet South Africa's urgent need for new jobs, it must find innovative ways of doing business across all levels. As such, innovation will continue to be a critical component of the IDC's strategy and business DNA going into the new financial year.

Satisfying customers

Customer centricity

Customer service is integral to the IDC's business operations. Customer satisfaction includes satisfactory stakeholder engagement and relevant products and services, as well as improved access, turnaround times and ease of doing business with the IDC.

During the year under review, customer feedback about these issues was varied, which confirmed the challenge of providing financial services in the developmental arena. Initiatives to embed a service culture included employee communication and training and the strengthening of our regional offices, pre-investment business centre and Business Support unit.

Customer feedback

The IDC measures customer satisfaction through short- and long-term surveys.

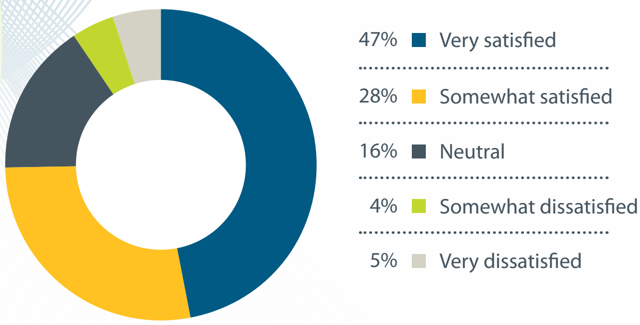
Short-term surveys

In addition to the annual customer satisfaction survey, we introduced a short-term survey among new applicants. The aim is to identify the levels of service performance and resolve service issues immediately.

Findings

While 75% of applicants indicated their satisfaction with the IDC's service offering, there is room for improvement. More than 60% of respondents indicated that they would recommend the IDC to business partners and associates. Even those whose applications were declined also stated that they would recommend the IDC on the basis that they were given sufficient reasons for the decision about their application. The survey indicated that speed of feedback is a key driver of satisfaction among applicants.

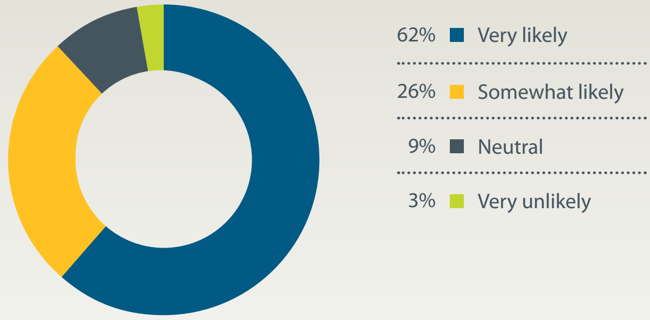
Customer satisfaction regarding service delivery



Two hundred respondents participated in the survey and the regional breakdown was as follows:

Eastern Cape:	6	North West:	3
Free State:	7	Northern Cape:	2
Gauteng:	82	Western Cape:	49
KwaZulu-Natal:	29	Ghana:	1
Limpopo:	7	Mozambique:	1
Mpumalanga:	12	Zimbabwe:	1

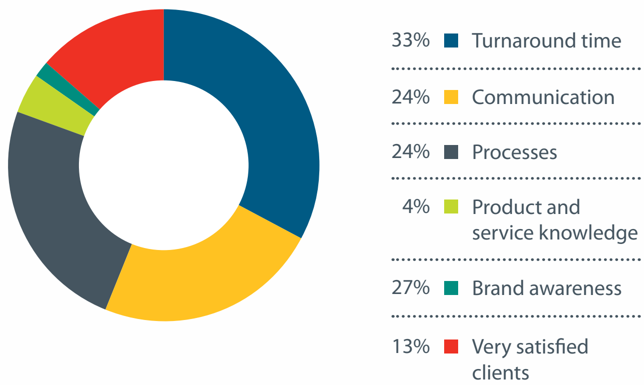
Willingness of applicants to recommend the IDC to other business partners and associates



Improving service levels

In addition to speed of feedback as a key driver of satisfaction among applicants, other areas for improvement identified in the survey include turnaround times, communication (especially the availability and accessibility of staff during the various stages of the funding cycle) and a simplified funding application process.

Customer service areas identified for improvement



We are taking steps to ensure that when requests for funding from potential clients are rejected based on IDC requirements, the clients are informed timeously, supplied with detailed reasons for the decision and provided with referrals to other funding institutions.

The IDC is also improving turnaround times and the speed of decision-making to ensure that feedback to applicants about their applications is done expeditiously.

Annual customer satisfaction study

The annual customer satisfaction index is included in the IDC's corporate performance targets. The survey is conducted by an independent research agency through the TRI*M Index Value. The index determines customer satisfaction as a measure of the Corporation's ability to retain customers. In the February 2014 survey, the IDC's score of 87 (2013: 86) places the Corporation in the "Strong Relationship" category of the index.

Satisfying customers (continued)

Key findings

Areas of strength included the IDC's application and assessment process, staff co-operation, professionalism and knowledge of the services offered.

Areas identified for improvement included more efficient decision-making, improved turnaround time for completing the assessment, finalising legal agreements and resolving problems, regular communication during and after the approval process to report on progress and status.

Response to customer feedback

In response to the feedback from the IDC's clients, we focused our improvement initiatives in the following areas:

1. Customer service
2. Faster turnaround of funding applications
3. Broadening access to services
4. Business support monitoring and evaluation.

1. Customer service

The IDC's Customer Relationship Management (CRM) Department implemented the following initiatives to enhance the Corporation's service levels and cultivate a service culture within the Corporation:

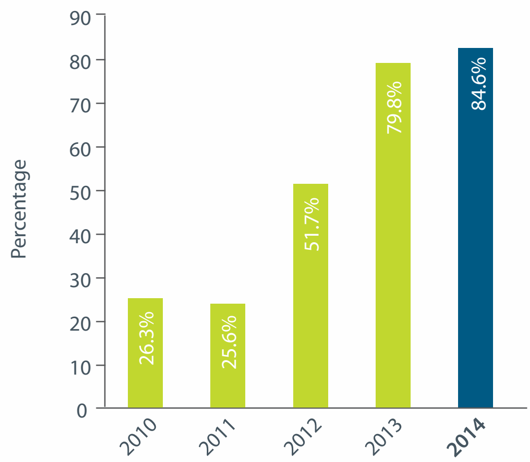
- **Service@idc.co.za** is a single e-mail address on the IDC website for clients to provide feedback about service levels. A dedicated team is responsible for handling client comments immediately and expediting internal investigations.
- **A customer service issues register** has been set up to manage the turnaround times for resolving customer service issues. Pertinent information is logged in a register to alert the CRM Department to pending issues. The system indicates who is managing the issue, which steps need to be taken and when issues are resolved.
- **Enhanced client communication** in the form of standardised letters is used to improve communication. This includes an 'On-boarding/welcoming letter' with details of the post-investment team appointed to meet the client's service needs and a 'Thank you letter' to clients for prompt payments.
- **Entrenching a service culture** for which employees attended a professionally facilitated customer service awareness session during the reporting period to instil a service culture within the Corporation. Similar sessions will be held in the forthcoming financial year to embed this culture.
- **Employee communication** through internal communication channels to create awareness about the importance of customer relationship management and acknowledge employees who have been complimented by clients for customer service excellence.
- **Internal incentives** which we will implement, such as an internal incentives programme to reward employees whom clients acknowledge for service excellence. The focus for the year ahead is on developing a consistent, differentiated experience leading to increased satisfaction.
- **Door into the IDC** for which the IDC's 13 regional offices and Pre-Investment Business Centre (PIBC) were tasked to facilitate the initial stages of applying for IDC funding. This includes the initial screening and basic assessment of applications. As a result, the regional offices and PIBC now receive around 85% of all IDC applications and complete 84% of all basic assessments.

2. Faster turnaround of funding applications

Initiatives to improve turnaround times started in 2011 and include:

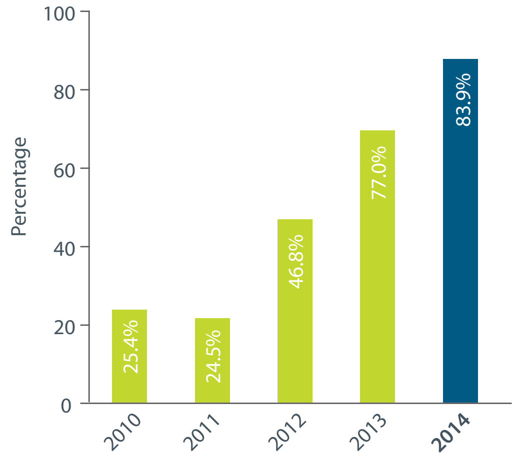
- **Non-complex transactions**
  In July 2011, the IDC directed its business units to complete non-complex transactions submitted for consideration within 15-17 working days from the start of due-diligence to when a legal agreement is sent to the client. An initial improvement of 35% in 2013 (average of 17 days) deteriorated during the year under review to 18 days.
- **Online application system (web-based)**
  The IDC introduced an online funding application system with a Business Plan Toolkit during 2012 to simplify the application process, assist applicants to compile a business plan and be accessible from remote areas of the country. Due to the positive response to the Toolkit, we will improve it in the forthcoming financial year to assist clients to produce a more detailed plan for screening and assessment by the PIBC and regional offices.

Number of applications received by regional offices and PIBC as a percentage of total applications received



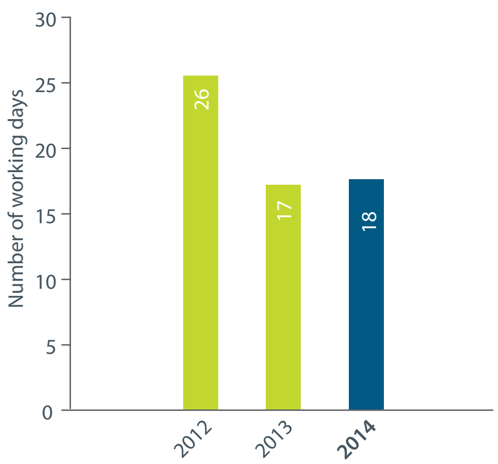
Satisfying customers (continued)

Number of basic assessments completed by regional offices and PIBC as a percentage of total basic assessments



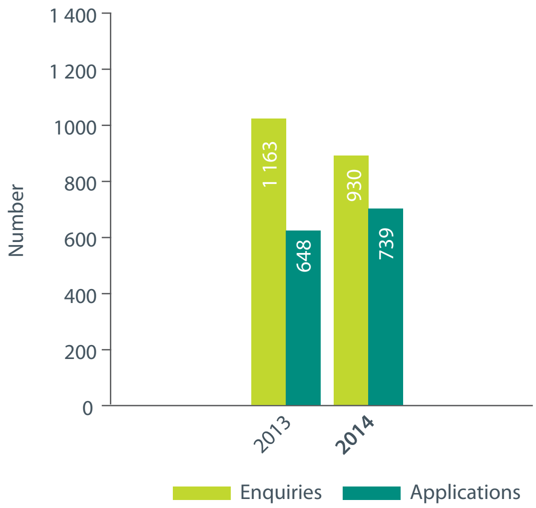
- **Funding Decision Tree (FDT)**
  The PIBC created the FDT as a web-based tool to assist clients, as well as IDC staff, to check whether an application fits the broader IDC mandate and the mandates and funding criteria of individual SBUs. The tool also refers applicants to alternate financiers, if necessary.

Turnaround times for non-complex transactions for the financial years 2012 to 2014



3. **Broadening access to services**
   The IDC has improved access to its business funding applications to reach a wider range of clients, including those previously disadvantaged and living in remote areas of the country, through a variety of services. These include:

Online enquiries and applications received and processed for the financial period 2013 to 2014



Regional offices

The IDC started rolling out regional offices in 2008 to increase accessibility to its product offerings for potential clients. During the past six years the IDC extended its footprint throughout South Africa with the establishment of 13 manned offices (see operational footprint map on page 8).

The role of the regional offices evolved over the years and services now include:

- A country-wide point of contact for potential entrepreneurs and financing applicants, as well as less experienced small enterprises (SMEs) in remote areas
- New business development driven proactively, as aligned with the IDC's strategic objectives
- Partnerships in development and economic growth with all stakeholders in the regions
- Pre- and post-investment, as well as business support to clients
- Key high-impact projects identified and nurtured until commercialisation
- Stakeholder engagement at provincial, district and municipal levels about local economic development (LED) matters and network with independent development agencies
- Capacity building at development finance institution (DFI) and local agency level.

Satisfying customers (continued)

Pre-Investment Business Centre (PIBC)

Using their considerable knowledge of IDC products, employees at the PIBC assist prospective entrepreneurs who apply for funding.

- **Walk-in centre**
  During the past financial year, the PIBC obtained approval for the construction of a dedicated Walk-in Centre at the IDC head office, due for completion by mid-May 2014. Prospective applicants can use this Centre to interact directly with PIBC staff to complete an initial screening process and create or finalise their business plans on the online application system.

- **Contact centre**
  The PIBC Contact Centre deals with telephonic and e-mail enquiries. An independent audit of the Contact Centre during the reporting period recommended improving efficiency and customer service, which will be implemented in the forthcoming financial year.

Business support

The Business Support function provides pre- and post-investment non-financial support or technical assistance to potential and existing IDC clients. Business support services are requested mainly through the IDC's business units, Post-Investment Monitoring Department (PIMD) and Workout and Restructuring Department (W&R).

The Terms of Reference for business support interventions are jointly agreed with clients, while relevant IDC credit committees approve business support funding. Outsourced business support service providers are engaged to assist clients with implementation. Business support services include business management, socio-economic development (SED) and broad-based black economic empowerment (B-BBEE).

The table in the next column reflects the total amount of business support funding (client's own contribution plus the IDC grant) committed for the 2013/14 financial year.

Business support funding committed for 2013/14

Period	Client's own contribution (loan) (R million)	Grant (R million)	Total (R million)
2012	8.0	13.1	21.1
2013	7.7	11.6	19.2
2014	5.0	7.2	12.2

Business support products

- **Pre-investment products** – Business plan preparation, participation in due-diligence investigations to determine clients' business support needs, business advisory services to clients and turnaround plan to assist clients applying for distressed funds.
- **Pre- and post-investment products** – Diagnosis of clients' business management challenges/gaps, establishment and registration of workers and community trusts, B-BBEE advisory services to comply with the IDC's B-BBEE policy requirements.
- **Post-investment products** – Mentorship/coaching, management consultancy services, quality accreditation, accounting software and training, accounting assistance and training* in various areas of business management, including corporate governance.

* *IDC Academy Unit facilitates training for identified post-investment business support needs.*

Business support for youth entrepreneurs

During the year under review, an MoU was signed by the IDC, sefa and the NYDA to provide youth entrepreneurs and enterprises with funding and non-financial support. As provided in the MoU, the NYDA will assist youth entrepreneurs to access funding from the IDC and sefa. This funding is aimed at assisting qualifying applicants to start, grow or buy majority stakes in existing business ventures aligned with the IDC and sefa mandates.

In 2013, the IDC approved a R10 million business support grant to the NYDA to fund its non-financial services voucher programme. The voucher programme provides an array of non-financial products, such as business plan development, accounting and financial systems, business administration and marketing (branding and website development) support.

Satisfying customers (continued)

As stipulated in their respective mandates, the IDC and NYDA will continue to organise regional workshops for their staff and business support service providers to facilitate youth participation in economic development.

Business support capacity building

Increase in Business Support (BS) service providers

Period	Regional offices	Number of BS service providers on pre-approved panel
2008	8	58
2010	9	126
2014	13	190

Since the establishment of the IDC's regional offices in 2008, the Corporation's business support outreach capacity has grown from 58 to 190 service providers. In addition, outsourced business support service providers are added to the panel of service providers to address skills gaps and ensure that service providers are available throughout the country.

4. **Business support monitoring and evaluation**
   The IDC's head office and regional departments use the annual customer satisfaction survey, which is outsourced to an independent research company, to measure the impact of BS services on client satisfaction. The overall rating of the Business Support Programme (BSP) on a 1 to 5 point scale for 2014 is reflected in the table below.

BSP rating for the financial years 2011 to 2014

Period (financial year)	2011	2012	2013	2014
Business support rating	3.7	3.8	3.7	3.7

Areas of improvement included the extent to which interventions contributed to short- and/or long-term sustainability and the financial performance of client businesses, as well as the quality of knowledge transfer and written and verbal progress reports from the BS consultants.

Shortcomings in business services during 2013 included the need to improve overall business management, analyse and define business challenges more effectively and deliver on-time implementation and adequate communication.

A new business support monitoring and evaluation (M&E) approach was designed and regional and head office business support staff trained in the new approach to address the shortcomings. Going forward, the M&E approach will be implemented in 2014/15 financial year to monitor and evaluate BS interventions more efficiently and responsively.

Products and funding process

The IDC funds start-up and existing businesses (expanding capacity) with a minimum funding requirement of R1 million. A wide array of instruments can be used to structure the funding, including:

- Debt or equity
- Quasi-equity
- Guarantees
- Trade finance
- Bridging finance
- Venture capital.

The funding is structured to meet specific business needs, namely:

- Funding term: short-, medium- and long-term loans are available
- Payment holidays: this allows for periods with no payments on either capital or interest and can be negotiated as required.

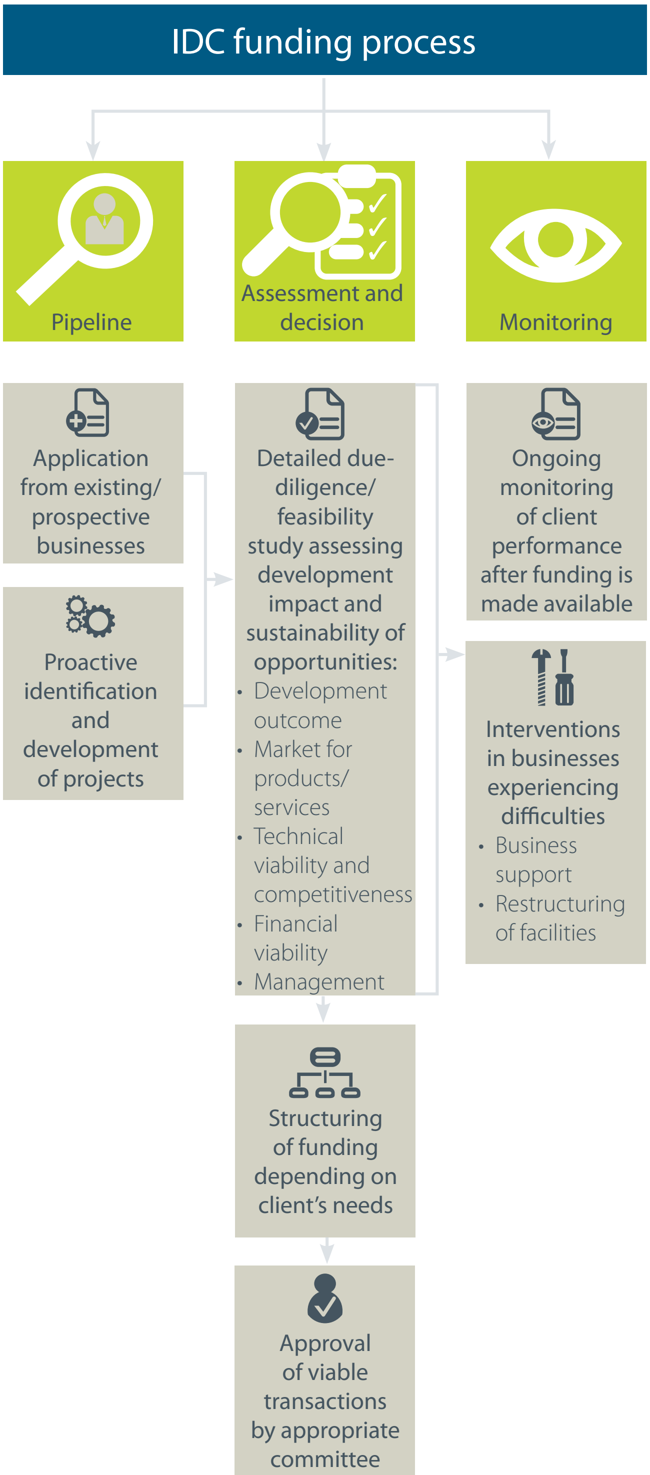
Funding criteria

- Shareholders/owners are expected to make some financial contribution. The contribution of historically disadvantaged people could be lowered under special circumstances, in which case the IDC could extend finance in excess of the owner's contribution
- The project/business must demonstrate economic merit in terms of profitability and sustainability
- Compliance with international environmental standards
- Security that relates to the applicant's specific circumstances
- Fixed assets are not refinanced, since the IDC aims to expand the industrial base.

Funding process

The IDC funds projects or businesses according to a clearly defined process with approved systems and procedures. These include applications, basic assessments, due-diligence, approval of funding, legal agreements, draw-down and aftercare.

Satisfying customers (continued)



Development funds

Development funds are used to support higher development impact and economically viable projects. When the need arises, the IDC allocates and ring-fences portions of its capital (on-balance sheet funds) for these targeted projects. Such funds form a portfolio of funds managed within the IDC. In addition to managing these on-balance sheet funds, the IDC also manages a number of funds on behalf of third parties (off-balance sheet funds). The funds are designed to address atypical developmental needs not addressed through standard IDC funding mechanisms.

Developmental areas include: technology innovation, sector development, SME development, job creation, broad-based BEE and the empowerment of other previously marginalised groups, such as women and people with disabilities.

The table on the next page provides a summary of development funds managed within the IDC.

Development funds (continued)

	Fund	Purpose	Fund size	Proportion of total available develop-ment funds	Financial instrument	Fund inception	Amount approved from fund inception to 31 March 2014	Proportion of total de-velopment fund ap-provals to 31 March 2014
Cross-sector								
1	Unemployment Insurance Fund[1] *	Assist companies that save or create jobs at a cost per job of less than or equal to R450 000 per job	R4bn	15.4%	loan	2010/05/01	R3.52bn	24%
2	Gro-E[1] *	Assist companies that create jobs at a cost per job of less than or equal to R500 000 per job	R9bn	34.6%	loan/equity	2011/04/01	R3.77bn	25.7%
3	Gro-E Youth[1] *	Assist youth-owned companies that create jobs at a cost per job of less than or equal to R500 000 per job	R1bn	3.8%	loan/equity	2013/01/04	R18.5m	0.1%
4	Women Entrepreneurial Fund[1] *	Assist female entrepreneurs to start or expand their businesses	R300m	1.2%	loan/equity	2008/02/01	R87m	0.6%
5	People with Disability Fund[1] *	Assist entrepreneurs with disabilities to start or expand their businesses or to acquire businesses	R50m	0.2%	loan/equity	2008/02/01	R11m	0.1%
6	Development Fund[1] *	Assist workers to acquire meaningful stakes in IDC-funded transactions	R350m	1.3%	equity/quasi	2008/02/01	R263m	1.8%
7	Community Fund[1] *	Assist marginalised poor communities to acquire meaningful stakes in IDC-funded transactions	R150m	0.6%	equity/quasi	2008/02/01	R64m	0.4%
8	Equity Contribution Fund[1] *	Assist new entrant black entrepreneurs with their equity contributions with reference to IDC funding requirements	R150m	0.6%	equity/quasi	2008/02/01	R75m	0.5%
9	Risk Capital Facility[2] *	Assist with equity-type funding to BEE-SMEs that create jobs	R841m	3.2%	equity/quasi	2002/03/05	R748m	5.1%

Development funds (continued)

	Fund	Purpose	Fund size	Proportion of total available development funds	Financial instrument	Fund inception	Amount approved from fund inception to 31 March 2014	Proportion of total development fund approvals to 31 March 2014
Cross-sector								
10	Support Programme for Industrial Innovation[2] ***	To fund the development of new technologies for the SA economy	Variable Annual Budget	4.4%			R1.15bn	7.8%
10.1	Product Process Development (PPD)[2] ***	Focused on SMMEs	Variable Annual Budget	0.6%	grant	2005/01/01	R165.2m	1.1%
10.2	Matching Scheme (MS)[2] ***	Focused on medium-sized and large companies	Variable Annual Budget	2.8%	grant	1993/01/04	R737.6m	5%
10.3	Partnership Scheme (PII)[2] ***	Focused on large projects and large companies	Variable Annual Budget	1%	conditional grant (royalty payment if project successful)	1999/01/10	R251m	1.7%
11	Technology Venture Capital[2] ***	Commercialisation of innovative products, processes and technologies	R130m	0.5%	loan/equity/ quasi-equity	2012/04/01	R62m	0.4%
12	Manufacturing Competitive-ness Enhance-ment Pro-gramme[2] ***		R965m	3.7%		2012/01/09	R697m	4.7%
12.1	Manufac-turing Com-petitiveness Enhancement Programme - Working Capital Fund[2] ***	To assist manufacturers under SIC 3 to access more affordable working capital facilities	R765m	2.9%	loan		R684.2m	4.7%
12.2	Manufacturing Competitiveness Enhancement Programme - Niche Fund[2] ***	To stimulate new or underdeveloped manufacturing sectors	R200m	0.8%	loan/equity		R13.1m	0.1%
13	Green Energy Efficiency Fund[1] **	Stimulate energy efficiency and renewable energy investments in commercial and industrial sectors	R500m	1.9%	loan	2011/03/02	R163m	1.1%

Development funds (continued)

	Fund	Purpose	Fund size	Proportion of total available development funds	Financial instrument	Fund inception	Amount approved from fund inception to 31 March 2014	Proportion of total development fund approvals to 31 March 2014
Cross-sector								
14	AFD fund[1] **	Stimulate small scale Power Purchase Agreement based renewable energy and greenfield energy efficiency investments in commercial and industrial sectors	R400m	1.5%	loan	2012/06/27	R122m	0.8%
Industry sector-specific								
15	Pro-Forestry Scheme[1] ***	Support new afforestation and transformation projects in the Forestry sector	R200m	0.8%	loan/equity	2008/07/01	R85m	0.6%
16	Agro-Processing Linkages Scheme[1] *	Agro-processing and rural development by linking established agro-processors with resource poor farmers	R100m	0.4%	loan/equity	2011/03/01	R52.3m	0.4%
17	Agro-Processing Competitiveness Fund[3] ***	Facilitate increased competition, growth and development in agro-processing sector through the provision of finance to non-dominant players	R250m	1%	loan/equity	2012/01/07	R212.4m	1.4%
18	Clothing, Textiles, Leather and Footwear Scheme[1] ***	Fund local players to upgrade their P/E to become globally competitive	R750m	2.9%	loan	2008/09/08	R490m	3.3%
19	Clothing and Textiles Competitiveness Programme (CTCP)[2] ***	To improve the overall competitiveness of the local clothing, textiles, footwear, leather and leather goods manufacturing industries	R5.6bn	21.6%			R3.1bn	21.1%
19.1	Competitiveness Improvement Programme (CIP)[2] ***	Improve product, processes and productivity on a cluster basis	R731m	2.8%	grant	2009/01/04	R645m	4.4%

Development funds (continued)

Fund		Purpose	Fund size	Proportion of total available develop-ment funds	Financial instrument	Fund inception	Amount approved from fund inception to 31 March 2014	Proportion of total de-velopment fund ap-provals to 31 March 2014
Cross-sector								
19.2	Production Incentive Programme (PIP)[2] ***	Funding provided to individual companies for plant and equipment upgrade, as well as product, processes and productivity improvements	R4.9bn	18.9%	grant	2010/01/04	R2.4bn	16.3%
20	Gold financing scheme[2] ***	Assist gold jewellery manufacturers with working capital (gold) finance	R100m	0.4%	loans	2014/02/13	R0	0%

[1] IDC on-balance sheet

[2] IDC off-balance sheet (funds managed on behalf of the dti)

[3] IDC off-balance sheet (funds managed on behalf of EDD)

* *Funds with a predominantly social impact consist of 62% of available development funds and represent 59% of total development fund approvals until 31 March 2014. These numbers exclude funding contributed to projects that may have a positive social impact funded through the IDC's normal funding pool.*

** *Funds with a predominantly environmental impact consist of 4% of available development funds and represent 2% of total development fund approvals until 31 March 2014. These numbers exclude funding contributed to projects that may have a positive environmental impact funded through the IDC's normal funding pool (e.g. funding for renewable energy projects).*

*** *Funds with an industrial impact consist of 34% of available development funds and represent 39% of total development fund approvals until 31 March 2014. These numbers exclude funding contributed to projects that may have a positive social impact funded through the IDC's normal funding pool.*

Building partnerships

Capacity building

The IDC Academy's capacity building interventions in South Africa and elsewhere on the continent increased significantly in the year under review. There were more requests for training in key critical skills, including deal-making, due-diligence, project financing, as well as benchmarking by foreign universities and other DFIs that have signed cooperation agreements with the IDC. The IDC's development finance model is, therefore, rapidly gaining recognition and increased interest amongst local, regional and international DFIs.

The IDC Academy has partnered with local business institutes specifically to assist business partners in distress to unlock potential markets in the rest of Africa. To this end, some business partners attended an intensive two-week programme organised by the IDC, followed by visits to select African countries to explore market development opportunities.

The IDC Academy also hosted senior officials from various DFIs from the African continent to explore synergies, future cooperation and access to credit from the IDC.

The IDC Academy's Kabelano programme supports local, regional and international DFIs through its selected core skills transfer programmes and other non-listed IDC products according to terms of reference in signed MoUs and MoAs.

During the financial year under review, the IDC deployed some employees to several African DFIs to share their knowledge on corporate practices. In turn, officials from other African DFIs were seconded to specific departments within the IDC.

The IDC Academy dealt with a high volume of requests for assistance during the past year. At times, however, there were significant mismatches between positions held by incumbents and the capacity building assistance requested from the Corporation. Inadequate attention to succession planning in candidate selection or insufficient in-house skills transfer after training programmes at times necessitated repeat training of staff at the same DFI.

The IDC's structured approach to collaboration with other DFIs and business partners, specifically through of co-operation agreements, has resulted in the extension of the Corporation's expertise to the IDC's subsidiary sefa and a public sector entity such as the NYDA. In the process, struggling SMEs that are sefa or NYDA clients have been given the capacity to formulate turnaround strategies.

An in-house study on the IDC's business support products offered by IDC to funded clients led to the development of a business consultants' certificate programme. The programme equips business consultants, appointed on behalf of the IDC to assist its business partners, with globally-benchmarked consulting skills to gain international accreditation.

IDC representation in, and contributions to the Pan African Capacity Building Programme, including membership of its Advisory Board, have provided a platform for the provision of skills development assistance at local government level.

In addition, the IDC Academy, in partnership with the internal Socio-economic Development unit, provided training interventions in areas such as corporate governance, generic business simulation skills, change management and various soft skills development programmes.

Assisting government/public sector

The IDC partners with the three tiers of government and public sector entities, including state-owned companies, to give effect to its development mandate, assist the respective entities in their areas of operation and contribute to achieving a number of economic and social development objectives.

The Corporation's assistance to and collaboration with the public sector and government are outlined in the table below.

IDC partnerships with government and public sector entities

Area of assistance / collaboration	Types of assistance provided and/or forms of collaboration	Public sector entities	Objectives
Policy and/ or strategy formulation	• Assist national government departments to formulate policies and/or strategies in several areas, such as industrial policy and action plans and SMME development • Participate in steering committees and task teams for tourism, biofuels and special economic zones, among others, through various means, such as feasibility studies, research support and data provision and analysis	EDD, dti, DAFF, DoE, DoT, DWCPD, MinMec, provincial governments	• Improve the enabling environment for business development • Align the IDC with national policies and strategies • Enhance developmental impact of public sector interventions, including the IDC • Improve policy coordination, monitoring and evaluation • Increase investment activity locally and in the rest of Africa • Improve business access to finance at favourable rates • Improve coordination of service offerings among funding agencies • Enhance SA's export performance in global markets and strengthen its position in international negotiations • Build capacity and develop skills in the public sector • Enhance public sector delivery and efficiency
National initiatives	• Identify industrial capacity development opportunities associated with national initiatives (such as localisation opportunities across the various SIPs) and the capital expenditure programmes of state-owned companies (such as Eskom and Transnet) • Coordinate infrastructural and industrial development aspects of specific national initiatives (SIP-5 and SIP-8, among others) • Co-fund specific national programmes and enhance their developmental impact, including localisation (such as REIPPP) • Evaluate and prioritise community stakeholder-owned projects (for instance in conjunction with the DWCPD) • Monitor the impact of specific public sector-backed programmes and initiatives (such as CTCP)	PICC, EDD, DoE, the dti, DWCPD, NT, Eskom, Transnet	
Regional development	• Assist with project development initiatives and related development funding, at times guided by Memoranda of Understanding (such as the Ketlaphela Active Pharmaceutical Ingredients plant and Limpopo Rural Development Initiative in conjunction with DRDLR)	National, provincial and local governments	

Assisting government/public sector (continued)

Area of assistance / collaboration	Types of assistance provided and/or forms of collaboration	Public sector entities	Objectives
Fund management	• Manage specific support/incentive schemes (such as CTCP, APCF and several others – refer to the section on Development funds) • Administer funds aimed at conducting industrial policy research, enhance technical expertise in policy formulation (for instance IPSF) and support sector- or issue-specific research initiatives (such as FRIDGE and the research grant component of APCF)	EDD, the dti	• Improve the enabling environment for business development • Align IDC with national policies and strategies • Enhance developmental impact of public sector interventions, including the IDC • Improve policy coordination, monitoring and evaluation • Increase investment activity locally and in the rest of Africa • Improve business access to finance at favourable rates • Improve coordination of service offerings among funding agencies • Enhance SA's export performance in global markets and strengthen its position in international negotiations • Build capacity and develop skills in the public sector • Enhance public sector delivery and efficiency
Development funding collaboration	• Create funding partnerships to enhance the development benefits of interventions of state-owned companies, aligned with their respective mandates • Provide credit lines to other development finance institutions	PIC, UIF, DFIs	
Development funding monitoring	• Provide information and data about the funding activities of the IDC and its subsidiary, sefa • Report on the IDC's operational performance	EDD, the dti, parliamentary committees, provincial governments	
Research and analysis support	• Provide economic and industry-specific information, data, research and analysis • Analyse SA's trade performance for trade negotiation purposes	Presidency, EDD, the dti	
Capacity building	• Build and provide capacity to municipal governments and development agencies to enhance local economic development (refer to section on Agency development and support, SALGA) • Operationally manage and participate in programmes to build capacity among policy-makers and other beneficiaries locally and elsewhere in Africa (such as APORDE, PAC-BP) • Provide technical assistance in various areas to other development finance institutions (refer to section on Building partnerships: Capacity building) • Deliver regular presentations at public sector forums on economic trends and topical issues (such as DIRCO)	Local government, the dti, DIRCO, DFIs	

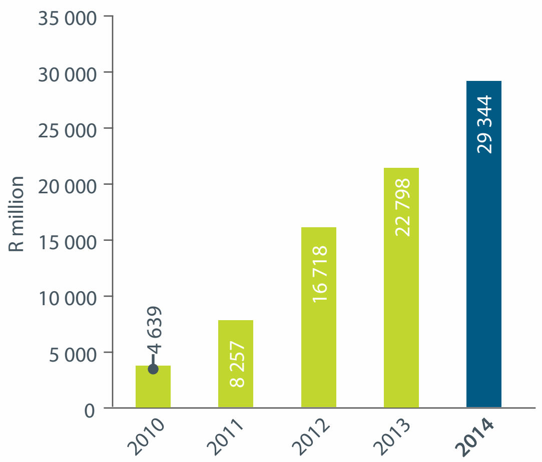
Investing in communities

Rural development

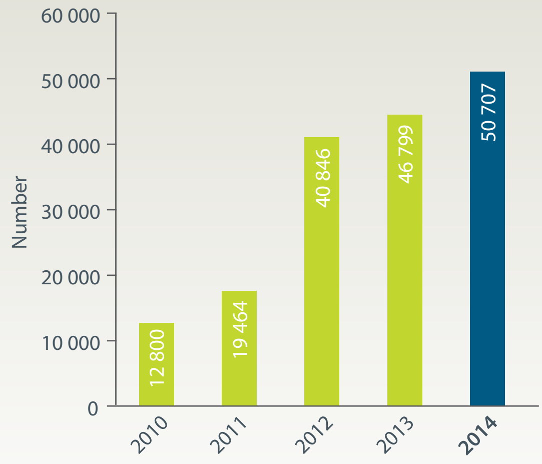
In 2012, the IDC adopted a framework to guide the corporation's strategy towards the development of rural areas. A critical component of the Corporation's Leadership in Industrial Development strategy is increased industrial development to support priority sectors in the New Growth Path and Industrial Policy Action Plan, as well as early stage project identification and development, increasing industrial finance and crafting and implementing sector development strategies.

This focus has resulted in significant investment in rural areas in the past. The concern is that meaningful opportunities in areas not included in existing sector development strategies could be overlooked. Rural areas should be integrated into the economy and rural development perspectives into industrial development. The IDC realises that it has a broader role to play in proactively identifying opportunities that can have a significant impact on rural communities while not duplicating the activities and mandates of other role-players. Our interventions are aimed at developing specific industries based on the needs or strengths of a specific area.

Cumulative value of approvals to companies in rural areas 2010 to 2014



Cumulative number of jobs facilitated in rural areas 2010 to 2014



Community and employee trusts

The IDC structures its transactions, where possible, to achieve equity ownership within communities and for workers in its bid to have a transformational impact and give effect to government's broad-based black economic empowerment (B-BBEE) objectives.

The Corporation uses trusts to invest in projects in the interest of communities and workers. The rationale is that, generally, trust beneficiaries are members of communities situated close to IDC-funded projects, or low-income black employees.

The IDC's Socio-Economic Development (SED) unit facilitates the establishment of community and worker's trusts through business partnerships. Activities include trust registration; alignment of trust deeds with IDC trust policies and relevant government legislation; appointment of trustees through the correct election process; training trustees and beneficiaries and managing the trust companies. The IDC Academy provides training interventions to help communities understand investment issues. Once the IDC intervention phase has been completed, the trust company's management is responsible for the sustainability of the trust.

Transactions approved for worker's trusts in 2013/2014

During the reporting period, the IDC approved 11 transactions, five for community trusts and six for worker's trust. Two of the 11 approved transactions are youth-owned.

Community and employee trusts (continued)

The approved transactions intersect the IDC's strategic business units for Agro-Industries, Green Industries, Information & Communication Technology, Healthcare, Chemicals & Allied Industries and Metals, Transportation & Machinery Products. The geographic spread of the transactions covers Limpopo, Eastern Cape, KwaZulu-Natal, Northern Cape, Mpumalanga and Gauteng.

Community and worker's trust registration

During the 2011/12 financial year, nine worker's trusts and 17 community trusts were registered, compared to five community and eight worker's trusts in 2012/13 and three community and five worker's trusts for the 2013/14 financial period.

The number of community trusts registered in 2012 was due to the stipulation in the DoE's Request for Proposal (RFP) for renewable energy projects that only bids with local community participation as shareholders would be considered. SED assisted bidders to include local community participation in their business plans. During the past financial year, in round three of the DoE bidding process, the IDC assisted and approved 21 transactions, of which only five were successful in their bids.

Only when bids reach financial closure does the IDC continue with the provision of SED interventions. The IDC appointed an Upington-based dedicated SED specialist to focus on the provision of socio-economic development support to the projects and communities in the Northern Cape, due to the concentration of investment in renewable energy projects in that area.

During the reporting period, registered trusts intersected the Agro Processing, Green, Chemicals & Allied, and Metals, Transport & Machinery Products business units. Geographically, the trusts are in Limpopo, Eastern Cape, KwaZulu-Natal, Northern Cape, Mpumalanga and Gauteng.

The IDC provided 50% of the R30 000 required to register a trust as a grant and clients provided the balance. The IDC Academy assisted the trusts with training for trustees and beneficiaries to execute their fiduciary duties and providing them with information about how trusts operate, their respective roles and responsibilities and how to manage a trust successfully.

Achievements during the year under review

- One of the major challenges with community and worker's trusts is the timeline to accrue tangible benefits for trust beneficiaries. The IDC approved an innovation in July 2013 to expeditiously realise beneficiary benefits. A pilot programme is currently underway to encourage investee companies to outsource certain services to trusts to help realise profits for distribution in the short-term.
- SED convened a seminar on 'Communities in Renewable Energy, for IDC-funded Independent Power Producers (IPPs) in October 2013. The seminar focused on the role of community trusts in driving community development, the roles of government and IPPs in community trusts and the challenges that face community trusts as vehicles to drive sustainable community development.

Challenges and barriers

The major challenge for trusts is the use of dividends to service IDC loans. These loans take up to seven years to be fully repaid before dividends can be distributed to beneficiaries. Currently, there is no documented evidence that any of the trusts have distributed benefits to their beneficiaries. Furthermore, the lack of material benefit flow to the trusts makes it difficult to sustain beneficiary motivation and commitment to projects. As a result, the companies in which they have invested do not realise the expected benefits of employee ownership, such as lower absenteeism or a significant increase in productivity and revenue. The low levels of education among trust beneficiaries and lack of business acumen, management experience and corporate governance knowledge is a barrier to effective and efficient trust management. The training provided by the IDC Academy is therefore critical. A concern, however, is that some investees regard B-BBEE as a compliance issue rather than a strategy to develop their enterprises.

Challenges in using community trusts for renewable energy projects

- The same communities could become beneficiaries of more than one trust when investors and development finance institutions (DFIs) independently register different trusts for the same communities.
- Stakeholder roles in community trusts are not properly defined, such as the role of the project company, or that of government and municipalities or the funders, among others.
- The appointment of trustees from among community beneficiaries could be a challenge due to the generally low levels of education in communities.
- Project companies and Boards of Trustees (BoT) find it difficult to manage beneficiary expectations, such as the immediate realisation of tangible benefits from project equity owned by communities.

Future focus

- Assist 17 community trusts within IDC-funded renewable energy projects, to augment community development plans (CDP). This will assist BoTs to align plans with the objectives of the trust deed, such as investing/distributing future dividends.
- Initiate a national stakeholder forum to coordinate, monitor and evaluate all community trusts in renewable energy projects in the various provinces. The forum will consist of, *inter alia*, the Department of Energy, National Treasury, the

Community and employee trusts (continued)

IDC, the Development Bank of Southern Africa (DBSA) and the Public Investment Corporation (PIC).

- Create a stakeholder forum for all beneficiary communities to deal with challenges, such as beneficiary overlaps.
- Facilitate the creation of a stakeholder forum for the province, district or local area where renewable energy projects are concentrated.
- Request that IPP project companies align the trust deeds with the broad-based ownership scheme regulated by Code 100 of the B-BBEE Codes of Good Practice.
- Initiate management training for investee companies participating in support interventions to sustain trust operations.
- Identify training needs for community trusts and development relevant training manuals.

Performance measurement

Currently the SED intervention impact is measured annually by surveying companies that have registered trusts with IDC investments. SED scored 4.4 in an independent external survey.

Workers trusts established during the 2012 - 2014 financial years

2012	2013	2014
WG Wearne	Isondo Guest Comfort	Vaalhaarts Citrus
Tissue Masters	Windtown	Overvaal
VKB	Tricom	Name Plate Signs
Grainfield Chickens	Gemtex	Electro Systems
Berekesanang	Capensis	
Agni Steel Trust	Clidett 688	
Amber Bay	Mammoth Technologies	
Coega Dairy		
Auspex		

Trust registration during the three consecutive financial years, 2012 to 2014, has declined. During the 2012 and 2013 financial years, nine trusts were registered compared to only five during the 2013/14 financial years.

Community trusts established during the 2012 – 2014 financial years

2012	2013	2014
!Khi Solar (Upington)	Arisa (Swellendam)	Ganspan Citrus
Ka Xa Solar (Pofadder)	Jan Kempdorp Citrus	Sithe Catha Forist (Keiskammahoek)
Limarco (Pofadder)	Warrenton Citrus	Karoshoek Solar (Illangalethu) (Upington)
Mulilo Renewable Energy (De Aar)	KK Wajima (Mdantsane)	
Sevenstones 159 (Kenhardt)	Innowind Chaba (Komga)	
Heliosphere Wind Energy (Caledon)		
Slimsun (Swartland)		
Rustmo1 (Rustenburg)		
Red / Dorper Wind Farm (Molteno)		
Divine Inspiration (Oyster Bay)		
Aveng (Gouda)		
Aveng (Sishen)		
Mulilo Renewable Energy (Prieska)		
Chaba Wind Project (Komga)		
Waainek Wind Project (Grahamstown)		
Grass Ridge (Grassridge)		
Kakamas Hydro Electric (Kakamas)		

The number of community trusts registered during the 2013/14 financial years decreased significantly to only three, since the renewable energy projects used the same trusts that were registered in 2012 and 2013 for round one and two of the DoE bidding process.

Agency development and support

One of the IDC's key developmental objectives is to invest significant resources in broadening its impact, especially in underserved and marginalised communities.

Strategies employed to achieve this include the establishment of the Agency Development and Support (ADS) Department as a socio-economic developmental funding programme alongside the Corporation's normal operations.

The ADS was established to facilitate strategic community investment and local economic development through the identification, enablement, advancement and promotion of sustainable and integrated development opportunities and potential.

The department enacts its mandate through strategic interventions using "uncommon strategies for the common good". This entails assisting local governing institutions by:

- Establishing and supporting development agencies
- Implementing spatial interventions to promote strategic development partnerships through social enterprise development
- Managing strategic complementary funding on behalf of third parties.

The ADS's role includes:

- Strategic development responses and prioritisation through activities and interventions
- Proactively finding comprehensive and integrated solutions to development challenges
- Developing strategic partnerships to foster structured, holistic and integrated implementation
- Accelerating responses to crises
- Building the social economy
- Integrating local and regional value chains linked to the revival of latent potential and underutilised assets
- Proactively addressing blockages and constraints for development.

The ADS will action these strategies to create local environments conducive to mobilising investment and creating sustainable employment, particularly in marginalised areas.

The IDC's role is to link the public, private and community/civil sectors through the promotion of social dialogue that focuses on employment creation (social capital formation); supporting job creation in the non-traditional IDC business unit transaction space; stretching value chains for greater inclusion of the poor and marginalised in the economy; enhancing local and regional competitiveness and social equity; supporting broader-based participation in the economy (socio-economic transformation); and growing the IDC's footprint and pipeline in collaboration with its regional offices and business units.

Agencies

The ADS Department was launched in 2002 to support the establishment of local economic development agencies at a municipal level and assist them in taking advantage of economic and developmental opportunities. Since inception, the ADS has introduced capacity and resources in municipalities to support and implement high potential economic and job creation projects. The IDC has established 34 agencies through the ADS and although the Corporation does not intend introducing any new agencies, it will continue to support those established under the ADS.
During the 2013/14 financial year, funding of R38.5 million was approved to assist six of these agencies to expand their work in developing, packaging and implementing projects in their areas of operation.

Spatial interventions

The core objectives of the Spatial Intervention Programme are to promote, facilitate and implement economic development in a specific area, address spatial disparities, build strategic partnerships, harness job creation opportunities and bring about meaningful change.

The Programme is not confined to boundaries in its operations. This fund is earmarked to provide underserviced areas with the resources to plan and implement coordinated, flexible and area-customised activities to help area residents utilise fully economic and social opportunities.

During the past financial year, funding of R34 million was approved for nine initiatives under the ADS banner. Initiatives that benefit from this funding include small/emerging farmer development, collective mechanisation, community energy solutions, incubators, community development processes, new industry development, urban regeneration and the promotion of food security.

Social enterprises

The IDC's Social Enterprise Fund (SEF) supports enterprises established in response to unmet poverty, health and/or environmental needs and the lack of access to basic services and resources, as well as social market failures and the breakdown of social capital, among others.

The IDC capitalised the SEF with R100 million over five years.
The ADS has obtained a further Euro 4 million from the Flemish International Cooperation Agency (FICA) for the fund.

During the reporting period, an amount of R36.2 million was approved for 12 social enterprise projects across South Africa. These projects include farming cooperatives (primary and secondary), manufacturing cooperatives (furniture manufacturing), business incubators, a honeybee social franchise, HIV/AIDS prevention (mobile male circumcision clinic), micro-business

Agency development and support (continued)

support, artisanal training and employment, food security and nutrition initiatives, a rural marula oil-processing initiative, community waste-recycling and a platform for rural arts and craft development and support.

The SEF identified five core elements that define a social enterprise, namely that it:

- Has a primary social or environmental benefit purpose
- Reinvests all surpluses/profits in achieving the enterprise's mission
- Uses a financially sustainable business model
- Is democratic, accountable and transparent
- Operates in a socially and environmentally responsible manner.

Third party fund management and other activities

The ADS continues to manage third party funds, including the Regional Industrial Development Strategy Vutha'Mlilo Fund on behalf of the dti and the National Craft Fund.

Other ADS activities included participation in drafting a social economy policy framework, international collaboration in terms of social enterprises, addressing socio-economic challenges at mines and strategic infrastructure projects.

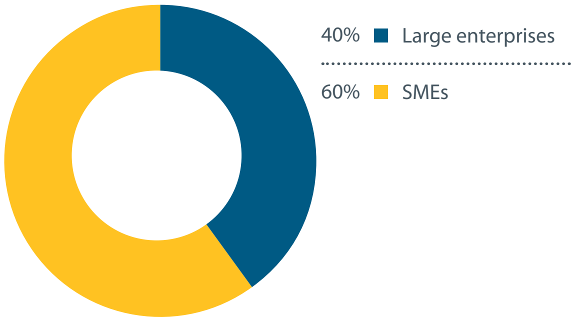
Future focus

During the year ahead, the ADS will to drive the implementation of inclusive business practices. The focus will be on expanding tangible opportunities for the poor who are producers, suppliers, workers, distributors, consumers and innovators. The inclusive business practices will recognises the considerable market-based demand and purchasing power of this group of people and acknowledge their significant skills, capacities and entrepreneurial power. Constraints to leverage these often have to be removed through direct intervention.

SME funding

The IDC and its subsidiary, sefa, have an important role to play in the development of the SMME sector. The Corporation's largest direct impact is in funding that it provides to the industry and its influence over companies in which it invests. Over the last five years, the IDC approved funding to the value of R8.3 billion in just under 700 SME transactions. This represented 60% of the total number of funding approvals. Although the value of SME funding is relatively small compared to the overall value of IDC funding, larger projects stimulate economic activity and assist in creating demand for products and services delivered by smaller businesses.

Split of the number of funding approvals between SMEs and large enterprises (2009/10 to 2013/14)



While the IDC's funding tends to focus more on the medium segment of the SME market, sefa covers a much larger portion of the SME market, including survivalist and micro-enterprises. The agency achieves this through direct funding to small business and indirect lending through intermediaries. In 2013/14, the second year of its existence, sefa increased the value of funding approved to R1.1 billion from the R440 million approved in the previous year. Through its direct and indirect funding channels, it has been able to reach more than 88 000 survivalist, micro, small and medium enterprises.

Youth development

The plight of South Africa's youth, specifically the excessive levels of youth unemployment, is relentlessly in the spotlight. Dealing with it is a national imperative and one of government's priorities. The state-owned IDC, a development financial institution mandated with capacity development and job creation in industry as key outcomes, has a direct interest in addressing unemployment.

The IDC's approach to this challenge is anchored by three major pillars: education, work experience and entrepreneurial development.

In April 2014 , the IDC was a signatory to the Youth Employment Accord with other stakeholders. The aim is to improve skills development among young people. The IDC reinforced its Accord commitment with a R1 billion contribution from the R10 billion Gro-E Scheme, created to support youth-owned businesses. A tripartite agreement with the NYDA and sefa during the past year also facilitates access for youth-owned businesses to IDC and sefa finance to establish or expand their businesses and NYDA grants to develop bankable business plans.

During the reporting period, the IDC approved R61 million to support businesses with more than 50% youth-owned shares. An additional R44 million was approved for four businesses with youth shareholding of between 25% and 50%. These projects facilitated 429 job opportunities in sectors such as textiles, toilet paper manufacturing, steel window frames manufacturing, agro-processing, cement brick manufacturing, motion picture manufacturing and electric motor fabrication.

The IDC's entrepreneurial development was complemented by internal initiatives and those implemented with external stakeholders to increase the employability of South Africa's youth.

Internally, initiatives included matriculant learnerships, a graduate internship programme and Chartered Accountant (CA) learnership training. About 56 young people participated, while 72 new bursaries were awarded in 2013. The IDC will award the same number of bursaries in 2014. The total number of bursary beneficiaries as at the end of March 2014 was 243.

Externally, the IDC extended it youth empowerment role in the education sector through its Corporate Social Investment initiatives. These included support for 20 adopted schools under the Whole School Development Programme through leveraged external resources . Key achievements entailed capacity building through strategic planning and team-building sessions, Learner Representative Council (LRC) training and infrastructure refurbishing at some schools.

The Youth Employment Accord also identified the Green economy as a potential sector for youth development opportunities. During the reporting period, the IDC partnered with external stakeholders for a pilot project at two TVET colleges to develop skills for the Green economy.

Other rural and social enterprise interventions included the Goedgedacht Farm project, which provided youth with personal development skills, the Maluti-a-Phofung Youth Primary brick-making cooperatives, which empowered 14 young people in brick-making and the Bedford Eagle Hout cooperative where high-quality, handcrafted solid wood furniture is manufactured.

The IDC is critically aware of the importance of a bankable business plan for young entrepreneurs. In this regard, the Corporation extended its Tertiary Institution Business Plan Competition 2014 to include an additional 20 tertiary institutions. This followed a successful pilot at the University of Free State in 2013. The competition afforded university students the opportunity to submit bankable business plans to obtain funding, while creating a pipeline of quality business plans for the IDC.

Future prospects

Going forward, the IDC will extend its developmental impact through access to funding, continue to prepare youth for the workplace, extend business plan competitions country-wide and intensify marketing campaigns to create awareness about the services and support available to South Africa's youth. The IDC will also continue to monitor and evaluate its interventions and use the lessons learnt to improve its support for the country's youth.

B-BBEE compliance

B-BBEE Codes of Good Practice

As a state-owned entity, the IDC is measured on an adjusted generic scorecard that excludes ownership from the broad-based black economic empowerment (B-BBEE) compliance verification.

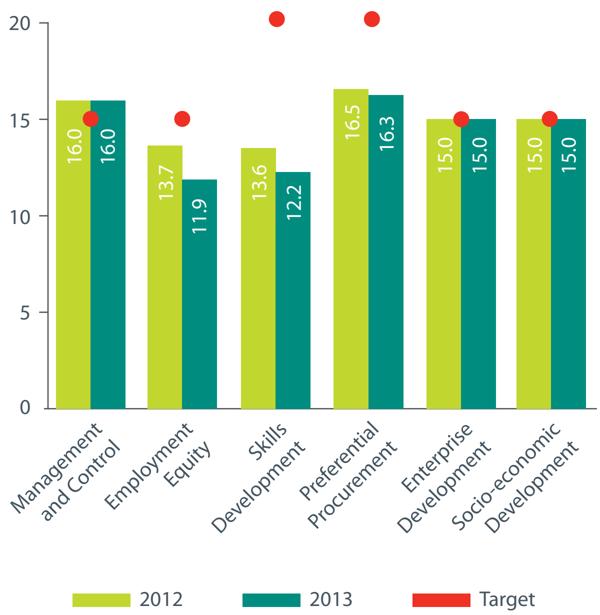
During 2013, the IDC maintained its status as a Level 2 contributor.

Compared to the 2012 rating, the IDC's compliance performance in employment equity and preferential procurement improved during 2013.

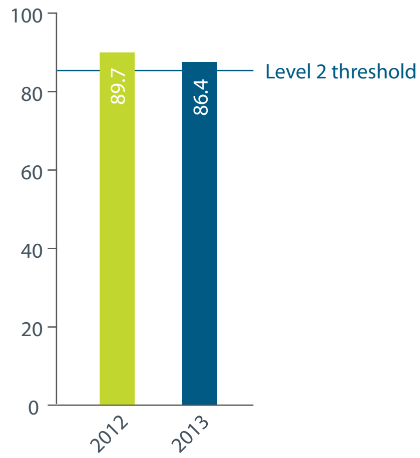
The scores showed a decrease in performance, however, between the years 0 - 5 and 6 – 10, due to the increase in compliance targets. A drop in skills development performance also influenced a drop in the overall score from 89.7 to 86.3 points for the reporting period.

Positive performances in the remaining elements ensured that the IDC maintained the maximum scores achieved for those elements during the previous year.

Rating performance by elements of the scorecard



The IDC's B-BBEE rating in 2012 and 2013



In addition to measuring its own contribution to black economic empowerment, the IDC also endeavours to entrench B-BBEE principles in all its funded companies. Companies funded by or applying for finance from the IDC are required to disclose their B-BBEE status. A B-BBEE specialist from the IDC business support function assists business partners to comply with the IDC's B-BBEE requirements and improve their B-BBEE status.

Preferential procurement

The IDC is firmly committed to promoting economic growth through applying the Preferential Procurement Policy Framework Act, 5 of 2000 (PPPFA) regulations when appointing service providers. This includes the need for bidding suppliers to be B-BBEE compliant as a criteria in the IDC's tender adjudication process.

The IDC's 2013 B-BBEE rating improved in the number of black-owned and black women-owned B-BBEE compliant suppliers, which increased to 50% and 30% respectively. This is aligned with the requirements of the Codes of Good Practice. The Corporation's expenditure with compliant Exempt Micro Enterprise (EMEs) and Qualifying Small Enterprises (QSEs) also improved significantly.

The IDC procures goods and services mainly from consultants and contractors whose services represent an estimated 85% of open tenders awarded during the financial year. The figure on the next page reflects the service categories.

Types of services as a percentage of all service tenders

- 3% Asset management services
- 21% Feasibility studies
- 18% Transaction advisors
- 15% Construction services
- 5% IT maintenance services
- 5% Business consultants
- 5% Marketing and communication services
- 3% Guard services

LA The IDC increased its supplier base to promote local suppliers located in provinces outside Gauteng. The expansion of its panel of business support consultants, for instance, increased regional supplier representation across provinces outside Gauteng. The IDC also promotes the local manufacturing of products and services as part of its procurement selection criteria for designated sector purchases and has procured textiles and office furniture from South African-based manufacturers during the year. More than 90% of the total discretionary spend facilitated through the procurement process in the year under review was with South African-based suppliers, referred to here as local suppliers. The Corporation's significant location of operations is South Africa.

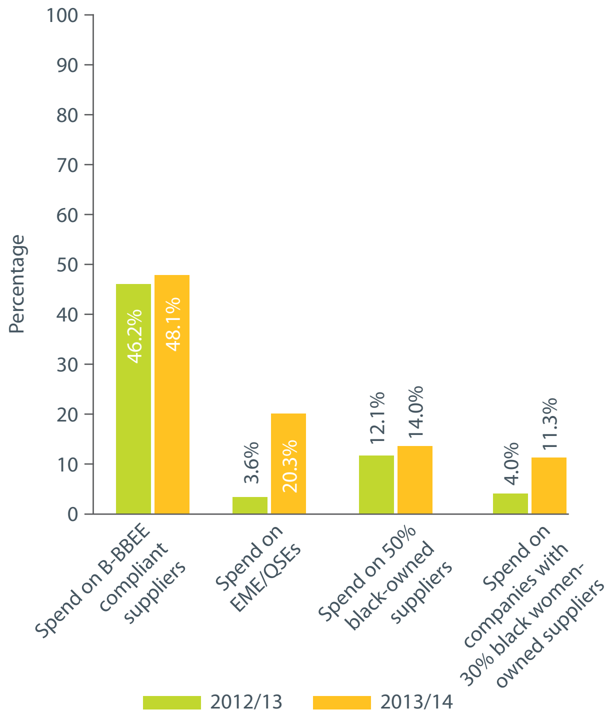
During the year under review, more than 90% of the IDC's total discretionary spend through the procurement process was with South African-based suppliers.

The IDC embarked on a process to support the development of youth-owned businesses and SMEs through preferential procurement and supplier development initiatives. Going forward, the IDC will develop supplier databases for identified procurement commodities to target its procurement activities as part of this process.

The IDC adheres to relevant regulations, including labour regulations where applicable, as part of its supplier screening and selection processes. All the IDC's procurement transactions are aligned with approved procurement policies, procedures and governance structures.

The Procurement Committee is mandated to consider and approve procurement transactions for all goods and services required by the IDC. The overarching role of the committee is to ensure that all procurement processes are fair, transparent, competitive, cost-effective and equitable and complies with the IDC Procurement Policy and relevant legislation. The committee is delegated to approve procurement transactions under the IDC's approved delegation of authority.

Comparison in preferential procurement performance over the 2012 and 2013 periods



Corporate social investment

Introduction

Corporate Social Investment (CSI) is the contribution by a business to society in addition to the benefits of its regular business activities. CSI integrates sustainability principles into business operations and has evolved over the years from mere philanthropy and charitable giving to a business imperative. Many local and international companies consider CSI as integral to doing business. Potential benefits include an enhanced corporate image, improved employee morale, an enhanced socio-economic environment and good corporate citizenship.

In South Africa, CSI has an added dimension as it is measured by the Broad-Based Black Economic Empowerment Act, 53 of 2003 and Industry Charters. CSI falls under socio-economic development (SED) in the Codes of Good Practice, which are derived from the B-BBEE Act.

CSI complements the IDC's core mandate of industrial capacity development as it supports initiatives that promote employment creation, poverty eradication and sustainable development for the most marginalised citizens. The Corporation's CSI interventions are also aligned with government's development imperatives.

Our CSI focus areas are: education and skills development, health and sustainable livelihoods.

Activities

Our activities during the past financial year related specifically to (1) enhancing the education support programme, (2) identifying and supporting IDC-funded projects to maximise impact and (3) strengthening the monitoring and evaluation of projects funded during the previous financial year.

Education and skills development

Whole School development

The implementation of the Whole School Programme (WSP), which started in April 2013, impacted 20 adopted schools. Strategic planning, leadership and governance programmes, as well as a variety of skills development and infrastructure development programmes were implemented. The interventions varied and were based on the needs assessment and action plan for each school. As the majority of the schools are part of the Department of Basic Education's (DBE) Dinaledi School Programme, mathematics and science development programmes were prioritised. The interventions implemented to date include:

- Basic infrastructure and renovations, including new classrooms and ablution facilities, as well as new administration blocks and science laboratories
- Educator development and learner support for mathematics and science
- Learner awards programme
- Health and sanitation programmes.

The schools participated in strategic planning workshops in early 2013 and developed five-year implementation plans to reinforce curriculum management, learner and educator support and school governing body commitment.

Participating schools experienced a significant improvement in academic results, discipline and management. However, the matric results confirmed the need to further improve academic performance for learners to attain university entrance pass rates. The focus for the 2014/15 financial year, therefore, will be on teacher development and learner support programmes for mathematics and science.

To date, over 270 temporary jobs have been created in the infrastructure projects, while the services of 20 local small businesses were utilised in these projects.

A further nine primary schools, which are the main feeders for the IDC-adopted schools, have been selected for support in the forthcoming financial year. The focus of the intervention, which was discussed with schools and education stakeholders, is to develop numeracy and literacy in grades 4-7 with the ultimate objective of improving the matric pass rate. Institutions impacted by this intervention in 2014 financial year are listed on pages 135 to 136.

Support for Technical Vocation Education and Training (TVET) colleges

During the 2013 financial year, the IDC supported eight TVET (formerly FET) colleges mainly with equipment and the renovation of workshops to comply with industry requirements. These interventions were successfully completed in 2013.

The 2012/13 monitoring and evaluation report identified the need to continue funding equipment, machinery and workshop improvements to increase employability when learners enter the workplace. Two colleges from the previous list were identified for further support and one new college was funded. Details on page 137 outline approved funding for the 2013/14 financial year.

In addition to support for three colleges , a proposal to develop a Green Skills Curriculum for the TVETs was approved. The curriculum is being piloted at two colleges in the Northern Cape in partnership with the National Business Initiative's Skills Development unit. The focus is on installing and maintaining solar heaters. The Department of Higher Education and Training has endorsed the initiative and the CSI team is collaborating with the IDC's Green business unit and skills development coordinator for the SIP project. The project will be completed by March 2015.

Corporate social investment (continued)

Support for universities

Increasing learner proficiency in STEM (Science, Technology, Engineering and Maths) is the focus of the IDC's support for universities. Our attention for the past two years has been on programmes that promote the access of students from poorly resourced schools into these fields. During the 2012/13 financial year, the IDC supported seven such programmes.

Last year, the IDC approved funding for an Extended Curriculum Programme in the Natural Sciences Faculty at the University of the Western Cape. The programme extends the completion period of a Bachelor of Science (BSc) degree from three to four years. The IDC also approved an additional donation for computers for the university's new Chemical Sciences Building. Similar initiatives will be supported during the forthcoming financial year.

In addition, we supported five seats for the LaunchLab project at the University of Stellenbosch, a business innovation competition for students. The five business plans will be included in the IDC's business plan competition run by the Innovation Department.

Bursary support programme

A bursary support programme, managed by Studietrust on behalf of the IDC on a three-year contract, was implemented for the second year during the reporting period. In total, 173 students participated in the 2013 support programme of which 92% passed their final examinations and 52 completed their undergraduate degrees.

The performance of the 13 students whose bursaries were reinstated in 2013 was as follows:

- Five students improved academically and passed all their modules in 2013
- Two students failed one module each and will repeating them in 2014
- Three students failed their major modules, one of whom was excluded by the institution
- Two students failed all their modules and have been excluded from the bursary.

Economic development

In the year under review, the IDC funded seven projects in rural and underdeveloped areas. Two of these were part of the IDC's strategy to support community projects in the vicinity of IDC-funded projects. The projects all address the needs of the poor by enabling micro or survivalist community enterprises to generate income and providing vocational training and job placement support to increase levels of employment. The list of funded projects is shown on page 136.

Health

In 2013, the IDC approved funding of R2.7 million for two additional National Health Insurance (NHI) consulting rooms for health practitioners in response to a request from the Department of Health to add these structures to the 16 approved in 2012 at a cost of R6.5 million. The construction of all 18 structures has been completed and ten are operational. Completion work on the other eight, such as electrical connections, floor coverings, installation of blinds, the delivery of furnishings plumbing, will be done in the forthcoming financial year.

During the reporting period, an X-ray machine was donated to the Alexandra Clinic at a cost of R1.5 million. This completes the IDC's contribution, previously R935 000, towards the renovation of the entire X-ray room.

Employee volunteerism

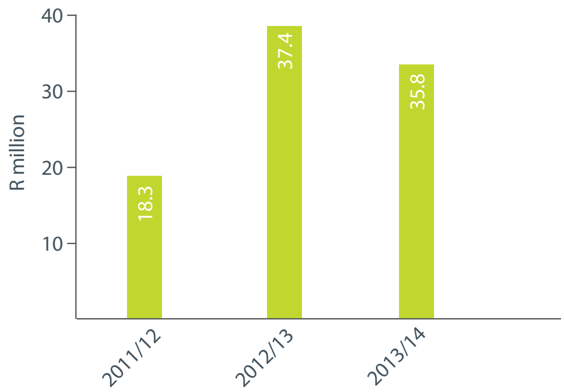
In 2013, an amount of R494 000 was raised from staff members' contributions to support the I DO Care initiative. Aligned with its CSI strategy, the IDC contributed R3 for every R1 contributed by staff members (3:1 matching contribution). The employer/employee matching contribution scheme generated approximately R1.9 million that was distributed to 30 non-profit organisations and will be used to roll-out the Women's Legacy project, launched in August 2013, to all IDC-adopted schools.

During the reporting period, the Employee Voluntarism and Giving (EVG) strategy was revised to further embed a culture of volunteerism among IDC employer. The strategy includes proposed corporate volunteering initiatives.

Budget performance

During the reporting period, CSI expenditure decreased slightly compared to the previous financial year. The figure below illustrates the CSI expenditure over the past three years.

CSI expenditure over the last three years



Corporate social investment (continued)

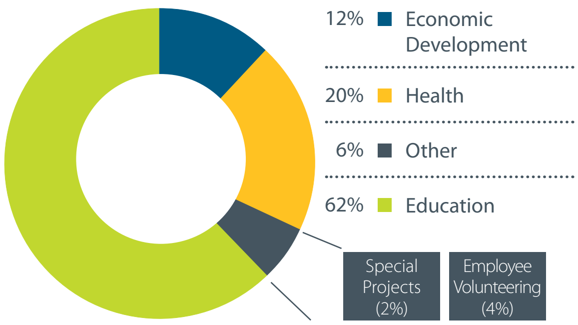
Although CSI expenditure decreased, approvals increased as indicated the table below.

CSI expenditure and approvals for the 2013/14 financial year

Focus area	Approved (R million)	Disbursed (R million)
Education and skills development	R25 m	R21.9 m
Economic development	R4.8 m	R3.3 m
Health	R8.1 m	R8.1 m
Special projects	R0.9 m	R0.9 m
Employee volunteering	R1.5 m	R1.5 m
Total	**R40.4 m**	**R35.8 m**

Education, as major priority for the IDC, is reflected in the budget allocation as shown in the figure below.

The IDC's budget allocation for CSI projects for the 2013/14 financial year



Measuring performance

The regular monitoring and evaluation of CSI initiatives are integral to effective implementation. Project officers use a monitoring and evaluation tool during their quarterly project visits to monitor implementation progress, assess performance and measure the impact of CSI funds.

Turnaround times and services delivered are also measures of our performance. We use the annual feedback from stakeholders, partners and beneficiaries to improve our performance.

We also compare ourselves to our peers by subscribing to and participating in the CSI Handbook, which is published annually by Trialogue and contains extensive information on the South African CSI landscape. More than 100 leading companies participate in the publication.

Challenges

The CSI challenges experienced during the year under review and proposed solutions are outlined in the table below.

CSI challenges and proposed solutions

Challenges	Solutions
Accessibility to rural areas (suitable transport)	Relax travel policy conditions to allow CSI team to use suitable transport
Companies not willing to collaborate in initiatives to mitigate risk and create maximum impact	Focus on forging partnerships with subsidiaries with CSI programmes (Foskor and Scaw)
Communicating and creating external and internal awareness about CSI initiatives	Collaborate with the Communication Department to develop a CSI communication strategy

Plans for the 2014/15 financial year

Going forward, CSI will strengthen its basic education initiatives by continuing with the "Whole School' programme in the 20 participating secondary schools. The CSI team will also start with numeracy and literacy interventions in the nine selected primary schools to improve teaching and learning.

In the year ahead, CSI will identify two colleges for support to strengthen the capacity of TVETs as priority institutions for skills and vocational training. The Green skills curriculum development pilot at the Upington Rural and Kimberley Urban TVET Colleges will receive priority attention.

In terms of university support programmes, as aligned with government's transformation agenda, the IDC will continue to promote the access of poor black students into STEM-related fields to help address the dire shortage of these skills.

During the forthcoming financial year, attention will also be given to strengthening the monitoring and evaluation of CSI expenditure to measure impact.

Corporate social investment (continued)

List of schools and description of work done during the 2013/14 financial year

School	Project description	Cost
Monwabisi High School, Northern Cape	Renovation of physics and life science laboratories	R921 375
Kgomotso High School, Northern Cape	Water reticulation infrastructure	R1 503 906
Setswakgosing High School, North West	Renovation of the ablution block	R467 250
Welabasha High School, KwaZulu-Natal	Renovation of the physical science and life science laboratories	R815 348
Kgabareng Secondary School, Free State	Maths educator training	R748 529
Zikhethele Secondary School, Gauteng	Renovation to the physical science and life science laboratories	R686 196
Ngwathe Secondary School, Free State	Renovation of 21 classrooms and ablution blocks	R740 093
Moses Maren Technical Secondary School, Gauteng	Building of a science laboratory	R1 136 305
Lehlasedi Secondary School, Mpumalanga	Building of a science laboratory	R1 244 439
Makhosana Manzini Secondary School	Renovation of existing ablution block	R888 709
Glen Cowie Secondary School, Limpopo	Renovation of science laboratory	R823 488
Phagamang Secondary School, Limpopo	Construction of an administration block	R850 000
Siwali Secondary School, Eastern Cape	Building of a science laboratory	R976 223
Tholang Secondary School, Eastern Cape	Construction of ablution block	R590 294
Bizimali Secondary School, KwaZulu-Natal	Renovation of existing classrooms and electrification of the school	R749 385
Atlantis Secondary School, Western Cape	Erection of perimeter fence	R737 100
Mariazell Secondary School, Eastern Cape	Construction of 5 classrooms	R199 016
Tshivhase High School, Limpopo	Construction of an ablution block	R1 272 725
Thandokhulu High School, Western Cape	Building of a feeding scheme kitchen	R386 977
Boithaopo Secondary School, North West	Building of science and life science laboratory	R2 638 583
20 IDC Schools' Learners Awards	Best performing Grade 11 learners in mathematics, science, accounting and English	R93 600

Economic development projects approved during the 2013/14 financial year

Project	Location	Description of project	Budget approved
Big Fish	North West, Limpopo and Mpumalanga	Big Fish School of Digital Filmmaking creates opportunities for previously disadvantaged youth to become part of the audio-visual industry. IDC funds will be used to train 20 young people in production, accommodation, assessments and moderation. Big Fish also places young people in relevant jobs and has an 80% placement success rate	R848 012
Siyabonga Africa (enterprise development)	Polokwane, Sibasa, Tzaneen, Limpopo	Two bakery projects and two chicken rearing and egg-laying projects in Sibasa, Tzaneen and Polokwane. The overall project entails skills training and mentorship support for the 40 beneficiaries with an impact of 40 established micro enterprises	R847 868
Hope Africa	Ulundi, KwaZulu-Natal	Expansion of two food security gardening projects in Nkwenkwe and Nkonjeni villages in Ulundi, KwaZulu-Natal	R437 280
Hantam Community Trust	Colesberg, Northern Cape	Hospitality training for unemployed young people and job placement in the local hospitality industry	R251 000
Edunova IT Entrepreneur Programme	Philippi, Western Cape	Support by the business incubator facility for 20 IT-trained young people	R904 560

Corporate social investment (continued)

Project	Location	Description of project	Budget approved
Emmanuel Home	Kakamas, Northern Cape	Supports IDC objective of building strong communities around IDC-funded projects; CSI is supporting a sewing project run by a community NGO. This is the only registered NGO within the Kakamas Hydro Electrical funded by the Green SBU	R100 000
Baleteba Lekgoohung Community	Zeerust, North West	Development of a community food garden project to benefit the community located within the Buffalo Ridge Safari Lodge, which is funded by the IDC through the Tourism SBU	R249 800
Food and Trees Community Gardens Project	Phuthaditjhaba, Free State	Development office community gardens; the project was approved during the 2013/14 financial year	R650 000
Open Africa	Northern Cape	Entrepreneurship training for tourism micro enterprises; the project was approved during 2013/14 financial year	R550 508

Support for Technical and Vocational Education and Training Colleges during the 2013/14 financial year

College	Location	Description of project	Amount approved
Orbit College	Rustenburg, North West	The purchasing of machinery and equipment for the engineering workshop to train artisans; 1 911 students are currently enrolled for the engineering courses	R930 000
Gert Sibande	Standerton, Mpumalanga	The purchase of two machines for the boiler-making workshop requirements and Merseta accreditation. The boiler-making workshop is part of the Skills Academy and Artisan Development Centre	R1 000 000
iThemba	Tladi, Soweto, Gauteng	The purchase of equipment for and renovation of the mechanical engineering workshop. iThemba is a non-profit TVET in partnership with the Gauteng City Region Academy to provide about 300 young people with artisan skills and currently trains artisans for Transnet and AssaAbloy	R900 000

Natural environment

Policies and approach

The IDC understands its environmental and societal (E&S) responsibilities and is committed to ethical business practises that avoid activities with a significant E&S impact and/or mitigate the impact of such activities to acceptable levels.

The IDC's investment decisions are guided by a Responsible Investment Policy. No socially or environmentally damaging activities, or any that involve human rights abuse are financed. This policy is available on the IDC's website.

Climate change is a global material issue and, as a state-owned entity, the IDC views this as material because the government has committed to ambitious carbon reduction targets.

The Environmental, Health and Safety (EHS) Department has oversight of the indirect E&S impact of the IDC's investments and manages health and safety across the IDC's direct operations.

Indirect impact

The IDC's most significant areas of E&S influence and impact relate to organisations that receive IDC development finance (equity investments). This indirect impact is far larger than the IDC's own direct impact.

The IDC's E&S framework, which describes the approach to E&S risk categorisation, due-diligence and ongoing monitoring, guides the EHS Department in managing E&S. A checklist is used to screen investments for E&S risk, including issues such as human rights (child labour) and social impacts (HIV, retrenchment practices, local communities), as well as environmental criteria such as land-use, biodiversity, energy, water and pollution. The E&S framework and E&S checklist are available on the IDC's website.

Societal screening of new applications

Societal due-diligence includes screening for issues such as child labour, HIV and local communities. In the year under review, the IDC declined an investment application for a mining operation in Uganda that involved the extensive relocation of local communities due to its dissatisfaction with the developer's proposed relocation plan.

Monitoring of existing clients

The IDC monitors clients on a rotational basis according to their risk category and previous performance and submits an annual Risk Profile to the Exco Policy Committee and IDC Board. The Corporation reported a serious child labour incident at the premises of a client in Ethiopia to the Board. A follow-up E&S risk assessment is scheduled for the second quarter of the forthcoming financial year and all disbursements have been cancelled until the client complies fully with the agreed remedial action.

Annual E&S risk assessment

The EHS Department assesses existing clients according to risk category, shareholding, previous performance and re-financing applications. Performance is expressed as an Environmental and Social Risk Rating (ESRR) and rated on a scale of 1 to 4, where 1 is excellent and 4 unacceptable and in breach of the IDC/client agreement.

During the past year, 35 high risk clients were assessed, with the risk performance of 24 rated as satisfactory, 1 as excellent and 10 as poor. In the forthcoming financial year, we will monitor the performance of those rated as poor to ensure that corrective measures are implemented to improve the risk ratings to acceptable levels.

Monitoring of subsidiaries Scaw, Foskor and sefa

During the reporting period, the IDC fomented its working relationships with subsidiaries Scaw, Foskor and sefa to help improve their environmental and social performance. Interventions, facilitated by subject experts, focused on calculating carbon footprints and managing water resources.

Management of legacy issues

The IDC manages the African Chrome Land Rehabilitation Project in Brits, North West Province. The Corporation invested in the sodium dichromate plant in the late 1990s, but original owners had abandoned the plant and left behind extensive Chrome VI soil contamination, which threatened the local community and water resources in the area. The IDC took responsibility for the soil and groundwater rehabilitation rather than write off the loan and burden the Department of Environmental Affairs with the rehabilitation of the contaminated, soil and groundwater. The total expenditure on soil and groundwater rehabilitation, management and monitoring since 2008 amounted to R79.8 million. During the past year, the IDC spent R1.536 million on rehabilitation contracts and has budgeted R4.5 million for the forthcoming financial year.

The Middelburg Steel Rehabilitation Project emanated from the Columbus Joint Venture, where the IDC, Highveld Steel and majority partner, Samancor Chrome, are responsible for managing a hazardous waste site in Middelburg, Mpumalanga. Expenditure for the past year amounted to R1.14 million.

Initiative to assess the impact of the Contaminated Land Regulations

The IDC's proactive approach to soil rehabilitation led to its determination of the potential impact of the (then) draft Contaminated Land Regulations on clients. During the reporting period, the IDC reviewed its client database to identify high-risk sectors that could be affected by the legislation. In the year ahead we will work with clients with soil rehabilitation obligations to establish an IDC-led forum on land contamination to build capacity and share experience about soil rehabilitation. The Contaminated Land Regulations have been promulgated and the IDC will ensure that its clients plan proactively to meet the legislative requirements.

Natural environment (continued)

Understanding the social conditions associated with the mining industry

In response to the tragic events at Marikana in 2012, the IDC initiated a review of social conditions in the mining industry in the following three focus areas (aligned with the Special Presidential Package):

i) The working conditions of mine workers
ii) The living conditions of mine workers
iii) The gender dimension of working on a mine.

Our initial engagement with some clients in the mining sector provided important insights into the underlying social dynamics. This project will be expanded in the forthcoming year to determine the social performance requirements for the IDC's mining clients that could potentially benefit the industry and broader society.

Industry impacts

The IDC remains committed to South Africa's goal of moving towards a Green (cleaner) economy to reduce the country's carbon emissions from business-as-usual levels by 34% in 2020 and 42% in 2025.

The Green Industries business unit consists of four clusters to support projects locally and on the African continent. These are:

- **Renewable energy** – photovoltaic and concentrated solar, wind and hydroelectricity.
- **Energy efficiency** – efficient lighting, solar water heating, heating and cooling, pump and motor optimisation.
- **Biofuels** – bio-ethanol produced from new (additional) plantings.
- **Fuel-based clean energy** – biomass, biogas, cogeneration/CHP (using a variety of heat sources) and waste-to-energy, as well as emission and pollution mitigation, such as waste recycling, cleaner energy and emission reduction technologies.

Funding approved and contracted to Green projects during the 2013/14 financial year amounted to R5.7 billion net of cancellations and accumulative since the unit was founded in 2011 of R15 billion. This excludes the manufacture of Greener products that falls within the ambit of the Metals and ICT (Information and Communications Technologies) business units.

To date, the majority (81%) of projects are related to renewable energy. The IDC participated successfully in the first three bidding rounds of the Department of Energy's (DoE) Renewable Energy Independent Power Producer Programme, with 22 solar (photovoltaic and concentrated), wind and hydro-power projects being awarded with preferred bidder status and a potential exposure of around R13.1 billion. The funding contracted in the 2014 financial year was R6.6 billion. These projects will produce electricity with zero CO_2 during their expected 20-year lifetimes and are expected to avoid CO_2 emissions as indicated in the related table on this page.

The financing of energy efficient and renewable energy investments is supported by subsidised interest rates through the R500 million Green Energy Efficiency Fund (GEEF) and the R400 million French Development Bank (AfD) Renewable Energy Fund for smaller scale renewable energy (1-5MW) projects, sold under a Power Purchase Agreement (PPA), as well as greenfields energy efficiency projects. In addition to reducing carbon emissions, these investments promote competitiveness in an era of higher energy and labour costs.

Technologies set to avoid CO_2 emissions

Technology	MW to be installed cumulative	Expected MWh over 20 years	Expected tons CO_2 emission to be avoided
Photovoltaic	213	9 152 380	8 346 970
Concentrated solar	350	34 518 813	31 481 155
Hydro	10	1 438 000	1 311 456
Wind	697	43 756 902	39 906 292
Total	**1 270**	**88 866 095**	**81 045 873**

Since the launch of the GEEF in October 2011, 19 projects have been approved with a total commitment of R196 million (circa 39% of the fund). The investments include the mass roll-out of energy efficient lighting and showerheads, solar water heaters, rooftop photovoltaic (PV) cells, cogeneration and biogas to energy, energy-efficient refrigeration and industrial energy efficiency.

The projected energy saving annually from the investments amount to 388.6 MWh, with an associated reduction in Greenhouse Gas emissions of 385.1 tons CO_2-equivalent per annum.

The AfD credit line, launched during the reporting period, has approved R122 million (approximately 30% of the fund) to fund four fuel-based Energy Cluster projects – two biogas and two replacing fossil fuels with biomass. The projected energy generation is 277 164 MWh-equivalent over 10 years with an associated reduction in Greenhouse Gas emissions of 331 610 tons CO_2-equivalent.

The reduction and termination of Eskom's IDM (Integrated Demand Management) support for energy-efficiency projects, due to a lack of funding and NERSA's MYPD-3 ruling, has stalled further projects. The DoE's biogas support programme and the 2014 independent power producer (IPP) cogeneration bidding could restore progress in this area.

Provision of Green energy to the transport sector offers significant potential for reducing greenhouse gas emissions. The IDC continues to play a leading catalytic role in developing bio-ethanol as a petrol blend component through the Cradock grain sorghum

Natural environment (continued)

project, as well as supporting cleaned and compressed biogas fuel for taxi and municipal bus fleets. The development of greener gas as vehicle fuel has progressed significantly with the City of Johannesburg and DoE leading initiatives to create an enabling regulatory environment.

The IDC continues to support recycling projects, mainly at municipalities, that reduce solid waste and convert waste to energy, such as the Bon Accord Recycling Centre. The implementation of the National Waste Strategy, supported by the National Environmental Management Waste Act, 59 of 2008, is gaining greater support from local authorities and national government. Overcoming the limitations of the Municipal Finance Management Act (MFMA), 56 of 2003, will also increase the number of projects that convert waste into useful resources.

Fuel cells technology that converts chemical energy from hydrogen-rich fuels into electrical power and usable high quality heat virtually absent of pollutants, has been under scrutiny during the past year. Pioneering projects to develop flexible, low temperature fuel cells with local content have been identified for implementation in the forthcoming financial year. Adopting this technology will support the demand for platinum group metals, which represent more than 80% of the national mineral balance sheet, as well as 80% of global reserves.

The demise of the Kyoto Protocol Clean Development Mechanism for projects in developing nations has delayed a number of developing projects. The move towards a national carbon tax and the support of Green projects by the proposed offset can play a major role in unlocking Green projects in South Africa and potentially across the continent. The IDC is selectively targeting projects for investment, such as hydro-energy in neighbouring states, where the potential is greater than in South Africa.

Direct impact

Occupational health and safety LA

The IDC is committed to providing a safe working environment for its employees, contractors and visitors, by continuously improving its compliance with the Occupational Health and Safety Act, 85 of 1993 (as amended). Health and Safety systems and procedures are in place to support the IDC's Health and Safety policy. An active working committee that reports to the Executive Committee is in place. This forum represents 100% of the workforce and its activities are verified by external assurance auditors. As such, the Corporation has made 72 employees available to serve on different Health and Safety Committees. These are the Occupational Health and Safety (8), Fire Marshal (28) and First Aid (36) Committees.

During the reporting period, the IDC's comprehensive Incident Reporting and Investigation procedure recorded no work-related fatality, lost time injuries and occupational diseases for the year under review.

Water strategy

The water strategy aims to reduce water use by the IDC and its business partners through setting percentage reduction and performance targets against an established baseline level for water usage. This has been factored in for, *inter alia*, maintenance works on leaks and metering.

The IDC's measured direct consumption of water at its Sandton head office for the period 1 April 2013 – 3 February 2014 was 22 236m^3. The IDC's blue and green water footprints are based on actual measurements from installed meters. The blue water footprint represents water used in kitchens and bathrooms and for air-conditioning and washing purposes. The green water footprint is the borehole water used for irrigation. The grey water footprint reflects water discharged into the municipal sewerage system and is assumed to equal the total municipal usage, as follows:

Municipal water (blue water footprint)	20 megalitres
Borehole water (green water footprint)	1 megalitre
Waste water (grey water footprint)	20 megalitres

The estimated total direct water consumption at the Sandton head office for the period 1 April 2013 – 31 March 2014 was 26 682m^3 (based on average monthly consumption):

Municipal water (blue water footprint)	24 megalitres
Borehole water (green water footprint)	2 megalitres
Waste water (grey water footprint)	24 megalitres

Our water footprint translates into an annual water intensity value of 32.2 m^3/employee.

No water sources are significantly affected by the IDC's water usage. The IDC does not recycle or reuse water currently, but plans are in place to introduce rain water harvesting, use grey water in toilets and introduce water-friendly landscaping as part of the Green Building project.

The IDC has identified water as material to sustaining industrial development and economic growth and implements its Water Strategy in four ways:

1. **Own direct consumption**: The IDC monitors the water use at its Sandton head office, where improved measures to identify water leaks early contribute to considerable water savings.
2. **Consumption by subsidiaries**: The IDC reported on water usage by the Corporation and its subsidiaries in its second CDP Water Disclosure Report submitted in October 2013. With the IDC's help, Scaw submitted its own information. The IDC will continue to assist its major subsidiaries such as Foskor, Scaw, Prilla, Herdmans and others, to submit CDP Water Disclosure responses.
3. **Water risk scoring:** The IDC screened the water usage of primary agriculture and mining investments in the three most stressed catchments using the WWF Water Risk Filter.

Natural environment (continued)

Water risks identified during due-diligence are included in Credit Committee submissions. We are developing a water risk scoring mechanism for IDC investments to monitor the water stewardship performance of key investments in these sectors.

4. **Water efficiency audits:** The IDC entered into a partnership with the National Cleaner Production Centre (NCPC) during the reporting year and will refer existing clients in the agro-processing and textiles sectors for water efficiency audits.

Carbon footprint

Climate change is a global challenge and underpins the IDC's endeavours to protect the environment and the communities within which the organisation operates. This commitment extends beyond compliance with national and international environmental and social policies, standards and legislative requirements to encouraging clients and business partners to continuously improve their environmental performance and compliance.

The proposed carbon tax announced by National Treasury will definitely have a negative direct and indirect impact on the IDC and those of its subsidiaries. The direct impact relates to total carbon tax based on IDC-calculated GHG emission inventory and those of its subsidiaries. The indirect impacts would be through the IDC's total loan book and shareholding at revenue-generating entities. Companies would be liable for the payment of carbon tax even if they are not profitable. Work is in progress to develop the IDC emission reduction strategy to offset its possible financial impacts. The potential impacts of this tax proposal have been discussed at various business forums and submitted to National Treasury for consideration. The implementation of the carbon tax has been postponed to 2016 to allow sufficient time for the alignment of its design with the desired emission-reduction outcomes, as well as for consultation on the draft legislation.

The IDC has reported on its carbon footprint for the past four years and used the carbon assessment results as a guide to develop the emissions reduction strategy. We have been working on establishing a baseline for performance targets and, going forward, we will indicate performance as the percentage reduction in our carbon footprint. We hosted a successful workshop, conducted by the National Business Initiative (NBI), to assist selected business partners with the calculation of their own carbon footprints, using a carbon footprint calculation aligned with GHG protocol (G4), ISO 14064 and PAS 2050 guidelines and principles.

The change in reporting format, from equity to financial control, and adoption of the Global Reporting Initiative (GRI) G4 guidelines, has for the year under review prevented the IDC from comparing its total greenhouse gas (GHG) emissions and energy consumption with previous reporting periods. Energy consumption and energy intensity are also being reported for the first time. The GHG emissions of air-conditioning gas (R22) and jet fuel, however, decreased by 66% and 18% respectively, with a total reduction in GHG emissions from 6 896 tCO_2e to 6 450 tCO_2e. Improved maintenance reduced the need to refill gas, while lower utilisation of the IDC's corporate jet (Kindoc Airways) reduced jet fuel consumption.

The IDC's carbon footprint inventory and energy consumption intensity for the 2013/14 financial year are reflected in related tables on this page.

Carbon footprint Greenhouse gas inventory

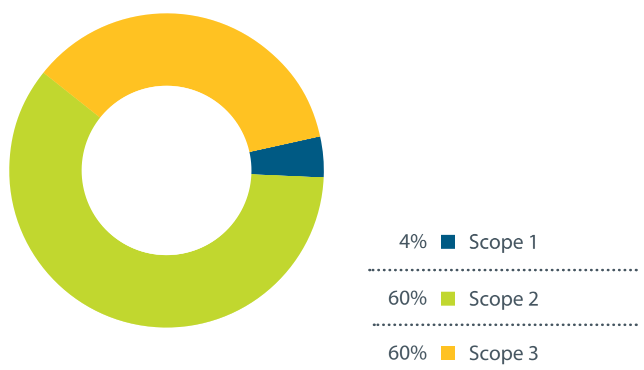
Emission activity	IDC (HQ, regional offices, Kindoc Airways)		
	Tons of CO_2e		
	Verified	Verified	Verified
Base year	**2012**	**2013**	**2014**
Scope 1			
Aircon gas (R22)	376	285	98
Refrigerant (R134 a)	0	0	2
Fleet cars	52	54	68
Generator fuel	6.7	9	9
Jet fuel	180	281	230
Sub-total (Scope 1)	**613**	**629**	**407**
Scope 2			
Electricity	5775	6267	6 043
Sub-total (Scope 2)	5 775	6 267	6 043
Total (Scopes 1 & 2)	**6 388**	**6 896**	**6 450**

**Source of Conversion Factors: IPCC, NOVA, Carbon Trust.*

IDC energy consumption intensity

Activity data	Energy (GJ)	Energy intensity	
		Per area (25 220 m^2)	Per employee (828)
Diesel fuel	327	0.013	0.39
Petrol	685	0.027	0.83
Stationery fuel	124	0.005	0.15
Jet fuel	3 397	0.135	4.10
Electricity	21 755	0.863	26.30
Total	**26 287**	**1.043**	**31.77**

Consolidated Greenhouse gases (GHG) by source emission



Material subsidiaries

Business location	Head Office	Centurion
	Regional Offices	East London, Bloemfontein, Johannesburg, Durban, Polokwane, Nelspruit, Kimberley, Rustenburg, Cape Town
Products/ Services and markets served	Main products/services	Revolving loans, bridging loans, asset finance, term loans, working capital directly and through intermediaries
	Markets served	All nine provinces in South Africa for both indirect and direct lending
IDC funding	Ownership (% shareholding)	100%
Financial indicators	Total assets	R2.2 billion
	Turnover	R166.3 million
	Loss before tax	R111.7 million
	Return on assets	-5%
Development impact	Direct job creation	46 402 jobs expected to be created and sustained, of which 40 579 relate to micro-finance activities which would typically involve self-employed individuals participating in micro-enterprises
	Value of funding approved	R1.1 billion approved
	Value of funding disbursed	R822 million disbursed
	Number of SMMEs financed	46 407 (including funding through intermediaries)
	% funding in rural areas	67% of the value of funding approved was for businesses in priority rural provinces
	% funding towards women entrepreneurs	54% of the value of funding approved was for women-owned businesses
	% funding towards black-owned businesses	93% of the funding approved was for black-owned businesses
Human resources indicators	% black* executive management	60%
	Training spend as a % of turnover	1.2%
	Training spend on black employees as a % of turnover	1.1%
	Staff turnover	6%
	Staff belonging to trade unions	57%
	Procurement spend on black-owned* business as a % of total procurement spend	57%

** As defined in the Broad-Based Black Economic Empowerment codes*

Material subsidiaries (continued)

FOSKOR

Business location	Head Office	Midrand (Gauteng)
	Regional presence	Phosphate mine in Phalaborwa (Limpopo), Phosphoric acid plant in Richards Bay (KZN)
Products/ services and markets served	Main products/services	Phosphate rock, phosphoric acid, DAP, MAP, magnetite
	Markets served	• MAP (monoammonium phosphates), DAP (diammonium phosphates) to local markets • Phosphoric acid to India, Japan, Netherlands, Bangladesh, Dubai, Portugal, Indonesia and Saudi Arabia • Magnetite to local market, Zambia, Malawi and China • Phosphate rock is mainly sold internally to the Acid Division, locally and exported to Japan and Europe
IDC funding	Total exposure	• R1.2bn capital long-term loan plus R93 million interest, fair value of shares is R1.7bn (based on Aloe Cap valuation)
	Ownership (% shareholding)	59%
	Purpose for which funding has been applied	• Equity holding in Foskor • Funding of the Asset Replacement Programme at the Acid Division, bank structure replacement at the Mining Division plus additional capex requirements at both Divisions
Financial indicators	Total assets	R8.5 billion
	Turnover	R5.1 billion
	EBITDA	R382 million
	Gross profit margin	23.7%
	Return on assets	-0.27% (loss for the year/total assets)
	Debt/equity	65%
Development impact	Direct job creation	Consolidated permanent employment at 31 March 2014 is 1 842 distributed as follows: Gauteng (21), KwaZulu-Natal (579), Limpopo (1 242) Annualised number of temporary workers at 155, distributed as follows: Gauteng (4), KwaZulu-Natal (90), Limpopo (61)
	B-BBEE rating	Level 4 contributor
Human resources indicators	% Black* executive management	75%
	Training spend as a % of turnover	0.24%
	Staff turnover	10.2%
	Number of fatalities	1
	Estimated HIV infection rate	4.8%
	Staff belonging to trade unions	NUM (997), CEPPWAWU (348), Solidarity (combined Divisions) (214), UASA (78), UCIMESHAWU (6), Agency shop/non-unionised employees (combined Divisions) (70)
	Procurement spend on black-owned* business as a % of total procurement spend	87%
Environmental indicators	Total electricity consumption	493 723 238 kWh
	Electricity from renewable resources	7 848 033 kWh
	Total water usage	124 980 692 m^3
	Amount of water recycled	108 525 630 m^3
	Recycling of waste materials	1 065 tons in total (various waste streams)
	Total number and volume of significant spills	1 (1 000 litres)
	Number of fines for contravening environmental regulations	0

** As defined in the Broad-based Black Economic Empowerment Codes.*

Material subsidiaries (continued)

SCAW SOUTH AFRICA

Business location	Corporate Head Office	Heriotdale, Germiston (Gauteng)
	Manufacturing facilities	Located in and around Germiston (Gauteng), Jupiter (Wire Road Products) and Union Junction (Rolled Products, Grinding Media, Cast Products, Scrap Metal Processing Division), with related business entities across the globe
Products / services and markets served	Main products/services	Scaw is an integrated steel products manufacturer serving the mining, construction and other industrial sectors. The group consists of four key businesses: Grinding Media, Wire Road Products, Cast Products and Rolled Products. Scaw is the only significant producer of high chrome grinding media and deep level mining ropes in the country
	Markets served	Scaw has a global reach through its various operations around the world. In addition to its South African head office, other operations are in Australia, Italy, Zimbabwe, Ghana, Zambia and Namibia
IDC funding	Total exposure	R6.8 billion
	Ownership	74%
	Purposes for which funding has been applied	To protect the country's industrial base and deepen localisation
Financial indicators	Total assets	R4.8 billion
	Turnover	R6.5 billion
	EBITDA	R345 billion
	Return on assets	- 3.5%
	Debt/equity	> 100%
Development impact	Direct job creation in each region where the business operates	Consolidated permanent and temporary employment at 31 March 2014 is 6 597 distributed as follows: Gauteng (6 144), KwaZulu-Natal (147), Eastern Cape (14), Western Cape (21), Rest of Africa (163), North America (3), Australia (105)
	Impact on industrial capacity in the country	Grinding Media: Production facility for high-chrome grinding media and ball forge; Wire Rod Products: Includes steel wire rope, chain and wire and strand production facilities; Rolled Products: steel production capacity; Cast Products
	B-BBEE rating	Level 3 contributor
Human resources indicators	% black executive management	45%
	Training as a % of turnover	0.19%
	Training spend on black employees as a % of turnover	0.14%
	Number of fatalities	1
	Estimated HIV infection rate	3.3 employees/month
	Staff belonging to unions	NUMSA (64.02%), MEWUSA (9.88%), Solidarity, (6.02%), UASA (1.41%), SAEWA (0.66%)
	Procurement spend on black-owned businesses as a % of total procurement spend	80%
Environment	Total electricity consumption	761 289 mWh
	CO_2 equivalent gas emissions	361 392 metric tons
	Electricity from renewable resources as a % of total electricity consumption	None, all electricity from Eskom
	Amount of water recycled	Not reported
	Recycling of waste tons	Not reported
	Number of fines for contravening environmental regulations	1

Corporate governance

Governance approach

The IDC regards excellence in corporate governance, transparency, fairness, responsibility and accountability as essential for its long-term business sustainability and to protect and enhance the interests of its stakeholders.

The Corporation is guided by and complies with its enabling act, the Industrial Development Corporation Act, 22 of 1940 (IDC Act), as well as the Public Finance Management Act, 1 of 1999 (PFMA), Treasury Regulations, Companies Act, 71 of 2008 and the principles of good corporate governance contained in the King Report on Corporate Governance for South Africa 2009 (King III).

The IDC endorses King III and has endeavoured to adhere to its recommendations during the reporting period. A table setting out IDC's compliance with King III appears on page 160 of this report.

Board of Directors

The IDC Board is ultimately responsible for the performance of the Corporation while retaining full and effective control. The Board provides strategic direction and is responsible to the shareholder for setting strategic objectives and key policies, major plans of action, the risk policy and annual budgets and business plans. The Board also ensures that the shareholder's performance objectives are achieved through performance monitoring systems and reporting.

The size of the Board is dictated by the IDC Act, which permits the shareholder to appoint a minimum of five and a maximum of 15 directors. Aligned with good corporate governance practice, the majority of directors in the IDC's unitary Board structure are non-executive members.

As at 31 March 2014, the Board consisted of one executive and 13 non-executive members, with a gender composition of six female and eight male directors. The positions of Chairperson and Chief Executive Officer are separated to ensure a clear division of duties. The Chairperson is an independent non-executive director, in line with the King III recommendations.

All new directors participate in a formal induction process co-ordinated by the Company Secretary. The induction process includes briefings on financials, strategic, operational and risk management policies and processes, governance framework, culture and values and key developments at the IDC and in the sectors and environments in which the IDC operates.

Directors have full access to senior management through the Chairperson, CEO or Company Secretary at any time. In addition to regular presentations by senior management at Board meetings, directors may seek briefings from senior management on specific matters.

Board Charter

The Board Charter is in place and sets out the Board's responsibilities for adopting strategic plans, developing a clear definition of materiality, monitoring operational performance and management and determining policy processes to ensure the integrity of the Corporation's risk management and internal controls as well as its communication policy, director selection, orientation and evaluation. The Board Charter is supported by the IDC Act and Regulations.

Company Secretary

The Company Secretary plays a pivotal role in the corporate governance of the Corporation. The Company Secretary is responsible to the Board for, *inter alia*, acting as a central source of information and advice to the Board on matters of ethics, adherence to good corporate governance principles and compliance with procedures and applicable statutes and regulations.

The Company Secretary is not a director of the Corporation and acts independently by maintaining an arm's length relationship with the Board. Aligned with good governance practice, the appointment and removal of the Company Secretary is a matter for the Board.

The Company Secretary, Ms E Motlhamme, resigned with effect from 31 December 2013 and the General Counsel, Mr P Makwane was appointed as Acting Company Secretary effective 1 January 2014.

Board meetings and meeting attendance

The Board holds quarterly meetings and an annual strategy session. Special Board meetings are convened when necessary.

The table overleaf reflects the attendance of members at Board meetings during the reporting period.

Corporate governance (continued)

Board meetings and attendance for the financial year ended 31 March 2014

Name of director	19 April 2013 (Special)	29 April 2013 (Special)	30 April 2013 (Special)	27 June 2013	27 August 2013	30 September 2013 (special)	25 October 2013 (Strategy session)	26 November 2013	11 February 2014	25 February 2014 (Special)	25 March 2014 (Special)	Gender	Population group	Age group	
														30 – 50 years old	Over 50 years old
MW Hlahla*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	F	A		✓
LI Bethlehem	✓	▫	✓	✓	✓	▫	✓	✓	✓	✓	✓	F	W	✓	
LL Dhlamini	✓	•	•	✓	•	✓	✓	✓	✓	•	✓	F	A	✓	
SK Mapetla	✓	▫	✓	✓	•	•	✓	✓	•	✓	•	M	A		✓
LR Pitot	✓	✓	✓	✓	✓	•	•	✓	✓	✓	✓	M	W		✓
NE Zalk	★	★	★	✓	✓	▫	✓	▫	▫	▫	▫	M	W	✓	
PM Mthethwa	▫	▫	✓	✓	✓	▫	✓	✓	•	✓	✓	F	A	✓	
JA Copelyn	•	•	•	•	•	•	•	✓	✓	•	✓	M	W		✓
BA Dames	•	•	•	•	•	•	✓	✓	✓	•	✓	M	C	✓	
RM Godsell	✓	•	•	✓	•	•	✓	✓	✓	✓	✓	M	W		✓
BA Mabuza	✓	✓	✓	•	•	✓	✓	✓	•	✓	✓	F	A	✓	
SM Magwentshu-Rensburg	✓	✓	✓	✓	•	✓	•	✓	✓	✓	✓	F	A		✓
ZJ Vavi	✓	•	•	•	•	▫	•	✓	•	•	•	M	A		✓
MG Qhena	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	M	A	✓	

✓ Present
• Apologies
* Chairman
▫ By teleconference

★ Mr Zalk was on sabbatical leave for the first three meetings during the reporting period
o Minority groups (people with disabilities)
♦ Minority groups (foreign nationals)

M Male
F Female
A African
W White
C Coloured

Rotation of directors

At the Annual General Meeting held on 25 February 2014, all directors retired by rotation and were re-appointed to the Board by the shareholder. Ms Monhla Hlahla was re-appointed as the Chairperson of the Board.

Investee and subsidiary companies

During the reporting period, corporate governance training, governance assessments and the roll-out of the governance framework were implemented to ensure that the IDC and its subsidiaries and investee companies adhere to acceptable corporate governance practices. Corporate governance assessments and the provision of corporate governance training were undertaken regularly to ensure alignment with the IDC's approach of promoting sound corporate governance. During the reporting period, training sessions and assessments were undertaken in Limpopo, Eastern Cape and Free State provinces.

Ethics and managing directors' conflicts of interests

A Code of Ethics and Business Conduct is in place to guide the Corporation's business conduct in dealing with suppliers, customers, business partners, stakeholders, government and society at large.

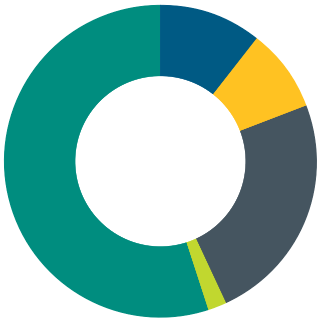
The Board, subsidiary directors and executive management are required to disclose any potential conflicts at regular meetings and, as and when necessary, to the Company Secretary. This is done in line with the guidance provided by Section 75(4) of the Companies Act, 71 of 2008 and the IDC Guidelines on Conflict of Interest. Such declarations occur at each Board meeting, including meetings of Board Committees responsible for considering transactions. Transactions that create potential conflicts of interest for Board members are submitted to the Governance and Ethics Committee for deliberation and to the Board for a final decision.

As part of promoting ethical behaviour, employees are encouraged to report any suspected fraudulent, unethical or corrupt practices to the Fraud Tip-Offs hotline which is managed by an independent external service provider.

The IDC has a Gifts Policy that requires all employees to declare all gifts received from clients. Gifts with a value of R500 and above can only be retained by the recipient with the permission of his/her departmental head. Departmental heads need permission from the relevant divisional executive and divisional executives must, on the same basis, obtain the necessary permission from the Chief Executive Officer. During the reporting period, 104 employees declared gifts of which 56 were above R500. The figure on the next page provides a breakdown of the gifts received.

Corporate governance (continued)

Gifts received and declared by IDC staff during the 2013/14 financial year



11	Stationary/clothing accessories
9	Liquor
25	Entertainment
2	Electronic devices (iPads)*
57	Other ** *** Chocolates, meat, perfumes, laptop trolley bag, necklace, bedding, bathroom carpets, books, glasses, birthday cake and flowers.*

**Note: All gifts referred to above were retained by the recipients after having obtained permission in terms of the IDC Gifts Policy with the exception of the necklace, which was donated to CSI and the iPads, which were returned.*

Delegation of authority

While the Board has the authority to delegate powers to executive management and Board Committees, it remains accountable to the shareholder. A Delegation of Authority is in place, which is updated on a regular basis.

As depicted in the table below, specific powers and authority have been delegated to the Board and Executive Committees, each with a clearly defined mandate captured in a written Terms of Reference. The Board delegates the management of day-to-day operations to the Chief Executive Officer (CEO), who is assisted by the Executive Management Committee (Exco) and its subcommittees.

Delegation of credit approval

Board	• Considers transactions where the transaction and/or counterparty exposures are breached • The investment is of a strategic nature • There might be a conflict of interest through an IDC Director's involvement in a transaction (after taking advice from the Governance and Ethics Committee, BIC and/or Exco Credit) • Deviation from any policy relating to finance transactions (where Board approval is required) • Counterparty limit: Set at maximum R7 billion per counterparty at cumulative market value (including undrawn commitments).
Board Investment Committee	• Considers transactions where IDC transaction exposure (new money PLUS old if within a rolling 12-month period) is R250 million and more but less than R1.5 billion and the counterparty exposure is from R1 billion up to R7 billion • Also reviews related party transactions involving members of the IDC Board and transactions where the transaction/counterparty limits are breached, but recommends to the Board for approval • Decide on whether a finance transaction is of strategic nature, in which case the transaction will be reviewed by the BIC, but recommended to the Board for approval • A sector and/or regional limit are breached.
Special Credit Committee	• Considers transactions where IDC's transaction exposure (new money PLUS old if within a rolling 12-month period) is R25 million and more but less than R250 million and the counterparty exposure is below R1 billion • Consider additions/changes to the delinquent register • Consider related party transactions involving Members of the IDC Board, irrespective of the quantum of the application, but recommends to the Governance and Ethics Committee and/or BIC and Board for review/approval.
Credit Committee	• Considers transactions where the IDC's transaction exposure (new money PLUS old if within a rolling 12-month period) is less than R25 million and the counterparty exposure is below R250 million.

Board Committees

The Board has established five standing committees to assist it in exercising its authority. All Board Committees operate under Board-approved terms of reference, which are updated from time to time to stay abreast of developments in corporate law and governance best practice.

The Chairperson of each Board Committee is a non-executive director. The members of each Board committee are appointed by the Board, except for Audit Committee members who are appointed by the shareholders at the Annual General Meeting. Board Committees submit reports on deliberations, conclusions and recommendations at Board meetings.

The Board committees are the Board Investment Committee, Human Capital and Nominations Committee, Audit Committee, Risk and Sustainability Committee and the Governance and Ethics Committee.

Board Investment Committee (BIC)

The purpose of the BIC is to act on behalf of the Board by considering transactions mandated to it by the Board which would, prior to the creation of the committee, vest with the Board.

Board Investment Committee meetings and member attendance for the 2013/14 financial year

Committee member	19 April 2013 (special)	30 April 2013	25 July 2013	14 August 2013	22 August 2013	19 September 2013	17 October 2013	21 November 2013	26 November 2013 (special)	23 January 2014	10 February 2014	24 February 2014 (special)	14 March 2014 (special)	Gender	Population group	Age group: 30 – 50 years	Age group: Over 50 years
LI Bethlehem*	✓	✓	✓	**	✓	✓	✓	✓	✓	✓	✓	✓	✓	F	W	✓	
NE Zalk	★	★	✓	✓	✓	•	✓	▫	▫	•	•	▫	▫	M	W	✓	
LR Pitot	✓	✓	✓	✓	•	•	•	✓	▫	✓	✓	▫	▫	M	W		✓
SK Mapetla	✓	✓	•	•	✓	✓	✓	✓	•	✓	•	•	✓	M	A		✓
PM Mthethwa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	•	✓	✓	F	A	✓	
BA Mabuza	✓	✓	•	•	•	✓	✓	✓	✓	✓	✓	•	✓	F	A	✓	
SM Magwentshu-Rensburg	✓	✓	✓	•	✓	•	✓	✓	✓	•	✓	•	•	F	A		✓

* Chairman
✓ Present
• Apology
▫ Attendance via teleconference
** Recused from the meeting

★ Mr Zalk was on sabbatical leave for the first two meetings during the reporting period
o Minority groups (people with disabilities)
♦ Minority groups (foreign nationals)

M Male
F Female
A African
W White
C Coloured

Corporate governance (continued)

Human Capital and Nominations Committee (HCNC)

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

Human Capital and Nominations Committee meetings and attendance by committee members for the 2013/14 financial year

Committee member	18 June 2013	27 June 2013	18 September 2013	18 November 2013	6 March 2014	Gender	Population group	Age group	
								30 – 50 years	Over 50 years
SK Mapetla*	✓	✓	✓	✓	✓	M	A		✓
MW Hlahla	✓	✓	✓	•	✓	F	A		✓
BA Dames	¤	•	•	✓	•	M	C	✓	
LL Dhlamini	✓	✓	✓	✓	✓	F	A	✓	
RM Godsell	✓	✓	✓	✓	•	M	W		✓
ZJ Vavi	•	•	✓	✓	•	M	A		✓

* Chairman
✓ Present
• Apology
¤ Attendance via teleconference
o By proxy

** Recused from the meeting
o Minority groups (people with disabilities)
♦ Minority groups (foreign nationals)

M Male
F Female
A African
W White
C Coloured

Board Audit Committee (Audit Committee)

In terms of the Companies Act, 71 of 2008, it is mandatory for state-owned companies to appoint an Audit Committee. The Audit Committee is therefore a statutory committee and its members are appointed by the shareholder at the Corporation's annual general meeting.

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

The Audit Committee has complied with the King III principles, including those that relate to reporting as is reflected in this third issue of the IDC's Integrated Report.

The Audit Committee assessed the effectiveness of the control environment by applying the 'Combined Assurance' concept. This included engagements with different assurance providers (Internal Audit, external auditors and corporate secretariat, among others) to formulate a holistic opinion in this regard.

Where weaknesses were identified in internal controls, corrective action was taken to eliminate or reduce the risks. The Audit Committee is of the opinion, based on the information and explanations given by management and the Internal Audit department, as well as discussions with the independent external auditors on the results of their audits, that the internal controls of the Corporation operated effectively during the year under review. Where specific internal controls were ineffective, compensating controls ensured that the Corporation's assets were safeguarded, proper accounting records maintained and resources utilised efficiently.

Tasks performed by the Audit Committee during the reporting period are discussed in greater detail in the Report of the Board Audit Committee, which appears on page 177 of this Report.

During the reporting period all members of the Audit Committee were re-appointed at the Corporation's annual general meeting.

Corporate governance (continued)

Audit Committee meetings and member attendance for the 2013/14 financial year

Committee member	4 April 2013 (special)	19 June 2013	21 August 2013	19 November 2013	19 February 2014	Gender	Population group	Age group	
								30 – 50 years	Over 50 years
LR Pitot*	✓	✓	✓	✓	✓	M	W		✓
LL Dhlamini	✓	✓	•	✓	✓	F	A	✓	
SM Magwentshu-Rensburg	✓	•	✓	✓	✓	F	A		✓
JA Copelyn	•	•	✓	✓	✓	M	W		✓
RM Godsell	•	▫	✓	✓	✓	M	W		✓

* Chairman
✓ Present
• Apology
▫ Attendance via teleconference

o By proxy
o Minority groups (people with disabilities)
♦ Minority groups (foreign nationals)

M Male
F Female
A African
W White
C Coloured

Board Risk and Sustainability Committee (BR&SC)

The primary duty of the BR&SC is the governance of risk. The Committee assists the Board to determine the maximum mandate levels for decisions taken by the various Credit, as well as Assets and Liabilities Committees. The Committee assists management with the responsible stewardship of sustainability, including stakeholder impact, management of material issues, sustainability governance and reporting.

Board Risk and Sustainability Committee meetings and member attendance during the 2013/14 financial year

Committee member	28 May 2013	20 August 2013	14 November 2013	18 February 2014	Gender	Population group	Age group	
							30 – 50 years	Over 50 years
BA Mabuza*	▫	✓	✓	✓	F	A	✓	
LI Bethlehem	✓	✓	•	✓	F	W	✓	
LR Pitot	✓	✓	•	✓	M	W		✓
BA Dames	•	•	✓	•	M	C	✓	
JA Copelyn	✓	✓	✓	✓	M	W		✓
ZJ Vavi	•	•	✓	•	M	A		✓

* Chairman
✓ Present
• Apology
▫ Attendance via teleconference

o Minority groups (people with disabilities)
♦ Minority groups (foreign nationals)

M Male
F Female
A African
W White
C Coloured

Corporate governance (continued)

Governance and Ethics Committee (GEC)

The GEC advises the Board generally on corporate governance and ethics matters. The GEC strives to promote the ideals of corporate fairness, transparency and accountability, and assists the Board in vetting funding applications, projects and any matter in which a director of the IDC has an interest.

During the reporting period, the Board decided that the membership and meetings of this committee should be on an *ad hoc* basis as required. Members are accordingly appointed on a meeting-by-meeting basis depending on the transaction.

Governance and Ethics Committee meetings and member attendance for the 2013/14 financial year

Committee member	19 April 2013	25 February 2014	24 March 2014	Gender	Population group	Age group	
						30 – 50 years	Over 50 years
LL Dhlamini	✓*			F	A	✓	
ZJ Vavi	•			M	A		✓
LR Pitot	✓	✓*	✓*	M	W		✓
BA Mabuza		✓	✓	F	A	✓	
SM Magwentshu-Rensburg		✓		F	A		✓
PM Mthethwa		✓	✓	F	A	✓	

* Chairman
✓ Present
• Apology

▫ Attendance via teleconference
o Minority groups (people with disabilities)
♦ Minority groups (foreign nationals)

M Male
F Female
A African
W White
C Coloured

Executive Management Committee (Exco)

Exco is responsible for, among others, the implementation of Board-developed IDC strategies and policies, day-to-day management of IDC business and affairs, developing the annual budget and business plan for the Board's approval, implementing Board directives, prioritising the allocation of capital and managing technical and human resources.

Exco assists the CEO by guiding the overall direction of the Corporation and exercising executive control in the management of its day-to-day operations. The CEO is an executive director appointed by the shareholder through a recommendation by the Board. The other Exco members are appointed by the Board.

Exco is directed by a properly constituted mandate and Terms of Reference. The current composition of Exco is reflected on pages 42 and 43 of this report. One Exco member, Mr G van Wyk, resigned with effect from 31 March 2014 to take up an executive position at an IDC subsidiary, Scaw Metals. Ms K Morolo was appointed as the Divisional Executive Agro and New Industries to replace Mr U Khumalo, with effect from 20 January 2014.

Stakeholder engagement

The Corporation's stakeholder engagement is discussed on pages 14 and 15 of this Report.

Report of the Board Human Capital and Nominations Committee

The non-executive IDC Board members are remunerated for the meetings they attend at rates approved by the shareholder. No performance-based remuneration or retainer fees are paid to directors. Senior management and other employees are paid market-related salaries and participate in the IDC's short- and long-term incentive schemes based on performance and the achievement of specific targets. Particulars of the directors' remuneration are set out in the table overleaf.

Corporate governance (continued)

Remuneration of IDC directors for the 2013/14 financial year

Name of director	2013/14 R'000	2012/13 R'000
MW Hlahla	698	507
LI Bethlehem*	474	287
PM Mthethwa	265	155
JA Copelyn**	152	86
BA Dames	119	98
LL Dhlamini	217	157
RM Godsell	229	176
BA Mabuza	310	309
SK Mapetla	308	332
LR Pitot	370	315
SM Magwentshu-Rensburg	265	181
ZJ Vavi	77	98
NE Zalk***	-	-

* Ms LI Bethlehem does not derive financial benefit from services rendered to the IDC. Her fees are paid directly to her employer, HCI. Prior to appointment at HCI, Ms Bethlehem's Board fees were paid directly to her previous employer, Standard Bank.

** Mr JA Copelyn does not derive financial benefit from services rendered to the IDC. His fees are paid directly to HCI.

*** Mr NE Zalk is employed by the dti and does not earn directors' fees for services rendered to the IDC.

Internal Audit function

The role of IDC Internal Audit is to:

- Provide an independent, objective and comprehensive auditing and consulting service to the IDC and its subsidiaries
- Advance accountability through the provision of assurance and consulting services
- Pro-actively work with different role players in identifying risks, evaluating controls and providing recommendations that promote efficient, effective and innovative delivery of services
- Assist the Board of Directors and management to effectively discharge their responsibilities. The activities and practices in Internal Audit are conducted in accordance with recognised professional standards
- Perform follow-ups to monitor and measure the extent of corrective actions taken by the Corporation to address identified weaknesses
- Perform fraud and related investigations, report to management and provide recommendations regarding the outcomes of the investigations by the Forensic Audit team
- Facilitate the development and revision of systems and procedures.

Internal Audit (IA) follows a risk-based audit approach according to its three-year Audit Plan based on the IDC Risk Register as compiled by the Risk Management Department (RMD). The plan focuses mainly on key risks.

Internal Audit has engaged in at least 64 Internal Audit Reviews, as well as Fraud Investigations, during the financial year. Based on the results of the assignments, Internal Audit considers the control environment to be adequate and operating effectively with the exception of controls relating to external fraud risk, due mainly to the misapplication of funds by business partners or clients. Management has instituted various interventions to arrest these matters, such as strengthening the post-investment process through the assessment of the application of funding review process. Management will also implement a fraud awareness and training programme in the 2015 financial year for employees and clients. Internal Audit performs audits of processes related to the Key Risks of the Corporation as scheduled in the Audit Plan. The sampling guide for the execution of these audits ensures coverage of a broad spectrum of Business Units and Departments through the various reviews performed during the year.

Internal Audit subscribes to the principle that knowledgeable employees are integral to the prevention of fraud and corruption. Internal Audit therefore assesses key operational areas for corruption risks on a regular basis. During the past financial year, 12 out of 15 (80%) of such high-risk areas were assessed and significant risks identified were fed into Internal Audit's fraud and corruption training activities. Significant risks identified include, among others, clients who submit fraudulent audit certificates, fraudulent annual financial statements, fraudulent bank account statements, fraudulent bank facility letters, fraudulent invoices and enter into irregular related party transactions. LA

Ongoing training and communication regarding anti-corruption and anti-fraud policy and procedures involved 43% of IDC employees trained in anti-corruption policy and procedure. All the governing bodies (Exco and the Fraud and Corruption Prevention Committee) received communication about the anti-corruption policy and procedures, while the Fraud and Corruption Prevention Committee received the related training. The emphasis in the 2015 financial year will be on increasing the awareness among the total number of our business partners – 2014: 17 out of 1 122 (1.52%) – of the IDC's anti-corruption policy and procedures. LA

Internal control framework

The IDC has adopted the internal control framework set out by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Under the COSO Enterprise Risk Management (ERM) Framework, risks are categorised into strategic, operational, financial reporting and legal/regulatory areas.

The value of COSO-based auditing is that it enables the effective evaluation of the soft controls espoused by COSO, while avoiding faulty, negative findings that sometimes result from traditional audit methods. Customer-focused and outcome-orientated, this method addresses systemic root causes, avoids placing blame and produces a workable solution every time.

Corporate governance (continued)

Authority and competence

The Internal Audit Charter establishes the position of Internal Audit in the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the Board. The Charter also provides access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities.

The Internal Audit (IA) team collectively possesses the knowledge, skills, experience and other competencies needed to perform its responsibilities. Internal Audit also has access to and integrates best practices through affiliation with various professional bodies, as well as sharing best practices with various entities.

The quality of work performed by IA is assessed continuously by management and at least annually by the Board. The Institute of Internal Auditors (IIA) requires an external, quality assessment at least once every five years by a qualified, independent reviewer or review team. This assessment was conducted in the last two years with the conclusion that Internal Audit conforms with the set standards and principles outlined by the IIA, with no significant improvements required.

Management's responsibility to risk management and fraud

Management is responsible for the development and implementation of the IDC's systems and procedures. Internal Audit is responsible only for the facilitation thereof and assists management by assessing the adequacy and effectiveness of the developed or revised systems and procedures.

Fraud prevention

Background

The prevention of fraud and corruption in the 21st century is about understanding internal and external risks and recognising that an organisation's environment is the most significant determinant of fraud exposure in the organisation.

The IDC's holistic approach to fraud prevention positions it as a shared responsibility in which employees play a key role. The IDC's fraud prevention, awareness and education programmes include:

- A robust fraud prevention policy, plan and response plan
- An anonymous "Tip Offs" reporting hotline
- A well-developed Code of Business Conduct, which includes a conflict of interest policy and a compulsory declaration of interest procedure
- Regular fraud and corruption education roadshows throughout the Corporation and as part of new employee inductions, with a focus on recent cases, legislation and relevant trends
- A Fraud and Corruption Prevention Committee
- Targeted training for SBUs/Departments with a high exposure to fraud
- Naming and shaming employees involved in irregular behaviour or internal cases of fraud or corruption
- Listing those involved in internal and/or external fraud and/or corruption on the IDC's Delinquency Register.

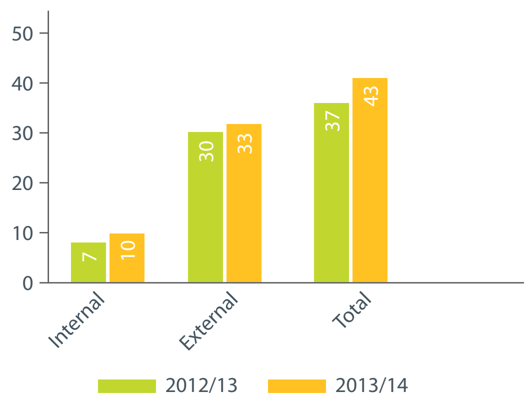
The Office of the CEO authorises the investigation of all instances of fraud and corruption reported through the various reporting channels. The outcomes of investigations are communicated to the IDC Executive Committee and Board Audit Committee. Executive Management's "Tone at The Top" leadership has been integral to implementing the IDC's fraud and corruption prevention measures.

Challenges and initiatives

Despite a robust control environment with severe penalties and sanctions, fraudsters continue to evolve their methods of deception and misrepresentation and exhibit significant levels of greed and desperation. This evolution in fraud trends has been highlighted in the IDC's anti-fraud and corruption training for employees, who have become increasingly vigilant and diligent in reporting instances of fraud and corruption. Despite the progress made in dealing with fraud and corruption, the IDC remains concerned about persistent reports of fraud-related matters and a consistent trend of unethical decision-making by clients, exacerbated by the challenging economic environment.

The graph below reflects the year-on-year growth in matters reported for investigation by Internal Audit through the various reporting channels.

Two-year comparison of reported cases



Corporate governance (continued)

The Corporation's 'zero tolerance' approach to dealing with all fraud and corruption remains non-negotiable.

Common fraud trends committed against the IDC include:

- Blatant misappropriation of IDC funding
- Presentation of false audit certificates, Annual Financial Statements and Bank letters to obtain funding approval
- Over-invoicing of goods and services by clients when requesting advances on funding from the IDC
- Non-compliance with restrictive undertakings in the IDC's loan agreements.

The Corporation is enhancing its fraud and corruption prevention initiatives significantly and expanding its arsenal of anti-fraud and corruption measures. These include enhanced training initiatives throughout the Corporation and to clients, specialised training for employees in high-risk areas and focus groups discussions with employees who regularly come face to face with fraud and corruption. In addition, the IDC recently expanded its available resources to fully capacitate its anti-fraud and corruption programmes and strengthen its investigative capabilities.

Combined assurance and coordinated approach

Aligned with the with King III guidelines, the IDC has adopted a combined assurance approach with various key stakeholders, such as the Risk Management Department, various internal oversight sub-committees established by management, a self-assessment programme developed for control purposes, as well as the external auditors. These auditors have relied on work performed by the Internal Audit team for the past five years.

The IDC's Internal Audit further provides advice and oversight to the Internal Audit functions of some of the IDC's key subsidiaries. As a result, some capacity constraints were experienced during the course of the year. With continuous support from management, Internal Audit increased its capacity and is currently sufficiently capacitated to meet the Corporation's internal auditing needs.

Information Technology

The IDC engages independent security firms to conduct periodic IT security penetration testing to safeguard corporate electronic assets and ensure that only authorised personnel have access to the Corporation's information and data. Testing includes assessment of social engineering, network and server infrastructure, internet services and business applications. Awareness campaigns are conducted regularly to ensure that the Corporation's employees are sensitised to and conscious of IT security threats and risks. The Corporation is preparing its IT infrastructure, business applications and services to comply with the Protection of Personal Information (POPI) Act.

Compliance with relevant laws and regulations

The IDC remains committed to the letter and spirit of the law. Our compliance philosophy recognises the importance of ensuring continual adherence to regulatory requirements as a critical part of effective legal risk management. As the IDC, we ensure that our business activities comply with all the relevant regulatory requirements applicable to the Corporation.

The IDC Board of Directors is ultimately responsible for ensuring that the Corporation complies with these requirements. The Compliance Function in the Legal and International Finance Department, which reports to the General Counsel and Divisional Executive: Legal and Post Investment Monitoring, is responsible for assisting all the business units/departments to identify regulatory risk, develop compliance risk management plans and monitor operational compliance.

During the financial year under review, the Compliance Function developed a compliance framework to ensure that regulatory compliance risk associated with the IDC's business activities is continuously assessed, challenged, managed and reported to internal and external stakeholders. During the reporting period, there were no contraventions, penalties, sanctions and fines imposed on the IDC as a result of non-compliance with laws or regulatory requirements. LA

Corporate governance (continued)

Risk management framework

Risk management worldwide has developed from a back-office control function into a strategic competitive weapon. The IDC's approach to Enterprise Risk Management (ERM) is aimed at evaluating, managing and optimising the opportunities, threats and uncertainties that the IDC may encounter in its efforts to maximise sustainable shareholder value. Risk management is supported by the Board Risk and Sustainability Committee (BR&SC) and assured by external audits and the Internal Audit function.

Risk management approach

Enterprise Risk Management (ERM)

ERM is designed to identify potential events that may affect the organisation, manage risks to within its risk appetite and ultimately provide reasonable assurance that the IDC will achieve its objectives. ERM is applied throughout the organisation and the process is supplemented by the IDC Risk Management Framework and a comprehensive set of risk policies and limits.

Embedding risk management techniques in day-to-day operations equips the IDC is to identify events that affect its objectives and manage risk in a manner consistent with the corporate strategy. Within this context, all risk to the Corporation, including those associated with sustainability, are managed according to the 'three lines of defence' governance model, as outlined in the table to the right.

1st Line of Defence: Business	2nd Line of Defence: Risk control functions	3rd Line of Defence: Audit
Risk ownership	Risk control	Risk assurance
The IDC Board and management are responsible for the implementation of risk management	BR&SC performs a policy-setting and monitoring role to ensure the implementation of risk management, adherence to legislation and compliance with regulations	Internal Audit and external audit processes provide assurance of the effectiveness of risk management in the organisation

Risk management framework

The IDC's ERM framework is based on the principles embodied in the Public Finance Management Act (PFMA), 1 of 1999, Public Sector Risk Management Framework published by National Treasury, Enterprise Risk Management Framework published by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, International Guideline on Risk Management (ISO 31000), King Code on Governance Principles (King III) and *Batho Pele* principles. The principles outlined in the framework are incorporated in risk management-related policies and procedures that support the Corporation's ERM framework.

The objectives of this framework are to embed a uniform approach to ERM at the IDC and identify and assess all the risks that could affect the achievement of the Corporation's objectives, its people, reputation, business processes and systems, as well as its financial and environmental performance. It also serves to ensure that these risks are dealt with at an acceptable level.

The Risk Management Framework depicted in the figure overleaf outlines the guiding principles of risk management at an ERM level.

Risk management approach (continued)

The Risk Management Framework depicted in the following diagramme, identifies the guiding principles for the IDC's management of risk on an ERM basis.

The IDC's Risk Management Framework

IDC's ERM process is benchmarked against:

- PFMA
- King III
- Treasury Regulations
- Basel II

Key objectives:

- Apply best practice principles to minimise losses and protect the IDC's capital base
- Promote a risk awareness culture
- Maximise financial/development returns within an acceptable risk profile (maximise shareholders' value)
- Strengthen controls.

Annual risk assessment
An assessment of risk with corporate impact

Risk identification
Sources:
Survey + Workshop + Audit findings + Financial sector library

Risk measurement
Probability of occurrence + measure impact on Key Risk Indicators (KRIs)

Risk measurement/ analysis
Allocate accountability + implement mitigating controls/process + monitor effectiveness of controls (assurance providers)

Strategic, including:
- People
- Stakeholder
- Macro-economic
- Reputation

Financial, including:
- Credit
- Market
- Concentration
- Liquidity
- Capital structure

Governance, including:
- Regulatory
- Legal
- Documentation
- Corporate governance

IT governance, including:
- Monitoring and evaluation
- Delivery and support
- Business disruption and systems failure

Operational, including:
- Business continuity management
- Human processing error
- Data management

Risk appetite/tolerance levels: set at strategic level

Risk management plan: to establish and monitor ERM activities on an annual basis

Risk management: communicates the IDC's stance on risk management

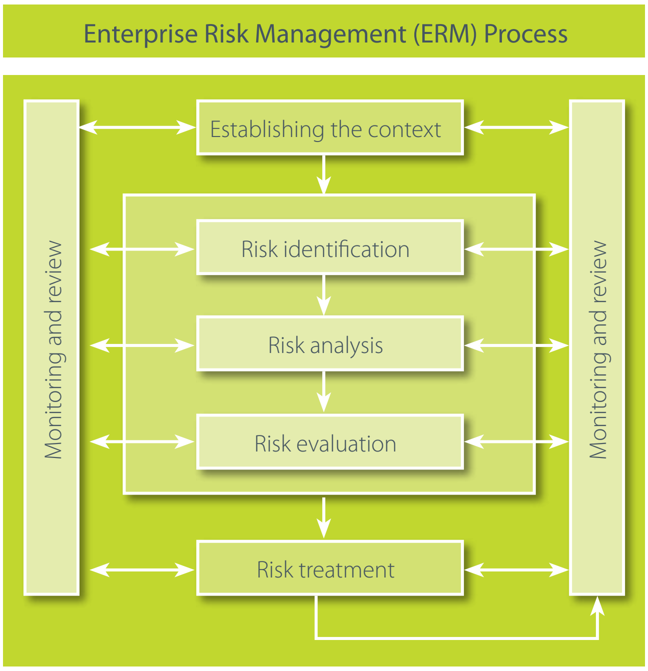
Risk management approach (continued)

Annual risk assessment

The IDC undertakes a risk assessment annually, in compliance with PFMA conditions and aligned with the King III and Public Sector Risk Management Framework recommendations. The purpose of this process is to identify, measure and manage potential critical risks (strategic, financial, governance, operational and IT governance) for the Corporation to formulate appropriate risk strategies and action plans.

The IDC's risk assessment process

Components of the risk management process



The components of the IDC's risk assessment process are discussed below.

Establish the risk assessment context

This aspect provides perspective and assists with understanding the nature of the impact on the business. The different contexts include strategic, financial, governance, operational and IT governance risks.

Risk assessment

The risk assessment process enables management to understand the probability of risk and potential impact on the Corporation, while the risk assessment methodology provides management with a portfolio of risks or risk profile.

The risk assessment process consists of the following phases:

- **Risk identification,** which considers the causes and sources of the risks and their positive and negative consequences
- **Risk analysis**, which analyses the potential positive and/or negative consequences of risks and probability of occurrence
- **Risk evaluation**, which tests risks against risk evaluation criteria to create a risk priority map.

Risk treatment

The objective of risk treatment is to determine how the IDC responds to events and associated risks. The IDC's risk response strategies are to:

- **Terminate:** eliminate, redesign, avoid or substitute the threat
- **Transfer:** move the threat to another party, where possible and advantageous
- **Treat (further):** mitigate or control the threat by implementing additional measures to reduce the likelihood and/or consequence before the threat materialises
- **Tolerate:** retain the threat for a predefined period of time after careful consideration of its consequences.

Risk reporting and escalation

The IDC Board, Executive Management, Board Risk and Sustainability Committee and Board Audit Committee should be kept abreast of key risks and the actions resulting from risk management activities timeously and consistently.

Monitoring and review

Monitoring ensures the consistent application of the framework across the organisation, the effectiveness of the ERM policies and procedures and identifies weaknesses to take corrective action.

Communication and consultation

Effective communication and consultation increase awareness about the risk management programme. Awareness campaigns, training and education sessions, as well as newsletters, are used to reach employees throughout the organisation.

Risk management approach (continued)

Risk appetite and the risk tolerance process

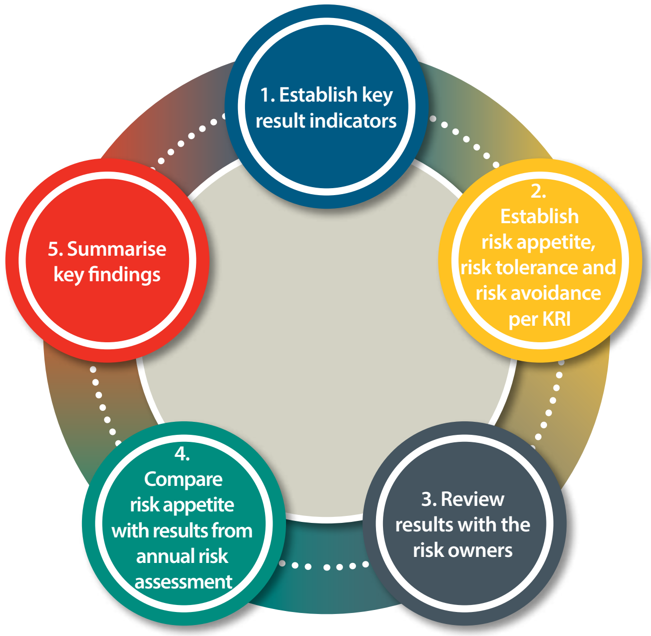
Risk appetite

Risk appetite is the maximum amount of risk that the IDC is willing to accept in pursuit of its strategic objectives. Once identified, it creates a basis from which to determine how much risk is acceptable. Risk appetite serves as input for strategic planning and ensures that stakeholder expectations remain realistic.

The IDC's management presents the Corporation's risk appetite to the Board through the Board Risk and Sustainability Committee for approval. Once approved, the Board and Executive are responsible for communicating the group's risk appetite to staff and key stakeholders (as deemed necessary).

Following Board approval, a similar process is implemented to determine the risk appetite of each strategic business unit/support department, which is submitted to management as input for objective setting processes.

The IDC's risk appetite and tolerance process



Risk tolerance

Risk tolerance is set relative to each risk and measures the amount of risk that the IDC is prepared to tolerate in achieving its objectives. Operating within risk tolerances provides greater assurance that the organisation remains within its risk appetite. An aggregate of the risk tolerances provides the measure of appetite for each strategic objective or defined group/category of risk. Risk tolerance is usually set when completing the risk assessments.

Risk appetite thresholds and current position

Risk appetite thresholds					
Risk name	Key Risk Indicator (KRI)	Appetite	Tolerance	Avoidance	Position as at 31 March 2014
Income dependence	Percentage income received from a specific product	<30%	30% to 50%	>50%	46% (listed equity)
Equity price	Percentage change in the value of the IDC's listed share portfolio	>Risk-free rate + 3.6%	Between risk-free rate and risk-free rate + 3.6%	< Risk-free rate	+ 2%
Due-diligence	Percentage of contracts impaired within 24 months of first draw measured annually	<10%	10% to 20%	>20%	29%
sefa	Financial performance (cost to income ratio)	<100%	100% to 128%	>129%	149%
Macro-economic	Percentage volatility in prime interest rate during financial year	<100 basis points	100 to 200 basis points	>200 basis points	50 basis points increase
Reputation	Reputation tracking study of all stakeholders in the financial services industry measured globally	>70% positive tone	53-70% positive tone	<53% positive tone	78% positive tone
Collectability	Impairments as a percentage of total book outstanding (at cost)	<15%	15% to 20%	>20%	18%

Risk management approach (continued)

Risk appetite thresholds and current position (continued)

Risk appetite thresholds					
Risk name	Key Risk Indicator (KRI)	Appetite	Tolerance	Avoidance	Position as at 31 March 2014
Pricing	Portion of prime-based loan book priced (value) below hurdle rate	<20%	20% to 30%	>30%	53% (including special funding schemes)
Customer satisfaction	Service measurement surveys based on a score out of 10	> 8 out of 10	5, 6 or 7 out of 10	< 5 out of 10	8.6 out of 10
Concentration	Percentage exposure (at fair value) to a specific sector	<25% of capital base	>25% of capital base	> 25% of capital base	Other mining 34%
Sector	Percentage of portfolio (at cost) with Workout and Restructuring Department	<10%	10% to 15%	>15%	18.3%

Risk Management Plan

Risk management is a continuously evolving process to position the IDC at an increasingly mature level of risk. This maturity can include improvements in risk governance, risk identification, risk assessment, risk monitoring and risk optimisation.

A Risk Management Plan with proposed activities and improvements to the IDC's ERM activities is prepared annually.

Risk Management Policy

The Risk Management Policy defines the IDC's commitment to risk management and is informed by its risk profile, appetite for loss, loss tolerance levels and sustainability management.

Risk Management Department

The Risk Management Department (RMD) proactively promotes risk awareness, while monitoring and overseeing the management of key risks facing the Corporation according to the ERM framework. RMD is an independent cost centre that provides credit and operational and enterprise risk management analysis/products/ services to the IDC Board, the Board Risk and Sustainability Committee and other Board Committees, Executive Management, IDC's external and internal auditors and its strategic business units.

The RMD's primary objectives are to:

- Ensure that the IDC maintains an acceptable risk profile while pursuing financial and developmental returns
- Protect the IDC's assets and financial capital
- Promote risk awareness across the Corporation
- Execute the risk management function.

Key RMD roles and responsibilities include:

- Managing the IDC's ERM programme
- Promoting risk awareness
- Regularly reporting to the Chief Risk Officer, IDC Executive Management, Board Risk and Sustainability Committee and IDC Board on identified critical risk areas, progress with regard to risk mitigation and any fundamental breaches of approved risk management policy guidelines
- Assisting in refining the IDC's risk appetite
- Exposing the long-term effects of investment decisions, identifying concentration risks and setting investment, exposure and risk concentration limits
- Providing an independent investment analysis of proposals
- Assisting with assessing the IDC's investment portfolio
- Assisting DFIs with co-operation agreements with the IDC.

King III checklist

An assessment of the Corporation's compliance with King III.

Key	
✓	Applied
★	Partially applied
♦	Not applied
☒	In progress
☐	Not applicable
Ethical leadership and corporate citizenship	
✓	Effective leadership based on an ethical foundation
✓	Responsible corporate citizen
✓	Effective management of company's ethics
Board and directors	
✓	The Board is the custodian of corporate governance
✓	Strategy, risk, performance and sustainability are inseparable
✓	The Board considers business rescue proceedings when appropriate
✓	Directors act in the best interests of the company
✓	The Chairman of the Board is an independent non-executive director
✓	A delegation of authority framework has been established
✓	The Board consists of a balance of power, with a majority of non-executive directors who are independent
✓	Directors are appointed through a formal process
✓	Directors are inducted and receive ongoing training
✓	The Board is assisted by a competent, suitably qualified and experienced Company Secretary
✓	The performance of the Board, Board Committees and individual directors is regularly evaluated
✓	Appointment of well-structured committees and oversight of key functions
★	A governance framework is agreed between the Corporation and its subsidiaries*
✓	Directors are fairly and responsibly remunerated
✓	Remuneration of directors is disclosed in the annual report
✓	The Corporation's remuneration policy is approved by its shareholders
Internal Audit	
✓	Effective risk-based Internal Audit function
✓	Written assessment of the effectiveness of the company's system of internal controls and risk management
✓	Internal Audit is strategically positioned to achieve its objectives
Audit Committee	
✓	Effective and independent
✓	Suitably skilled and experienced independent non-executive directors
✓	Chaired by an independent non-executive director
✓	Oversees integrated reporting
✓	A combined assurance model is applied to improve efficiency in assurance activities
✓	Satisfies itself of the expertise, resources and experience of the company's finance function
✓	Oversees the external audit process
✓	Reports to the Board and shareholders on how it has discharged its duties

Compliance with laws, codes, rules and standards	
✓	The Board ensures the company complies with relevant laws
✓	The Board and its directors have a working understanding of the relevance and implications of non-compliance
✓	Compliance risk forms an integral part of the company's risk management process
✓	The Board has delegated the implementation of an effective compliance framework and process to management
Governing stakeholder relationships	
✓	Appreciation that stakeholders' perceptions affect a company's reputation
✓	Management actively deals with stakeholder relationships
✓	There is an appropriate balance between various stakeholder groups
☐	Equitable treatment of shareholders
✓	Transparent and effective communication to stakeholders
✓	Disputes are resolved effectively and timeously
The governance of information technology	
✓	The Board is responsible for information technology (IT) governance
✓	IT is aligned with the performance and sustainability objectives of the Corporation
✓	Management is responsible for the implementation of an IT governance framework
✓	The Board monitors and evaluates significant IT investments and expenditure
✓	IT is an integral part of the Corporation's risk management
✓	Information assets are managed effectively
✓	The Risk Committee assists the Board in carrying out IT responsibilities
The governance of risk	
✓	The Board is responsible for the governance of risk and setting levels of risk tolerance
✓	The Board determines the levels of risk tolerance
✓	The Audit and Risk Committees assist the Board in carrying out its risk responsibilities
✓	The Board delegates the risk management plan to management
✓	The Board ensures that risk assessments and monitoring are performed on a continuous basis
✓	Frameworks and methodologies are implemented to increase the ability of anticipating unpredictable risks
✓	Management implements appropriate risk responses
✓	The Board receives assurance on the effectiveness of the risk management process
✓	Sufficient risk disclosure to stakeholders
Integrated reporting and disclosure	
✓	Ensures the integrity of the Corporation's integrated report
✓	Sustainability reporting and disclosure is integrated with the Corporation's financial reporting
✓	Sustainability reporting and disclosure is independently assured

* *The governance framework was introduced during the reporting period and the process will continue during the forthcoming period.*

GRI checklist

GLOBAL REPORTING INITIATIVE (GRI) G4 Index 2014			
GENERAL STANDARD DISCLOSURES			
General Standard Disclosure	**Standard Disclosure Title**	**Page**	**External Assurance**
STRATEGY AND ANALYSIS			
G4-1	Foreword by the Shareholder Representative, the Chairperson's Statement and the CEO's Statement, Overview of Operating Environment	2-3, 26-31, 36-41, 22-25	*
G4-2	Performance highlights, Key trends, CFO's Report, Sustainability strategy, Indirect impacts	9, 10-13, 88-91, 95, 136-137	*
ORGANISATIONAL PROFILE			
G4-3	The Industrial Development Corporation of South Africa Limited	4	*
G4-4	Report the primary brands, products and services, funding process	6, 8, 117-119	*
G4-5	The location of the IDC's headquarters is in Johannesburg, South Africa.	8, 276	*
G4-6	Operational footprint, Project footprint, Rest of Africa footprint	8, 85, 87	*
G4-7	The nature of ownership and legal form	4	*
G4-8	Markets served, geographic breakdown and sectors served	8, 44, 85, 87	*
G4-9	The scale of the organisation by total number of employees, the operational and project footprint in South Africa and the rest of the continent, products and services provided, net revenues and capitalisation	8, 10-13, 85, 87, 97	Yes, Consolidated and separate financial statements independently audited
G4-10	Staff profile	97, 107	*
G4-11	IDC is a non-unionised environment with no recognised collective agreements with any unions	102	*
G4-12	The organisation's supply chain is discussed under the Preferential Procurement section and the IDC funding process	6, 116-117, 129-130	*
G4-13	There were no significant changes during the reporting period regarding size, structure or ownership, About this report	IFC	*
G4-14	Mitigating key risks, IDC funding process and business support, Natural environment (indirect risks), Enterprise risk management	16-19, 115-117, 136, 153-157	*
G4-15	B-BBEEE ratings, Signatory to UNEP-FI, Guided by the PFMA, King III checklist, GRI G4 reporting guidelines	131-132, 158, 159-168	*
G4-16	Associations and national or international advocacy organisations of which the IDC is a member, Development funds, Building partnerships, Assisting government/public sector	14-15, 118-124	*

GRI checklist

GLOBAL REPORTING INITIATIVE (GRI) G4 Index 2014			
GENERAL STANDARD DISCLOSURES			
General Standard Disclosure	Standard Disclosure Title	Page	External Assurance
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Investments in subsidiaries	142-144, Notes to the annual financial statements	Yes, Consolidated and separate financial statements independently audited
G4-18	Stakeholder engagement, Key risks, Material issues, Risk management approach	14-15, 16-19, 20-21, 153-157	*
G4-19	Our material issues are presented in the report, while our material GRI Aspect can be found in the GRI checklist	14-15, 20-21, 161-170	*
G4-20	Internal boundaries for GRI Aspects partially reported. The boundary for each Aspect is explained throughout the report at each indicator. The report considers the IDC's impact and that of its material subsidiaries separately	Throughout the report	*
G4-21	External boundaries for GRI Aspects partially disclosed. The boundary for each Aspect is explained throughout the report at each indicator. The report considers the IDC's impact and that of its material subsidiaries separately	Throughout the report	*
G4-22	There were no re-statements of information and no re-statements of information were required in the "About this report" section	IFC	*
G4-23	We changed to the GRI G4 format and expanded the boundary to include material subsidiaries in some aspects, "About this report" section	IFC	*
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder engagement table	14-15	*
G4-25	How the IDC identifies its stakeholders	14-15	*
G4-26	Stakeholder engagement practices	14-15, 112-117	*
G4-27	Key topics and concerns that have been raised through stakeholder engagement and the organisation's response to those key topics and concerns, including the identification of material issues, material issues table, the risk review, the Chief Financial Officer's Review, Directors' Report	15, 20-21	*
REPORT PROFILE			
G4-28	The reporting period is for the fiscal year 1 April 2013 to 31 March 2014	-	*
G4-29	The last report was issued for the year ended 31 March 2013	-	*
G4-30	The reporting cycle is annual	-	*
G4-31	Key contacts are listed on the inside back cover of the report	276	*

GRI checklist (continued)

GLOBAL REPORTING INITIATIVE (GRI) G4 Index 2014			
GENERAL STANDARD DISCLOSURES			
General Standard Disclosure	Standard Disclosure Title	Page	External Assurance
G4-32	Self declared GRI G4 Core compliant as discussed in the About this report section, GRI Content Index (GRI checklist), Independent Assurance Report on Selected Sustainability Information	IFC, 160-173	*
G4-33	Our approach to internal and external assurance, Independent Assurance Report on Selected Sustainability Information. In total 18 GRI G4 indicators were externally assured	IFC, 171-173	*
G4-34	Corporate Governance	145-155	*
ETHICS AND INTEGRITY			
G4-56	Ethics and Values	5, 146, 151	*

SPECIFIC STANDARD DISCLOSURES						
DMA and Indicators	Standard Disclosure Title	Iden-tified Omis-sion(s)	Reason(s) for Omis-sion(s)	Explana-tion for Omis-sion(s)	Pages	External Assurance
CATEGORY: ECONOMIC						
MATERIAL ASPECT: ECONOMIC PERFORMANCE						
G4-DMA	Economic overview, Policy environment, Our mandate, Governance	Fully disclosed			4-7, 145-155	*
G4-EC1	Direct economic value generated and distributed - IDC Value-Added Statement	Fully disclosed			88	Yes, 171-172
G4-EC2	Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure	Fully disclosed			138, Reported in this GRI checklist itself	Yes, consol-idated and separate financial statements inde-pendently audited
MATERIAL ASPECT: MARKET PRESENCE						
G4-DMA	The IDC attempts to eliminate all forms of discrimination against minority groups through the Minority Fund Schemes and the application of the BEE scorecard	Fully disclosed			106-109, 118 -121	*
G4-EC6	The IDC provides percentages of designated groups in senior management positions, in line with South Africa's B-BBEE aspirations	Fully disclosed			108	*

GRI checklist (continued)

SPECIFIC STANDARD DISCLOSURES						
DMA and Indicators	**Standard Disclosure Title**	**Identified Omission(s)**	**Reason(s) for Omission(s)**	**Explanation for Omission(s)**	**Pages**	**External Assurance**
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS						
G4-DMA	An economic overview and the policy environment are addressed in the Foreword by Shareholder Representative, Stakeholder engagement takes place at government level	Fully disclosed			2-3, 4, 10-13, 22-24, 26-31, 36-41	*
G4-EC8	Performance highlights, Indirect impacts	Fully disclosed			184	Yes, 171-172
MATERIAL ASPECT: PROCUREMENT PRACTICES						
G4-DMA	Procurement	Fully disclosed			131-132	*
G4-EC9	Procurement - Proportion of spending on local suppliers at significant locations of operation	Fully disclosed			132	Yes, 171-172
CATEGORY: ENVIRONMENTAL						
MATERIAL ASPECT: ENERGY						
G4-DMA	Natural Environment	Fully disclosed			138-141	*
G4-EN3	Natural Environment - Energy consumption within the organisation	Fully disclosed			141	Yes, 171-172
G4-EN5	Natural Environment - Energy intensity	Fully disclosed			141	Yes, 171-172
MATERIAL ASPECT: WATER						
G4-DMA	Natural Environment	Fully disclosed			138-139	*
G4-EN8	Natural Environment - Total water withdrawal by source	Fully disclosed			140	*
G4-EN9	Natural Environment - Water sources significantly affected by withdrawal of water	Fully disclosed			140	*
G4-EN10	Natural Environment - Percentage and total volume of water recycled and re-used	Fully disclosed			140	*

GRI checklist (continued)

SPECIFIC STANDARD DISCLOSURES						
DMA and Indicators	**Standard Disclosure Title**	**Identified Omission(s)**	**Reason(s) for Omission(s)**	**Explanation for Omission(s)**	**Pages**	**External Assurance**
MATERIAL ASPECT: EMISSIONS						
G4-DMA	Natural Environment	Partially disclosed	The information is currently unavailable	Mechanisms to evaluate the effectiveness of the IDC's management response are not clarified in this report	138-141	*
G4-EN15	Natural Environment - Direct GHG emissions (Scope 1)	Partially disclosed	The information is currently unavailable	Courier services not included in Scope 1 calculations as the couriers are expected to report on their impact separately	141	Yes, 171-172
G4-EN16	Natural Environment - Energy indirect GHG emissions (Scope 2)	Fully disclosed			141	Yes, 171-172
MATERIAL ASPECT: EFFLUENTS AND WASTE						
G4-DMA	Natural Environment	Partially disclosed	The information is currently unavailable	No mechanisms to evaluate the effectiveness of the IDC's management response are not clarified in this report	138	*
G4-EN22	Natural Environment - Total water discharged by quality and destination	Partially disclosed	The Standard Disclosure or part of the Standard Disclosure is not applicable	Grey water volumes are reported, but water quality of domestic effluent is not measured	138	*

GRI checklist (continued)

SPECIFIC STANDARD DISCLOSURES						
DMA and Indicators	**Standard Disclosure Title**	**Identified Omission(s)**	**Reason(s) for Omission(s)**	**Explanation for Omission(s)**	**Pages**	**External Assurance**
CATEGORY: SOCIAL						
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK						
MATERIAL ASPECT: EMPLOYMENT						
G4-DMA	Human Capital	Partially disclosed	The information is currently unavailable	Turnover is compared to industry	96-109	*
G4-LA1	Human Capital - Total number and rates of new employee hires and employee turnover by age group, gender and region	Fully disclosed			98-99	Yes, 171-172
G4-LA2	Human Capital - Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Fully disclosed			99-105	*
MATERIAL ASPECT: LABOR/MANAGEMENT RELATIONS						
G4-DMA	Human Capital	Partially disclosed	The information is currently unavailable	Turnover is compared to industry	96-109	*
G4-LA4	Human Capital - Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Fully disclosed			102	*
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY						
G4-DMA	Natural Environment	Fully disclosed			19, 138, 152	*
G4-LA5	Natural Environment - Percentage of total workforce represented in formal joint management-worker H&S committees that help monitor and advise on OHS programmes	Fully disclosed			140	Yes, 171-172
G4-LA6	Natural Environment - Type of injury and rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and gender	Fully disclosed			140	*
MATERIAL ASPECT: TRAINING AND EDUCATION						
G4-DMA	Human Capital - Growing and developing our talented workforce	Fully disclosed			95, 103-105, 131	*
G4-LA9	Human Capital - Average hours of training per year per employee by gender and employee category	Fully disclosed			101, 104	Yes, 171-172

GRI checklist (continued)

SPECIFIC STANDARD DISCLOSURES						
DMA and Indicators	**Standard Disclosure Title**	**Identified Omission(s)**	**Reason(s) for Omission(s)**	**Explanation for Omission(s)**	**Pages**	**External Assurance**
G4-LA10	Human Capital - Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Fully disclosed			102	Yes, 171-172
G4-LA11	Human Capital - Percentage of employees receiving regular performance and career development reviews, by gender and employee category	Fully disclosed			101	*
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY						
G4-DMA	Human Capital	Fully disclosed			95, 103, 106-109, 131	*
G4-LA12	Human Capital - Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Fully disclosed			97, 101, 107-108, 146, 148-151	Yes, 171-172
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES						
G4-DMA	Procurement	Fully disclosed			131-132	*
G4-LA14	Procurement - Percentage of new suppliers that were screened using labour practices criteria	Fully disclosed			131	*
MATERIAL ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS						
G4-DMA	Human Capital	Fully disclosed			102	*
G4-LA16	Human Capital - Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	Fully disclosed			102	Yes, 171-172
SUB-CATEGORY: HUMAN RIGHTS						
MATERIAL ASPECT: INVESTMENT						
G4-DMA	Natural Environment	Fully disclosed			138-139	*
G4-HR1	Natural Environment - Total number and percentage of significant investment agreements and contracts that include human rights clauses or underwent human rights screening	Partially disclosed	The information is currently unavailable	The E&S checklist does not explicitly include this factor	138-139	Yes, 171-172

GRI checklist (continued)

SPECIFIC STANDARD DISCLOSURES						
DMA and Indicators	**Standard Disclosure Title**	**Identified Omission(s)**	**Reason(s) for Omission(s)**	**Explanation for Omission(s)**	**Pages**	**External Assurance**
MATERIAL ASPECT: NON-DISCRIMINATION						
G4-DMA	Human Capital	Fully disclosed			108	*
G4-HR3	No instances of discrimination were found	Fully disclosed			108	Yes, 171-172
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING						
G4-DMA	Human Capital	Partially disclosed	The information is currently unavailable	The E&S checklist does not explicitly include this factor	102	*
G4-HR4	Human Capital and Procurement - Operations and suppliers identified in which and for whom the right to exercise freedom of association and collective bargaining may be violated or be at significant risk and measures taken to support those rights	Partially disclosed	The information is currently unavailable		102	*
SUB-CATEGORY: SOCIETY						
MATERIAL ASPECT: LOCAL COMMUNITIES						
G4-DMA	Our mandate and strategic pillars, Satisfying Customers, Investing in Communities	Fully disclosed			4-6, 95, 125-130	*
G4-FS13	Access points in low populated or economically disadvantaged areas by type	Fully disclosed			8, 12-13, 44-87	*
MATERIAL ASPECT: ANTI-CORRUPTION						
G4-DMA	Mitigating key risks, Material issues, Governance	Fully disclosed			16-19, 20-21, 145, 152-153	*
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and significant risks identified	Partially disclosed	The information is subject to specific confidentiality constraints		152	Yes, 171-172
G4-SO4	Communication about and training in anti-corruption policies and procedures	Fully disclosed			152	Yes, 171-172
MATERIAL ASPECT: COMPLIANCE						
G4-DMA	Governance - Compliance with relevant laws and regulations	Fully disclosed			152	*
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully disclosed			154	Yes, 171-172

GRI checklist (continued)

DMA and Indicators	Standard Disclosure Title	Identified Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	Pages	External Assurance
SPECIFIC STANDARD DISCLOSURES						
SUB-CATEGORY: PRODUCT RESPONSIBILITY						
MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING						
G4-DMA	Our main business and funding activities, Satisfying customers	Fully disclosed			8, 112-116	*
G4-PR5	Customer satisfaction survey results	Fully disclosed			112-116	*
MATERIAL ASPECT: PRODUCT PORTFOLIO						
G4-DMA	IDC's mandate, Strategic pillars, Funding model, Operational structure, Strategic Business Units, Investing in communities, Corporate governance	Fully disclosed			4-7, 44, 123, 145-154	*
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Fully disclosed			117-121	*
G4-FS8	Monetary value of products and services designed to deliver an environmental benefit for each business line broken down by purpose	Fully disclosed			48	Yes, 171-172
MATERIAL ASPECT: CUSTOMER PRIVACY						
G4-DMA	Satisfying customers	Partially disclosed	The information is currently unavailable	IT systems are being implemented for the protection of personal information	112-116	*
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Not disclosed	The information is currently unavailable	Processes to register customer complaints being implemented	-	*
MATERIAL ASPECT: ACTIVE OWNERSHIP						
G4-FS10	All transactions for this financial year, as well as 35 existing clients, were monitored for EHS performance.	Fully disclosed			GRI checklist, 138	*
G4-FS11	Percentage of assets subject to positive and negative environmental and social screening	Partially disclosed	The information is currently unavailable	Only high risk clients are currently assessed	138	*

GRI checklist (continued)

SPECIFIC STANDARD DISCLOSURES						
DMA and Indicators	**Standard Disclosure Title**	**Iden-tified Omis-sion(s)**	**Reason(s) for Omis-sion(s)**	**Explana-tion for Omis-sion(s)**	**Pages**	**External Assurance**
MATERIAL ASPECT: COMPLIANCE						
G4-DMA	Governance	Fully disclosed			154	*
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Fully disclosed			154	*

** Indicator not externally assured or no external assurance required.*

Assurance statement

Independent Assurance Report on Selected Sustainability Information

To the Directors of the Industrial Development Corporation of South Africa

We have undertaken a limited assurance engagement on selected sustainability information, as described below and presented in the 2014 Integrated Report of the Industrial Development Corporation of South Africa Limited (IDC) for the year ended 31 March 2014 (the Report). This engagement was conducted by a multidisciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

Subject matter

We are required to provide limited assurance on the following key performance indicators, prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines. These indicators have been marked with an 'LA' on the relevant pages in the Report.

Performance area	Key Performance Indicators (KPIs)	Unit of measurement	Page	Boundary
Economic	EC1: Direct economic value generated	Rand-value	88	IDC (head office)
	EC8: Significant indirect economic impacts, including extent of impacts	Text claim	184	
	EC9: Proportion of spending on local suppliers at significant locations of operations	Percentage	132	
Environmental	EN3: Energy consumption within the organisation	Number	141	IDC (head office)
	EN5: Energy intensity ratio of the organisation	Number	141	
	EN15 and EN16: Total direct and indirect greenhouse gas emissions by weight (encompassing only scope 1 and 2 emissions and excluding scope 3 emissions)	Number	141	
	FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Rand-value	40	
Social: Labour Practices and Decent Work	LA1: Total number and rates of new employee hires and employee turnover by age group, gender and region	Number	98-99	IDC (head office)
	LA5: Percentage of total workforce represented in formal joint management–worker Health and Safety committees that help monitor and advise on occupational health and safety programmes	Percentage	140	
	LA9: Average hours of training per year per employee by gender and employee category	Number	101, 104	
	LA10: Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing careers	Text claim	102	
	LA11: Percentage of employees receiving regular performance and career development reviews, by gender and employee category	Percentage	101	

Independent Assurance Report on Selected Sustainability Information (continued)

Performance area	Key Performance Indicators (KPIs)	Unit of measurement	Page	Boundary
Social: Labour Practices and Decent Work	LA12: Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Number	97, 101, 107-108, 146, 148-151	IDC (head office)
	LA16: Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	Number	102	
Social: Human Rights	HR3: Total number of incidents of discrimination and corrective actions taken	Number	108	IDC (head office)
Social: Society	SO3: Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Number and text claim	152	IDC (head office)
	SO4: Communication about and training in anti-corruption policies and procedures	Number and text claim	152	
	SO8: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Rand-value	154	

Directors' responsibilities

The Directors are responsible for the selection, preparation and presentation of the sustainability information in accordance with the GRI G4 Guidelines. This responsibility includes the identification of stakeholders and stakeholder requirements, as well as material issues for commitments to sustainability performance and for the design, implementation and maintenance of internal controls relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and IRBA Code of Professional Conduct for Registered Auditors. These include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, KPMG Services Proprietary Limited and SizweNtsalubaGobodo Incorporated maintain comprehensive systems of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express limited assurance conclusions on the selected sustainability information based on the procedures performed and evidence obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than the 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 sustainability information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000, involves assessing the suitability in the circumstances of the IDC's use of GRI G4 Guidelines as the basis of preparation for the selected sustainability information, assessing the risks of material misstatement of the selected sustainability information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances and evaluating the overall presentation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control and the procedures performed in response to the assessed risks.

Independent Assurance Report on Selected Sustainability Information (continued)

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies and agreeing or reconciling with underlying records.

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

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability management and reporting process.
- Evaluated internal data management controls based on system walkthroughs.
- Inspected selected internally and externally generated documents and records and performed comprehensive data analyses.
- Re-calculated the key performance indicators.
- Evaluated whether the selected sustainability information presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at the IDC.

The procedures performed in a limited assurance engagement vary in nature from, 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 the IDC's selected sustainability information has been prepared, in all material respects, in accordance with GRI G4 Guidelines.

Conclusion

Based on our work performed, nothing has come to our attention that causes us to believe that the selected sustainability information set out in the subject matter paragraph for the year ended 31 March 2014 is not prepared, in all material respects, in accordance with GRI G4 Guidelines.

Other matters

In the prior year, we were only required to provide assurance on the following indicators (from the GRI G3.1 Guidelines):

- EN6: Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives
- IDC indicator: Building partnerships assisting government/ public sector
- IDC indicator: Corporate social investment
- IDC indicator: IDC worker and community trusts
- EC4: Significant financial assistance received from government.

Accordingly, last year we did not provide assurance on any of the other indicators indicated in the subject matter paragraph.

Our report does not extend to any disclosures or assertions relating to future performance plans and / or strategies disclosed in the report.

The maintenance and integrity of the IDC's website is the responsibility of the 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 assurance report that may have occurred since the initial date of presentation on the IDC website.

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected sustainability information to the Directors of the 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 the IDC, for our work, for this report, or for the conclusion we have reached.

KPMG Services (Pty) Limited
Registered Auditor

Per N Morris
Chartered Accountant (SA)
Registered Auditor
Director
26 June 2014

KPMG Crescent
85 Empire Road
Parktown
Johannesburg 2193

SizweNtsalubaGobodo Inc
Registered Auditor

Per D Manana
Chartered Accountant (SA)
Registered Auditor
Director
26 June 2014

SizweNtsaluba Building
20 Morris Street East
Woodmead
Johannesburg 2191

Annual financial statements

Confirmation of accuracy and fair presentation

Integrated report for the 2013/2014 financial year

We hereby acknowledge that the integrated report of the Industrial Development Corporation of South Africa Limited (the IDC) has been submitted to the external auditors appointed in consultation with the Auditor-General for auditing in terms of section 55(1)(c) of the Public Finance Management Act (PFMA), Act 1 of 1999.

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

Annual financial statements

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as prescribed in the National Treasury Framework and relevant guidelines specified/issued by the National Treasury.
- All amounts and information in this integrated report 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 performance indicator targets according to the strategic and annual performance plan of the IDC for the financial year ended 31 March 2014.
- This information has been reported on in accordance with the requirements of the guidelines on annual reports issued by the National Treasury.
- A system of internal control has been designed to provide reasonable assurance about 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 2014.

In respect of material issues

- This integrated report is complete and accurate.
- This integrated report is free from any omissions.

MG Qhena
Chief Executive Officer

26 June 2014

MW Hlahla
Chairperson of the Board

26 June 2014

Accounting Officer's statement of responsibility for annual financial statements

Statement of responsibility for the annual financial statements for the year ended 31 March 2014

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 about the integrity and reliability of the annual financial statements.

In my opinion, the financial statements fairly reflect the operations of the IDC for the financial year ended 31 March 2014.

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 2014 have been audited by the external auditors and their report is presented on page 180.

The annual financial statements of the IDC, set out on pages 188 to 272, have been approved.

MG Qhena
Chief Executive Officer
26 June 2014

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 1 of 1999 (as amended) and requirements of the King Code of Governance Principles (King III)

1. Audit Committee terms of reference

As part of its charter, the Audit Committee adopted the Terms of Reference approved by the IDC Board and conducted its affairs and discharged its responsibilities in compliance with these terms during the reporting period.

The Audit Committee is independent and consists of five independent non-executive directors: L R Pitot (Chairman), L L Dhlamini, R M Godsell, S M Magwentshu–Rensburg and J A Copelyn.

Executive director (the CEO), the CFO, the CRO, external auditors, internal auditors, financial management and other assurance providers attend Committee meetings by invitation only.

The Audit Committee meets at least four times per annum, with the authority to convene additional meetings if required. Six meetings were held during the 2013/14 financial year. Information about the meetings attended by each member of the Audit Committee is provided on page 150 of this Report.

2. Key functions and responsibilities of the committee

The Committee's roles and responsibilities include its statutory duties according to the Public Finance Management Act (PFMA) Act, 29 of 1999 (as amended), requirements of the King Code of Governance Principles (King III), Companies Act, 71 of 2008 (as amended) and Audit Committee responsibilities assigned to it by the IDC Board.

The Audit Committee carried out its functions through Audit Committee meetings and discussions with executive management, internal audit and external advisers where appropriate.

In giving effect to its charter during the period under review, the Committee:

- Assisted the Board of directors to evaluate the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in the day-to-day management of the IDC;
- Facilitated and promoted communication between the Board, management, external auditors and Internal Audit Department on matters that the Committee are responsible for;
- Introduced measures that, in the opinion of the Committee, may enhance the credibility and objectivity of financial statements and reports prepared about the affairs of the IDC (and the IDC group);
- Nominated and recommended KPMG Inc and SNG as registered auditors for appointment as external auditors since, in the opinion of the Committee, they are independent of the IDC;
- Determined the fees and terms of engagement of the external auditors; and
- Ensured that the appointment of the external auditors complied with the Companies Act, 71 of 2008 (as amended) and any other legislation relating to the appointment of auditors.

3. External auditors

The Committee is satisfied that the external auditors, KPMG Inc and SNG, are independent of the IDC as set out in sections 90(2)(c) and 94(8) of the Companies Act, 71 of 2008 (as amended). This includes compliance with independence or conflicts of interest criteria as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditors that internal governance processes within KPMG Inc and SNG demonstrate and support the companies' independence.

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 2014. The Audit Committee:

- Approved the external auditor's 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 on internal audit by the external auditors was appropriate and whether there were any significant gaps between the internal and external audits; and
- Obtained assurance from the external auditors that their independence has not been impaired.

4. Internal controls

The Audit Committee monitored the internal audit assessment of the design, implementation and effectiveness of the IDC's system of internal controls, including internal financial controls during the financial year ended 31 March 2014. Based on the results of the assessment, as well as information and explanations given by management and discussions with the external auditors on the results of their audit, the Committee is of the opinion that the IDC's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. No findings came to the attention of the Committee to indicate that any material breakdown in internal controls occurred during the financial year under review.

The Audit Committee:

- Monitored the identification and correction of weaknesses and breakdowns of systems and internal controls;
- Monitored the adequacy and reliability of management information and the efficiency of management information systems;
- Reviewed quarterly, interim and final financial results and statements and reporting for proper and complete disclosure of timely, reliable and consistent information;
- Evaluated on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards, as well as any related changes discussed and resolved any significant or unusual accounting issues;
- Reviewed reports supplied by management about the effectiveness and efficiency of the credit-monitoring process, exposures and related impairments and adequacy of impairment provisions to discharge its obligations satisfactorily;
- Reviewed and monitored all key financial performance indicators to ensure that they are appropriate and that decision-making capabilities are maintained at high levels; and
- Reported on the effectiveness of the company's internal reporting controls to the Board.

5. Financial statements

The Committee reviewed the financial statements of the Corporation and the IDC group and is satisfied that they comply in all material respects with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008 (as amended).

During the reporting period, the Committee:

- Reviewed and discussed the audited annual financial statements included in this integrated report with the external auditors, the Chief Executive Officer 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; and
- Received and considered reports from the internal auditors.

6. Expertise and experience of finance function

The Committee considered and satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the IDC's finance function and experience of the senior members of management responsible for the financial function.

7. Duties assigned by the board

Integrated reporting and combined assurance

The Audit Committee fulfils an oversight role regarding the company's integrated report and the reporting process and considers the level of assurance coverage obtained from management, and internal and external assurance providers, in making its recommendation to the Board.

Going concern

The Committee reviewed a documented assessment by management of the going concern premise of the company and the IDC group before recommending to the Board that the company, as well as the IDC group, will be a going concern in the foreseeable future.

Governance of risk

The Board has assigned oversight of the company's risk management function to a separate Board Risk and Sustainability Committee. The chairman of the Audit Committee attends the Board Risk and Sustainability 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.

Internal audit

The Audit Committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. The Audit Committee considered and recommended the internal audit charter for approval by the Board and approved the annual internal audit plan.

The internal audit function is responsible for reviewing and providing assurance for the adequacy of the IDC's internal control environment. The head of internal audit has direct access to the Committee, primarily through its Chairman, and is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the Committee on a regular basis.

The Committee monitored and challenged, where appropriate, management action about adverse internal audit findings.

Report of the Board Audit Committee (continued)

8. Sustainability reporting

The Committee considered the company's information as disclosed in the integrated annual report and assessed its consistency with operational and other information known to Committee members and with the annual financial statements. The Committee discussed the information with management, considered the conclusions of the external assurance provider and 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.

9. 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 safeguarded the group's assets;
- Proper accounting records were maintained;
- Resources were utilised efficiently; and
- 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 2014, we are of the opinion that they comply with the relevant provisions of the PFMA and International Financial Reporting Standards and fairly present the results of the operations, cash flow and financial position of the Corporation.

The Board Audit Committee complied with all the King III principles, with the inclusion of Integrated Reporting, evidenced by the Corporation's third issue of its Integrated Report in 2014. The Committee is satisfied that it has complied with its legal, regulatory and other responsibilities, in all material respects.

We hereby recommend the integrated report to the Board for approval.

On behalf of the Board Audit Committee.

LR Pitot
Chairman of the Board Audit Committee
18 June 2014

Report of the Independent Auditors

Independent auditors' report of the Industrial Development Corporation of South Africa Limited to Parliament and the Shareholder – Minister of Economic Development

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Introduction

We have audited the consolidated and separate financial statements of the Industrial Development Corporation of South Africa Limited and its subsidiaries set out on pages 188 to 272, which comprise the consolidated and separate statement of financial position as at 31 March 2014 , the consolidated and separate statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Director's responsibility for the financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa , and for such internal control as the directors 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Industrial Development Corporation of South Africa Limited and its subsidiaries as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the general notice issued in terms thereof, we report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of our tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the "Predetermined objectives report" section included in the Directors' report as set out on pages 183 to 187 of the financial statements, and reported thereon to the directors. The procedures performed were limited to the following selected objectives:

- Industry capacity development-Contribution to investment in the economy on page 185
- Development impact: Actual jobs created on page 185
- Customer satisfaction index on page 186
- Implementation of SEFA on page 186
- Industry capacity development-Progress towards achieving priority industry development goals on page 186

- Financial sustainability and efficiency- Growth in value of new equity investments on page 186
- Financial sustainability and efficiency- Level of impairments on page 186

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPI).*

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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

Compliance with legislation

We performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements and compliance with legislation. We did not identify any significant deficiencies in internal control.

SizweNtsalubaGobodo Inc.
Registered Auditor

Per DH Manana
Chartered Accountant (SA)
Registered Auditor
Director
27 June 2014

SizweNtsalubaGobodo
20 Morris Street East
Woodmead
Johannesburg, 2191

KPMG Inc
Registered Auditor

Per SN Malaba
Chartered Accountant (SA)
Registered Auditor
Director
27 June 2014

KPMG Crescent
85 Empire Road
Parktown
Johannesburg 2193

Company Secretary's certificate

Declaration by the Group Company Secretary

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 of South Africa, I certify that to the best of my knowledge and belief, the IDC has lodged all returns required in terms of the Companies Act, 71 of 2008, with the Registrar of Companies for the financial year ended 31 March 2014 and that the returns are true, correct and up to date.

In terms of section 19 of the IDC Act, 22 of 1940, as amended, I certify that for the financial year ended 31 March 2014, the IDC has lodged the financial statements of the preceding financial year with the Minister of Economic Development.

P Makwane
Acting Group Company Secretary

26 June 2014

Directors' report

Introduction

The Industrial Development Corporation of South Africa Limited (IDC) was established in 1940 by an Act of Parliament. It is a registered public corporation and a Schedule 2 listed entity in terms of the Public Finance Management Act (PFMA) and the related Treasury regulations. This report is presented in accordance with the provisions of the prescribed legislation and addresses the performance of the IDC, as well as relevant statutory information requirements. The Board of Directors is the accounting authority as prescribed in the PFMA.

Nature of business

The IDC is a state-owned development finance institution which provides financing to entrepreneurs engaged in competitive industries, follows normal company policies and procedures in its operations, pays income tax at corporate rates and pays dividends to its shareholder.

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

Performance management

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

The primary focus of the IDC's performance evaluation is on its financing activities and dedicated, wholly-owned financing subsidiaries.

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

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

The achievement of targets represents the expected level of performance. Performance targets are set at corporate, team and individual levels and performance-linked remuneration is based on the achievement of these targets.

Performance indicators

The IDC has adopted a balanced approach to measuring performance and adapted the principles of the balanced scorecard to support its own objectives and operations. The IDC measures indicators in six areas. These include:

- Industrial capacity development
- Development impact
- Financial sustainability and efficiency
- Human capital
- Stakeholder relations
- Subsidiaries.

Performance against predetermined objectives

The IDC's targets reflect a commitment to increase its impact on industrial development and facilitate job creation to support the implementation of government policy.

The IDC's overall performance during the reporting period include areas where achievements exceeded targets, as well as areas where targets were not achieved.

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

Industrial capacity development

The value of funding approvals for the year increased to R13.8 billion, 5.8% higher than the R13.1 billion in 2012/13, the highest level of funding ever approved. Transactions to the value of R13.0 billion had a funding agreement signed. This was 7% below the target of R14 billion. A large portion of the Corporation's overall funding was, for the third successive year allocated to renewable energy projects, with R6.6 billion approved for five projects that were successful bidders in the third round of the Renewable Energy Independent Power Producers Procurement (REIPP) Programme. Other sectors which attracted large amounts of funding approvals included the chemicals, mining and downstream metals industries, with R5.0 billion committed to these industries. More detailed information on funding commitments to different industries are discussed in earlier sections of this integrated report.

Progress in long-term industry interventions are measured through the achievement of project implementation milestones. Progress was made in establishing a regional value chain in the textiles industry, expanding broadband infrastructure, developing projects to increase afforestation, and contributing to components for infrastructure. Disappointingly, efforts during the reporting period to finalise initiatives in the basic iron and steel, agro-processing, tourism and pharmaceutical industries did not come to fruition as anticipated.

At the start of the year, several projects from different industries were identified and targeted to start production during the year. These projects could play meaningful sector roles and contribute to industry development initiatives. Twelve of these projects started operations during the year, while the implementation of most of the others is progressing well.

The IDC has initiated a process to identify sectors where its proactive industry development activities can have the biggest impact. The aim is to increase resource allocation to these sectors to improve the implementation of initiatives.

Development impact

High levels of unemployment remain one of the most important challenges facing South Africa. Policies such as the National Development Plan, the New Growth Path and the Industrial Policy Action Plan introduced by government over the past number of years all aim to address this challenge. The National Development Plan aims to create 5 million jobs by 2020. The IDC is an important role-player in this regard and its impact on employment is a key outcome of its funding activities.

Transactions where funding agreements were signed will facilitate 19 689 jobs being created or saved. This is lower than the targeted 32 000, as well as the 24 223 achieved in the previous financial year.

Direct jobs created or saved by IDC-funded companies do not provide the full picture of its impact as no account is taken of the jobs created through the investment stimulation of upstream suppliers and downstream industries. The identification of sectors where the IDC can increase its impact concurrently increases importance of the direct and indirect influences of these industries on job creation and is expected to result in IDC increasing its impact on job creation in the longer term.

The actual jobs created and saved by IDC clients were 20 366, including by clients for whom funding was approved in previous years and the information could be verified.

Financial sustainability and efficiency

Income for the IDC and its financing subsidiaries, excluding dividends from large mature listed equity investments, was 80% higher than budgeted due to higher dividend receipts, interest received as well as fee and other income. At the same time operating expenses, excluding impairments, were 11% lower than budgeted. This resulted in the cost to income ratio being more favourable than targeted.

The rising trend in the value of impairments as a percentage of the portfolio has stabilised at 18.2%. Levels of impairments will continue to be monitored closely.

The IDC's long-term financial sustainability and ability to continue with future investment activities are highly dependent on equity investments' growth. As such, the Corporation targets growth in its reserves rather than short-term profitability. Over the last five years, reserves for the IDC and its financing subsidiaries, excluding the portion attributable to mature listed equity investments, have grown at a compounded annual rate of 0.7%. This was 4.8 percentage points lower than the rate of inflation over the same period. The low level of growth in reserves, without the contribution of listed companies, can be attributed largely to a decline in the valuation of Foskor, which has been impacted by a decline in prices for its products over the period. The company has instituted a programme to reduce costs and increase efficiencies to address its level of profitability.

Equity investments where the IDC first took a stake in the company over the past four years have an indicative IRR of -1.7%, compared to the targeted 1.7%. This has been due mainly to the poor performance of the investment in On Digital Media.

Human capital

The IDC measured the staff turnover of executives, heads, champions and other management level staff as part of its targets for 2013/14. A total of 14 individuals from these levels resigned during the year, resulting in a turnover rate of 5%, in line with the upper range of the target.

Customer satisfaction and stakeholder relations

The IDC continues to manage turnaround times as an area of concern, as pointed out by clients. The average turnaround time for non-complex transactions – from the date of due-diligence start to when a legal agreement is sent to the client is 18 working days, slightly worse than the targeted 17.

Subsidiaries

As an important lever to reach small enterprises, the IDC included a measurement for sefa's implementation for 2013/14. Generally, sefa performed well against targets for the financial year. The agency approved funding of R1.1 billion against a targeted R0.8 billion, which reached more than 46 000 micro, small and medium enterprises, directly and through intermediaries. sefa did not, however, achieve its target of disbursing R737 million, having disbursed R549 million only. The agency covered costs through income (including grant income), while its bad debt ratio stood at 25% compared to the targeted 31%. New systems and processes were introduced according to plan.

Directors' report (continued)

The details of performance against indicators, as well as indicators and targets for 2014/15, are shown in the table below.

Targets and performance

Perspective	Indicator	Measurement	2014 Base	2014 Target	Actual achieved 2014	2015 Base	2015 Target
Industrial capacity development	Contribution to investment in the economy	Value of funding approvals with an agreement signed	R14 billion	R21 billion	R13.0 billion	R14 billion	R21 billion
		Sub-minimum: Value of funding disbursed	R8 billion		R11.2 billion	R8 billion	
		Sub-minimum: Funding towards rest of Africa	New sub-minimum from 2014/15			R1.2 billion	
	Value of funding to black industrialists	Value of funding approvals with an agreement signed for transactions benefiting black industrialists	New target from 2014/15			R1 billion	R1.5 billion
	Implementing projects	% of pre-identified projects implemented	70% of projects start production	100% of projects start production	61% of projects started production	70% of projects start production	100% of projects start production
	Progress towards achieving priority industry development goals	Achievement of industry development milestones	Milestones for 80% of initiatives achieved	Milestones for 90% of initiatives achieved	51% achieved	Milestones for 75% of initiatives achieved	Milestones for 90% of initiatives achieved
Development impact	Jobs expected to be created/ saved in South Africa	Number of jobs expected to be created or saved, counted at the time of agreements being signed	32 000	50 000	19 689	24 000	31 000
		Sub-minimum: jobs in rural areas	7 000		3 967	7 000	
		Sub-minimum: jobs expected to be created	New sub-minimum from 2014/15			15 000	
	Actual jobs created	Actual number of jobs created/saved in South Africa	20 000	25 000	20 366	20 000	25 000
	Funding for transactions for localisation initiatives	Value of funding approvals with an agreement signed for transactions aimed at inputs into infrastructure or other government procurement	New target from 2014/15			R1 billion	R1.5 billion
Financial sustainability and efficiency	Ratio of administration costs to interest, dividend and fee income	Administration cost, including grants and donations, excluding impairments as a % of net interest, fee and dividend income (excl. dividends from large mature listed equity investments)	61%	54%	49%	Budget	Budget – 10%

Directors' report (continued)

Targets and performance							
Perspective	Indicator	Measurement	2014		Actual achieved 2014	2015	
			Base	Target		Base	Target
Financial sustainability and efficiency	Growth in reserves	5-year average growth in reserves	CPI+2% (7.4%)	CPI+4% (9.4%)	CPI-4.8% (0.7%)	CPI+2%	CPI+4%
			(excluding portion of reserve related to the value of holdings in large mature listed equity investments)			(including portion of reserve related to the value of holdings in large mature listed equity investments)	
	Growth in value of new equity investments	IRR for investments where IDC first took equity in the underlying business since 1 April 2010	1.7%	4.0%	-1.7%	1.7%	4%
	Level of impairments	Impairments as a % of the portfolio (at cost)	18%	16%	18.2%	17%	16%
Human capital	Staff turnover	Turnover rate of employees on the management and executive bands	7%	5%	5%	Replaced with new target	
	Board-approved Human Capital Development Strategy and plan	Delivery of a Board-approved Human Capital Strategy to meet the future requirements of the business	New target from 2014/15			Assessment by Board of the plan	
Stakeholder relations and customer satisfaction	Turnaround time on transactions	Turnaround time on non-complex transactions: (from date of start of due-diligence to date of agreement being sent to client)	17 working days	15 working days	18 working days	17 working days	15 working days
	Customer satisfaction index	TR*M index value as determined through survey	85	95	87	Replaced with new target	
	Board-approved Stakeholder Management Strategy and plan	Deliver a Board-approved Stakeholder Management Strategy and plans to support the new strategy	New target from 2014/15			Assessment by Board of the plan	
Subsidiaries	sefa	Rating based on sefa's performance against its balanced scorecard	Rating according to all targets on balanced scorecard		3.9	Replaced with new target	
		Value of funding disbursed by sefa	New target from 2014/15			R800 million	R880 million
		Number of SMMEs financed	New target from 2014/15			37 758	41 537
	Foskor	Profit/(loss) after interest and tax	New target from 2014/15			R161 million	R201 million
	Scaw	Profit/(loss) after interest and tax	New target from 2014/15			(R335 million)	(R295 million)

Directors' report (continued)

Funding

Historically, the IDC's loan funding requirements were sourced mainly from international development agencies and commercial facilities raised through the Corporation's relationships with commercial banks. In 2013/14, the IDC launched its first public bond, which raised R1.5 billion.

The IDC Mini Group's general funding requirements for 2014 amounted to R16.5 billion (2013: R17.0 billion), for application mainly in financing advances of R11.2 billion and borrowing redemptions of R4.6 billion. These requirements were met mainly out of R8.8 billion of internally generated funds, namely repayments received and profits. New borrowings amounted to R7.0 billion for the year.

Corporate governance

The IDC's directors endorse the King III Report on Corporate Governance. During the review period the directors endeavoured to adhere to the recommendations of the report or explain non-adherence to these principles. The IDC's compliance with these practices are outlined in the corporate governance section of this integrated report.

Public Finance Management Act

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

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

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

The IDC has a comprehensive system of internal controls designed to ensure that the Corporation achieves its objectives. These systems and controls are aligned with the requirements of the Public Finance Management Act. Processes are in place to ensure that the failure of these controls is detected and corrected.

Subsidiaries and joint ventures

Details of trading subsidiaries and joint ventures are set out on pages 234 to 240 in notes 11 and 12 to the financial statements.

Dividends

A dividend of R50 million was paid during the financial year. The Directors declared a dividend of R50 million on 26 June 2014.

Valuation of shares

The value of the Group's investment in listed shares increased from R56.9 billion at the end of the 2013 financial year to R65.3 billion at the end of 2014.

Post balance sheet events review

The value of the Group's listed shares has increased by R2.1 billion since year-end, as a result of movements in the listed equities market.

Share capital

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

Audit Committee information

The names of the Audit Committee members are reflected on page 150. The meetings held and attendance record are also outlined on that page.

Going concern

The Directors assessed the IDC's status as a going concern in terms of financial, operational and other indicators. The Directors are of the view that the IDC's status as a going concern remains intact.

Directors and secretary

The current directors of the IDC, with brief biographical details, are reflected on pages 32 to 35.

The name and registered office of the Secretary appears on page 275.

Statement of financial position
for the year ended 31 March 2014

Figures in Rand million	Note(s)	Group 2014	Group 2013	Company 2014	Company 2013
Assets					
Cash and cash equivalents	5	7 877	9 009	7 250	8 043
Derivative financial instruments	19	71	49	60	49
Trade and other receivables	6	3 813	2 961	906	790
Inventories	7	3 854	3 390	13	11
Current tax receivable	6	7	7	-	
Loans and advances	8	20 818	18 666	20 298	18 297
Investments	9	78 080	72 436	46 645	50 190
Non-current assets held for sale and assets of disposal groups	10	26	-	-	-
Investments in subsidiaries	11	-	-	49 577	37 239
Investments in associates, joint ventures and partnerships	12	14 257	11 680	12 721	11 008
Deferred tax	13	389	392	-	-
Investment property	14	307	330	15	15
Property, plant and equipment	15	9 012	7 913	120	121
Biological assets	16	43	21	-	-
Intangible assets	17	39	31	-	-
Total Assets		**138 593**	**126 885**	**137 605**	**125 763**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of the Group/ Company					
Share capital	18	1 393	1 393	1 393	1 393
Reserves		67 961	59 629	76 740	69 134
Retained income		37 415	35 744	21 736	20 382
		106 769	96 766	99 869	90 909
Non-controlling interest		215	174	-	-
Total Equity		**106 984**	**96 940**	**99 869**	**90 909**
Liabilities					
Bank overdraft	5	106	8	-	-
Derivative financial instruments	19	26	6	19	6
Trade and other payables	20	3 560	3 190	992	874
Current tax payable		48	127	42	116
Retirement benefit obligation	21	624	759	162	155
Other financial liabilities	22	21 350	19 025	29 017	25 655
Deferred tax	13	5 480	6 399	7 261	7 712
Provisions	23	391	375	67	39
Share-based payment liability	24	24	56	176	297
Total Liabilities		**31 609**	**29 945**	**37 736**	**34 854**
Total Equity and Liabilities		**138 593**	**126 885**	**137 605**	**125 763**

Statement of comprehensive income
for the year ended 31 March 2014

Figures in Rand million	Note(s)	Group 2014	Group 2013	Company 2014	Company 2013
Revenue	25&26	20 021	14 589	5 690	5 742
Cost of sales		(11 432)	(6 234)	-	-
Gross profit		**8 589**	**8 355**	**5 690**	**5 742**
Finance costs paid	27	(1 026)	(689)	(837)	(554)
Gross profit after financing costs		**7 563**	**7 666**	**4 853**	**5 188**
Other income		635	354	352	171
Net capital (losses)/gains	29	1	(30)	1	(30)
Operating expenses		(5 686)	(5 543)	(3 253)	(3 625)
Operating profit	30	**2 513**	**2 447**	**1 953**	**1 704**
Losses from equity accounted investments		(310)	(466)	2	(1)
Profit before taxation		**2 203**	**1 981**	**1 955**	**1 703**
Taxation	32	(560)	(3)	(551)	(183)
Profit for the year		**1 643**	**1 978**	**1 404**	**1 520**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Common control transactions		-	1 657	-	1 222
Profits/(Losses) on property, plant and equipment revaluation		115	(159)	1	24
Remeasurements on net defined benefit liability/asset		19	-	1	-
Income tax relating to items that will not be reclassified		(21)	-	-	-
Total items that will not be reclassified to profit or loss		**113**	**1 498**	**2**	**1 246**
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(49)	(49)	-	-
Available-for-sale financial assets adjustments		7 626	(204)	7 146	(998)
Other reserves from subsidiaries		(10)	90	-	-
Share of comprehensive income of associates and joint ventures		(322)	658	(20)	(51)
Income tax relating to items that may be reclassified		974	920	478	177
Total items that may be reclassified to profit or loss		**8 219**	**1 415**	**7 604**	**(872)**
Other comprehensive income for the year net of taxation	34	**8 332**	**2 913**	**7 606**	**374**
Total comprehensive income for the year		**9 975**	**4 891**	**9 010**	**1 894**
Profit for the year attributable to:					
Owners of the parent		1 721	2 041	1 404	1 520
Non-controlling interest		(78)	(63)	-	-
		1 643	**1 978**	**1 404**	**1 520**
Total comprehensive income for the year attributable to:					
Owners of the parent		10 053	4 954	9 010	1 894
Non-controlling interest		(78)	(63)	-	-
		9 975	**4 891**	**9 010**	**1 894**

Statements of changes in equity

for the year ended 31 March 2014

Figures in Rand million	Total share capital	Foreign currency translation reserve	Associated entities reserve	Revaluation reserve
Group				
Balance at 31 March 2012	**1 393**	**76**	**1 386**	**54 409**
Changes in equity				
Total comprehensive income for the year	-	434	175	557
Transactions with non-controlling shareholders	-	-	-	-
Reclassification adjustments for available-for-sale financial assets	-	-	-	541
Distributions to owners of the company				
Dividends	-	-	-	-
Total changes	-	434	175	1 098
Balance at 31 March 2013	**1 393**	**510**	**1 561**	**55 507**
Changes in equity				
Total comprehensive income for the year	-	384	(755)	8 699
Transactions with non-controlling shareholders	-	-	-	-
Distributions to owners of the company				
Dividends	-	-	-	-
Total changes	-	384	(755)	8 699
Balance at 31 March 2014	**1 393**	**894**	**806**	**64 206**
Company				
Balance at 31 March 2012	**1 393**	**-**	**68**	**68 151**
Changes in equity				
Total comprehensive income for the year	-	-	(51)	(797)
Reclassification adjustments for available-for-sale assets	-	-	-	541
Distributions to owners of the company				
Dividends	-	-	-	-
Total changes	-	-	(51)	(256)
Balance at 31 March 2013	**1 393**	**-**	**17**	**67 895**
Changes in equity				
Total comprehensive income for the year	-	-	(20)	7 625
Distributions to owners of the company				
Dividends	-	-	-	-
Total changes	-	-	(20)	7 625
Balance at 31 March 2014	**1 393**	**-**	**(3)**	**75 520**
Note(s)	18	34	34	34

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
-	**-**	**304**	**34 294**	**91 862**	**331**	**92 193**
1 657	90	-	2 041	4 954	(63)	4 891
-	-	-	-	-	(94)	(94)
-	-	-	(541)	-	-	-
-	-	-	(50)	(50)	-	(50)
1 657	90	-	1 450	4 904	(157)	4 747
1 657	**90**	**304**	**35 744**	**96 766**	**174**	**96 940**
-	4	-	1 721	10 053	(78)	9 975
-	-	-	-	-	119	119
-	-	-	(50)	(50)	-	(50)
-	4	-	1 671	10 003	41	10 044
1 657	**94**	**304**	**37 415**	**106 769**	**215**	**106 984**
-	**-**	**-**	**19 453**	**89 065**	**-**	**89 065**
1 222	-	-	1 520	1 894	-	1 894
-	-	-	(541)	-	-	-
-	-	-	(50)	(50)	-	(50)
1 222	-	-	929	1 844	-	1 844
1 222	**-**	**-**	**20 382**	**90 909**	**-**	**90 909**
-	1	-	1 404	9 010	-	9 010
-	-	-	(50)	(50)	-	(50)
-	1	-	1 354	8 960	-	8 960
1 222	**1**	**-**	**21 736**	**99 869**	**-**	**99 869**
34			34			

Statement of cash flows

for the year ended 31 March 2014

Figures in Rand million	Note(s)	Group 2014	Group 2013	Company 2014	Company 2013
Cash flows from operating activities					
Cash used in operations	37	(1 383)	(1 174)	(700)	(1 104)
Interest received		2 159	1 689	2 439	1 881
Dividends received		3 723	3 189	2 757	2 344
Finance costs paid		(1 034)	(734)	(901)	(636)
Tax paid	39	(605)	(104)	(598)	(154)
Changes in operating funds		**(479)**	**5 746**	**653**	**4 166**
Increase on operating assets		(2 804)	(3 356)	(2 709)	(3 678)
Increase in operating liabilities		2 325	9 102	3 362	7 844
Net cash generated from operating activities		**2 381**	**8 612**	**3 650**	**6 497**
Cash flows from investing activities					
Purchase of property, plant and equipment	15	(1 522)	(1 493)	(15)	(12)
Proceeds on sale of property, plant and equipment	15	32	12	-	-
Purchase of investment property	14	(1)	(4)	-	(6)
Proceeds on sale of investment property	14	(1)	-	(1)	-
Purchase of other intangible assets	17	10	-	-	-
Net cash paid/(received) in business combinations	38	20	(27)	-	-
Acquisition of investments		(2 114)	(5 882)	(4 410)	(5 528)
Purchase of biological assets	16	(26)	(15)	-	-
Proceeds on sale of biological assets	16	8	1	-	-
Proceeds on realisation of investments		33	25	33	25
Net cash used in investing activities		**(3 561)**	**(7 383)**	**(4 393)**	**(5 521)**
Cash flows from financing activities					
Dividends paid		(50)	(50)	(50)	(50)
Net cash used in financing activities		**(50)**	**(50)**	**(50)**	**(50)**
Net (decrease)/increase in cash and cash equivalents		**(1 230)**	**1 179**	**(793)**	**926**
Cash at the beginning of the year		9 001	7 822	8 043	7 117
Total cash at end of the year	5	**7 771**	**9 001**	**7 250**	**8 043**

Segmental report – reportable segments

for the year ended 31 March 2014

	Industrial Development Corporation		Other financing activities		Foskor (Pty) Limited		Scaw South Africa (Pty)Ltd		Other[2]		Total	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Income												
Interest received	2 439	1 881	199	75	27	34	2	106	(508)	(407)	2 159	1 689
Dividends received	2 757	3 283	1 010	937	-	2	-	-	(44)	(94)	3 723	4 128
Fee income	494	578	51	5	-	-	-	-	-	49	545	632
Farming, manufacturing and mining income	-	-	-	1	5 086	4 906	6 450	2 091	2 058	1 142	13 594	8 140
Revenue [1]	**5 690**	**5 742**	**1 260**	**1 018**	**5 113**	**4 942**	**6 452**	**2 197**	**1 506**	**690**	**20 021**	**14 589**
Share of profits of equity-accounted investments	-	-	33	4	1	-	-	-	953	575	987	579
Other income	352	171	(9)	32	178	108	-	-	114	43	579	354
Net capital gains	1	(30)	-	-	-	-	-	-	-	-	1	(30)
Expenses												
Financing costs	(837)	(554)	-	2	(178)	(174)	(381)	(329)	(370)	(366)	(1 026)	(689)
Operating expenses	(1 325)	(1 246)	(289)	(166)	(4 878)	(4 862)	(6 120)	(1 956)	(2 241)	(1 266)	(14 853)	(9 496)
Share of losses of equity-accounted investments	2	(1)	-	-	-	(14)	-	-	(1 299)	(1 030)	(1 297)	(1 045)
Taxation	(551)	(183)	(60)	32	5	57	58	132	(12)	(41)	(560)	(3)
Depreciation	(16)	(25)	(4)	(2)	(270)	(222)	(175)	(122)	(71)	(70)	(536)	(441)
Project feasibility expenses	(136)	(70)	-	-	-	-	-	-	(9)	(17)	(145)	(87)
Net movement in impairments	(1 776)	(2 284)	(90)	(82)	-	-	-	-	282	613	(1 584)	(1 753)
Profit for the year	**1 404**	**1 520**	**841**	**838**	**(29)**	**(165)**	**(166)**	**(78)**	**(407)**	**(137)**	**1 643**	**1 978**
Total assets	137 605	125 763	2 615	2 401	8 526	7 593	4 768	4 730	(14 921)	(13 602)	138 593	126 885
Interest in equity-accounted investments	12 721	11 008	775	539	11	25	-	-	750	108	14 257	11 680
Total liabilities	37 736	34 854	1 334	80	4 735	3 790	9 075	8 983	(21 271)	(17 762)	31 609	29 945
Capital expenditure	15	12	3	12	744	914	356	248	404	49	1 522	1 235
Capital expenditure commitments	-	-	-	-	-	477	660	184	46	259	706	920

Other financing activities – includes Findevco, Impofin, Konoil and the Small Enterprise Finance Agency Limited. Other – includes Dymson Nominee, Kindoc Investments, Kindoc Sandton Properties, Konbel, Prilla, certain other property-owning subsidiaries and consolidation adjustments.

[1] All revenue is from external customers.

[2] Other includes other subsidiaries and consolidation entries.

Segmental report – geographical segments

for the year ended 31 March 2014

	South Africa		Rest of Africa		Other		Total	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Income								
Interest received	1 815	1 431	337	192	7	7	2 159	1 630
Dividends received	3 713	4 151	10	36	-	-	3 723	4 187
Fee income	545	632	-	-	-	-	545	632
Farming, manufacturing and mining income	13 273	8 140	25	-	296	-	13 594	8 140
Revenue	**19 346**	**14 354**	**372**	**228**	**303**	**7**	**20 021**	**14 589**
Share of profits of equity-accounted investments	952	506	34	73	-	-	986	579
Other income	625	354	-	-	10	-	635	354
Net capital gains	1	(30)	-	-	-	-	1	(30)
Expenses								
Financing expenses	(1 026)	(689)	-	-	-	-	(1 026)	(689)
Operating expenses	(14 522)	(9 496)	(19)	-	(314)	-	(14 855)	(9 496)
Share of losses of equity-accounted investments	(912)	(911)	(384)	(134)	-	-	(1 296)	(1 045)
Taxation	(562)	(3)	-	-	2	-	(560)	(3)
Depreciation	(529)	(441)	-	-	(5)	-	(534)	(441)
Net movement in impairments	(1 584)	(1 753)	-	-	-	-	(1 584)	(1 753)
Project feasibility expenses	(145)	(87)	-	-	-	-	(145)	(87)
Profit for the year	**1 644**	**1 804**	**3**	**167**	**(4)**	**7**	**1 643**	**1 978**
Total assets	132 617	121 813	4 886	4 275	1 090	797	138 593	126 885
Interest in equity-accounted investments	11 122	8 598	3 135	3 082	-	-	14 257	11 680
Total liabilities	31 481	29 945	8	-	120	-	31 609	29 945
Capital expenditure	1 522	1 235	-	-	-	-	1 522	1 235
Capital expenditure commitments	706	920	-	-	-	-	706	920

Other – includes all countries outside the African continent.

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee considers the business primarily from a product perspective. The products are segmented into financing activities and non-financing activities. The Executive Committee is the Chief Operating Decisionmaker of the Corporation.

Segment assets consist primarily of loans, advances, investments, property, plant and equipment and cash and cash equivalents.

Segment liabilities comprise non-current and current liabilities.

Capital expenditure comprises additions to property, plant and equipment.

Notes to the financial statements
for the year ended 31 March 2014

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 2014 comprise the IDC, its subsidiaries and the Group's interest in associates and jointly controlled entities (referred to as the Group).

The financial statements were authorised for issue by the directors on 26 June 2014.

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 IDC Act and the requirements of the Public Finance Management Act.

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
- Aircrafts are measured at fair value

International financial reporting standards, amendments and interpretations effective for the first time in the current year:

a) Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

The change did not have an impact on the Group's financial statements.

b) Interests in other entities

As a result of IFRS 12, the Group has expanded disclosures about its interests in subsidiaries **(see Note 11).**

c) Joint arrangements

Under IFRS 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets and obligations for the liabilities, relating to the arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus for classification.

The change did not have an impact on the Group's financial statements.

d) Fair value measurement

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value, as set out in **note 2** prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent those disclosures were required by other standards before the effective date of IFRS 13, the Group has provided the relevant comparative disclosures under those standards.

e) Presentation of items in Other Comprehensive Income

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of comprehensive income, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

f) Employee benefits

The company adopted IAS 19 (Revised) and as a result, changed its accounting policy with respect to the treatment of actuarial

1. Accounting policies (continued)

gains and losses arising from changes in actuarial assumptions and experience adjustments. These actuarial gains and losses were previously recognised in profit or loss, but under the revised standard, they will be recognised in Other Comprehensive Income (OCI).

The change did not have a material impact on the Group's financial statements.

g) IASB annual improvement project

As part of its fifth annual improvement project the IASB has issued its 2012 edition of improvements. The annual improvement project aims to clarify and improve the current accounting standards. The improvements include items involving terminology or editorial changes, with minimal effect on recognition and measurement. There are no significant changes from the improvement project for the current year that will affect the Group.

h) Offsetting disclosure for financial instruments

The IASB issued Offsetting Financial Assets and Liabilities – Amendments to IAS 32, and Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7. The objective of the new disclosure is to enable users of the financial statements to evaluate the effect or potential effect of netting on the entity's financial position.

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

a) IFRS 9 – Financial Instruments (Effective date to be determined)

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The implementation of IFRS 9 is anticipated to have a significant impact on the preparation of the Group's financial statements.

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.

Notes to the financial statements (continued)
for the year ended 31 March 2014

1. Accounting policies (continued)

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 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 commences until the date that it ceases. When the Group's share of losses exceeds its interest in a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

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

Investments in joint ventures 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.

1. Accounting policies (continued)

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.

Notes to the financial statements (continued)

for the year ended 31 March 2014

1. Accounting policies (continued)

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 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 an accounting standard, 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

1. Accounting policies (continued)

- 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.

Notes to the financial statements (continued)

for the year ended 31 March 2014

1. Accounting policies (continued)

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.

1. Accounting policies (continued)

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

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

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

Notes to the financial statements (continued)
for the year ended 31 March 2014

1. Accounting policies (continued)

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. 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.

1. Accounting policies (continued)

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

1.13 Biological assets

A biological asset is a living animal or plant.

a) Measurement

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

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

1.14 Leases

a) Finance leases

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

i. Finance leases - Group as lessee

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

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

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.

Notes to the financial statements (continued)
for the year ended 31 March 2014

1. Accounting policies (continued)

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. Accounting policies (continued)

1.18 Contingent liabilities and commitments

a) Contingent liabilities

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

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

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

- The amount that would be recognised as a provision
- The amount initially recognised less cumulative amortisation
- Contingent liabilities are not recognised. Contingencies are disclosed in the notes.

b) Commitments

Items are classified as commitments where the Group has committed itself to future transactions. Commitments are not recognised in the statement of financial position of the Group but disclosed in the notes.

1.19 Taxation

a) Current tax assets and liabilities

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

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

b) Income tax

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

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

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

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

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

Notes to the financial statements (continued)

for the year ended 31 March 2014

1. Accounting policies (continued)

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, rentals and fee income, but excludes value-added tax, and is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

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.

b) Dividends

Dividends income is recognised in profit or loss on the date that the Group's right to receive payment is established. Capitalisation shares received are not recognised as income.

c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

d) Fees

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

e) Rental

See policy on leases (1.14).

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

1. Accounting policies (continued)

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.

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.

Notes to the financial statements (continued)
for the year ended 31 March 2014

1. Accounting policies (continued)

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

i. Policy applicable from 1 April 2013

'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.

ii. Policy applicable before 1 April 2013

'Fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

1. Accounting policies (continued)

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price - i. e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

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.

d) Share-based payment transactions

A Group company entered into a Business Assistance Agreement, which is considered to be an equity-settled, share-based payment transaction. The fair value of the technical and business services received in exchange for the grant of equity instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity instruments granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest.

1.28 Use of estimates and judgements

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

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

Notes to the financial statements (continued)
for the year ended 31 March 2014

1. Accounting policies (continued)

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 2014.

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 5.78% (FY2013: 6.0%) was assumed to increase the rehabilitation liability for the next 20 years, and a rate of 8.39% (FY2013: 8.37%) to discount that amount to present value. The discount rate assumed of 8.39% is a risk-free rate, specifically the rate at which the R186 South African government bond was quoted at year end.

e) Fair value of share-based payments

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

f) Impairment of assets

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

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

1. Accounting policies (continued)

provide additional guidance on the subsequent measurement of the transferred assets and liabilities.

iii. Derecognition

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

b) Between entities that are not under common control

i. Recognition

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

ii. Measurement

Assets and liabilities acquired, by the receiving entity, through a transfer of functions are measured at initial recognition at the fair value 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 Gert Gouws CA(SA), the Group's Chief Financial Officer.

Notes to the financial statements (continued)

for the year ended 31 March 2014

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.

Group - 2014

Figures in Rand million	Notes	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Cash and cash equivalents	5	-	7 877	-	-	7 877	7 877
Loans and advances to clients	8	-	20 818	-	-	20 818	20 547
Investments – listed equities	9	-	-	63 721	-	63 721	63 721
Investments – unlisted equities	9	-	-	8 356	-	8 356	8 356
Investments – preference shares	9	211	-	5 792	-	6 003	6 003
Derivative assets	19	71	-	-	-	71	71
Trade and other receivables	6	-	3 164	-	-	3 164	3 164
Loans	22	-	-	-	21 350	21 350	21 086
Derivative liabilities	19	26	-	-	-	26	26
Bank overdrafts	5	-	-	-	106	106	106
Trade and other payables	20	-	-	-	3 186	3 186	3 186

Group - 2013

Figures in Rand million	Notes	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Cash and cash equivalents	5	-	9 009	-	-	9 009	9 009
Loans and advances to clients	8	-	18 666	-	-	18 666	18 666
Investments – listed equities	9	-	-	55 595	-	55 595	55 595
Investments – unlisted equities	9	-	-	9 440	-	9 440	9 440
Investments – preference shares	9	1 029	-	6 372	-	7 401	7 401
Derivative assets	19	49	-	-	-	49	49
Trade and other receivables	6	-	2 575	-	-	2 575	2 575
Loans	22	-	-	-	19 025	19 025	19 025
Derivative liabilities	19	6	-	-	-	6	6
Bank overdrafts	20	-	-	-	8	8	8
Trade and other payables	20	-	-	-	2 859	2 859	2 859

2. Financial assets and liabilities (continued)

Company - 2014

Figures in Rand million	Notes	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Cash and cash equivalents	5	-	7 250	-	-	7 250	7 250
Loans and advances to clients	8	-	20 298	-	-	20 298	20 027
Investments – listed equities	9	-	-	32 316	-	32 316	32 316
Investments – unlisted equities	9	-	-	8 327	-	8 327	8 327
Investments – preference shares	9	211	-	5 791	-	6 002	6 002
Derivative assets	19	60	-	-	-	60	60
Trade and other receivables	6	-	897	-	-	897	897
Loans	22	-	-	-	29 017	29 017	28 850
Derivative liabilities	19	19	-	-	-	19	19
Trade and other payables	20	-	-	-	722	722	722

Company - 2013

Figures in Rand million	Notes	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Cash and cash equivalents	5	-	8 043	-	-	8 043	8 043
Loans and advances to clients	8	-	18 297	-	-	18 297	18 297
Investments – listed equities	9	-	-	33 897	-	33 897	33 897
Investments – unlisted equities	9	-	-	8 892	-	8 892	8 892
Investments – preference shares	9	1 029	-	6 372	-	7 401	7 401
Derivative assets	19	49	-	-	-	49	49
Trade and other receivables	6	-	784	-	-	784	784
Loans	22	-	-	-	25 655	25 655	25 655
Derivative liabilities	19	6	-	-	-	6	6
Trade and other payables	20	-	-	-	622	622	622

3. Financial risk management

Financial risk

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

Financial: credit risk

This refers to the risk that a counterparty to a financial transaction will fail to meet its obligations in accordance with the agreed terms and conditions of the contract, either because of bankruptcy or for any other reason, thereby causing the asset holder to suffer a financial loss. Credit risk, as defined by the IDC, comprises the potential loss on loans, advances, guarantees, quasi-equity and equity investments due to counterparty default. Credit risk arises as a result of the Corporation's lending activities as well as the placement of deposits with financial institutions.

Notes to the financial statements (continued)

for the year ended 31 March 2014

3. Financial risk management (continued)

Approach to Managing Credit Risk

The IDC endeavours to maintain credit risk exposure within acceptable parameters, managing the credit risk inherent in the entire portfolio as well as the risk associated with individual clients or transactions. The effective management of credit risk is a critical component of a comprehensive approach to risk management and is essential to the long-term success of the Corporation. This is the dominant risk within the IDC as the providing of loans, advances, quasi equity, equity investments and guarantees represent the Corporation's core business.

Managing Credit Risk Concentration

Risk concentrations can arise in a financial organisation's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. The IDC can be exposed to various forms of credit risk concentration which, if not properly managed, may cause significant losses that could threaten its financial health. Accordingly the IDC considers the management (including measurement and control) of its credit concentrations to be of vital importance. There is recognition in Basel II that portfolios of financial institutions can exhibit credit concentrations and that prudently managing such concentrations is one of the important aspects in effective credit risk management. However, despite the recognition of credit concentrations as important sources of risk for portfolios, there is no generally accepted approach or methodology for dealing with the issue (including measurement) of concentration particularly with respect to sector or industry concentration.

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

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

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

- Individual and groups of counterparties and/or related parties;
- Geographical locations; and
- Economic sectors.

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

Counterparty and related party limits

The need for Counterparty and related party limits are to identify and protect the IDC's Statement of Financial Position and Statement of Comprehensive Income from significant losses/volatility which threaten financial sustainability, should a counterparty default or experience material loss in value. A Counterparty is defined as IDC's client whereas a related party is any legal entity to whom the IDC has a credit exposure 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 than 50%,
- Management control,
- Revenue or expenses reliance of 51% or more, and/or
- Provision of security for 51% or more of IDC's exposure.

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

3. Financial risk management (continued)

Geographical / Regional limits and Country Threshold

The focus of the IDC's activities in the African continent is determined by its mandate. In order for IDC to achieve its mandate in the Rest of SADC and the Rest of Africa, the Corporation needs to focus on being a catalyst for sustainable economic change. As such 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. 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.

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

Geographical analysis

	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Carrying amounts as per Notes 8 and 9	20 818	18 666	78 080	72 436	20 298	18 297	46 645	50 190
Concentration by location:								
South Africa	15 873	14 097	76 106	71 072	15 353	13 728	44 671	48 826
SADC	2 273	2 323	503	591	2 273	2 323	503	591
Rest of Africa	2 519	2 124	51	42	2 519	2 124	51	42
Outside Africa	153	122	1 420	731	153	122	1 420	731
	20 818	**18 666**	**78 080**	**72 436**	**20 298**	**18 297**	**46 645**	**50 190**

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

Economic sector limits

Concentration risk in the context of sectors generally comes into being through an uneven distribution of an institution's exposure to industry sectors which can generate losses large enough to jeopardise its solvency or profitability. In particular, sector concentration arises because business conditions and hence default risk may be linked across and within industry sectors within the economy. Concentrations of credit exposures in sectors can pose risks to the earnings and capital of any financial institution in the form of unexpected losses. One of the risk management techniques of managing sector risk concentration entails the establishment of concentration limits, the monitoring and analysis thereof. The monitoring and limiting of the concentration of exposures in certain sectors is necessary to reduce the risk of an exposure to a significant downturn in a particular industry in time, and thus to be able to avoid losses, as far as possible, by implementing counter measures (e.g. withdrawing from, reducing or hedging certain exposures). Experience has shown that the earlier risks are identified, the more effectively it can be countered.

Although the IDC's business cuts across a number of sectors, it could be exposed to concentration risk by virtue of disproportionately large exposures in any of these sectors. Managing and monitoring such concentrations to limit downside potential is therefore an integral part of an effective risk management programme. To avoid undue losses due to associated exposures, the IDC strives to identify potential common risk factors and minimise its aggregate exposure to these risk factors. By spreading its risk over many sectors instead of a few, the IDC can minimise the collective impact of economic events or trends on its earnings and capital. Sector diversification should, by reducing dependence on specific sectors, assist in obtaining assets whose performance is not affected by the same external factors.

Notes to the financial statements (continued)
for the year ended 31 March 2014

3. Financial risk management (continued)

The goal of Sector limits is for the IDC to attempt to diversify or at least identify its portfolio concentrations based on exposures to sectors and to identify concentrations of exposures that could become closely related, especially during a crisis; this provides an important mechanism to protect the long term financial sustainability of the IDC. The key challenge to establish a Sector limit methodology is to ensure that it is effective in protecting the institution from credit events and be practical in its enforcement. The establishment of Sector limits is aligned with the overall strategy of the IDC (including its risk appetite).

Sectoral analysis

	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Carrying amounts as per Notes 8 and 9	20 818	18 666	78 080	72 436	20 298	18 297	46 645	50 190
Concentration by sector, as per Standard Industrial Classifications (SIC):								
Agriculture, forestry and fishing	1 330	1 076	223	221	1 283	1 021	223	221
Basic chemicals	143	145	787	961	143	145	787	961
Basic iron and steel	118	32	2 560	1 734	118	32	2 560	1 734
Basic non-ferrous metals	17	129	11 011	9 142	17	129	11 011	9 142
Beverages	6	2	-	1	1	1	-	1
Building construction	504	636	234	266	443	624	234	266
Business services	74	89	29	73	73	84	29	73
Catering and accommodation services	2 101	1 708	15	14	2 095	1 704	15	14
Coal mining	454	483	86	71	454	483	86	71
Coke and refined petroleum products	5	5	-	-	5	5	-	-
Communication	1 785	1 664	7	111	1 783	1 664	7	111
Electrical machinery	222	79	66	51	219	78	66	51
Electricity, gas and steam	1 669	1 545	1 056	556	1 667	1 541	1 056	556
Finance and insurance	465	799	692	706	463	611	673	681
Food	1 361	1 299	41	116	1 356	1 297	41	116
Footwear	46	16	-	-	56	16	-	-
Furniture	279	287	-	-	279	287	-	-
Glass and glass products	122	142	-	-	122	142	-	-
Gold and uranium ore mining	636	589	503	591	636	589	503	591
Government	22	29	-	15	22	29	-	15
Leather and leather products	13	6	-	-	13	6	-	-
Machinery and equipment	603	280	-	-	601	279	-	-
Medical, dental and other health and veterinary services	233	500	2 124	1 935	229	495	2 124	1 935
Metal products excluding machinery	746	744	47	9	746	744	47	9
Motor vehicles, parts and accessories	915	898	83	71	912	897	83	71
Non-metallic minerals	336	211	12	14	333	206	12	14

3. Financial risk management (continued)

	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Other community, social and personal services	383	438	1 797	1 267	381	438	1 797	1 267
Other chemicals and man-made fibres	526	686	31 521	22 594	526	686	105	896
Other industries	195	135	-	4	85	135	-	4
Other mining	3 384	2 077	24 070	31 095	3 373	2 012	24 070	30 717
Other services	-	1	200	145	-	1200	-	
Other transport equipment	145	114	823	22	145	114	823	22
Paper and paper products	6	38	17	124	6	38	17	124
Plastic products	198	209	-	20	198	208	-	20
Printing, publishing and recorded media	34	40	-	-	32	37	-	-
Professional and scientific equipment	71	41	36	6	71	41	36	6
Rubber products	4	6	-	-	4	6	-	-
Television, radio and communication equipment	38	49	3	3	37	48	3	3
Textiles	327	344	1	3	325	344	1	3
Transport and storage	342	373	-	-	330	370	-	-
Water supply	277	249	-	4	277	249	-	4
Wearing apparel	191	202	-	-	188	202	-	-
Wholesale and retail trade	326	126	31	38	96	115	31	38
Wood and wood products	166	145	5	453	155	144	5	453
	20 818	**18 666**	**78 080**	**72 436**	**20 298**	**18 297**	**46 645**	**50 190**

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

Internal rating model and pricing

The IDC has progressed well in developing internal credit rating models. To date Internal Rating Templates (IRT's) have been developed and implemented for Small and Medium Enterprises (SME's), Middle Market clients and Projects (both in and outside South Africa). The SME and Middle Market methodologies are principally based on Moody's KMV products, including RiskAnalyst and RiskCalc South Africa. Project IRT's have been developed internally. During the year under review, IDC commenced with the developing of IRT's for specific business sectors. The probabilities of default and risk ratings produced by the SME, Middle Market and Project IRT's are key tools utilised in determining the credit risk and appropriate pricing structures for these facilities.

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

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

Notes to the financial statements (continued)
for the year ended 31 March 2014

3. Financial risk management (continued)

Maximum credit risk exposure

	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Carrying amount as per Note 8 and 9	20 818	18 666	78 080	72 436	20 298	18 297	46 645	50 190
Individually impaired								
Low risk	466	613	1 036	1 040	236	352	1 036	1 040
Medium risk	2 129	2 656	489	1 166	2 101	2 567	471	1 098
High risk	2 509	1 921	1 176	1 155	2 395	1 729	1 176	1 150
Gross amount	5 104	5 190	2 701	3 361	4 732	4 648	2 683	3 288
Allowance for impairment	(3 472)	(2 934)	(2 056)	(1 914)	(3 311)	(2 717)	(2 056)	(1 914)
Carrying amount	**1 632**	**2 256**	**645**	**1 447**	**1 421**	**1 931**	**627**	**1 374**
Past due but not impaired								
Low risk	695	171	-	-	492	171	-	-
Medium risk	416	496	-	-	409	462	-	-
High risk	442	219	-	-	440	219	-	-
Carrying amount	**1 553**	**886**	**-**	**-**	**1 341**	**852**	**-**	**-**
Past due comprises of:								
00 – 30 days	246	153			56	142		
31 – 60 days	1 108	144			1 107	140		
61 – 90 days	5485	-			53	83		
91 – 120 days	53	102			52	101		
120 days +	92	402			73	386		
Carrying amount	**1 553**	**886**			**1 341**	**852**		
Neither past due nor impaired								
Low risk	7 471	7 111	59 573	57 310	7 389	7 113	28 155	35 137
Medium risk	9 978	8 177	17 856	13 608	9 963	8 167	17 856	13 608
High risk	561	499	6	71	561	497	7	71
Carrying amount	18 010	15 787	77 435	70 989	17 913	15 777	46 018	48 816
Portfolio impairment	(377)	(263)	-	-	(377)	(263)	-	-
Total carrying amount	20 818	18 666	78 080	72 436	20 298	18 29	46 645	50 190
Carrying value of renegotiated loans	1 820	1 522	-	-	1 820	1 522	-	-

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

The IDC loan book is reviewed on a regular basis, by IMC Loans, which monitors and manages the quality and arrears on a proactive basis. Clients are classified according to their risk profiles based on the most recent available financial information and repayment profile. A low risk client is a client that is not in arrears and for which no impairment triggers have been identified. A medium risk client is one which is in arrears by more than 60 days and/or for which impairment triggers have been identified. A high risk client is one who is in arrears and/or for whom impairment triggers have been identified and who fails to respond to initial legal action (e.g. letter of demand). High risk clients include those for which legal action is in progress or where the client has ceased manufacturing or has been placed in liquidation.

3. Financial risk management (continued)

Impaired loans and investments

Impaired loans and investments are loans and investments for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/investment agreements.

Past due but not impaired loans

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

Allowances for impairment

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

Renegotiated loans

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

Collateral

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

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

	Group		Company	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**
IDC financing activities				
Against impaired assets				
General notarial bond	411	687	411	687
Special notarial bonds	77	229	77	229
Mortgage bond	513	610	513	610
Other	1	488	1	488
	1 002	**2 014**	**1 002**	**2 014**
Gross value of impaired loans as at 31 March	5 104	5 190	4 732	4 648
Against loans in arrears and not impaired				
General notarial bond	2 083	554	2 083	554
Mortgage bond	174	694	174	694
Special notarial bond	387	184	387	184
Other	37	322	37	322
	2 681	**1 754**	**2 681**	**1 754**
Gross value of loans in arrears not impaired as at 31 March	1 553	886	1 341	852

Notes to the financial statements (continued)

for the year ended 31 March 2014

3. Financial risk management (continued)

Financial: Market risk

Market risk is the risk that the value of a financial position or portfolio will decline due to adverse movements in market rates. 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. The aim is to measure, monitor and report market risk exposures against approved risk tolerance so as to:

- Optimise the Group's statement of financial position by taking appropriate action based on the assessed impact of regular scenario analysis and stress testing of market risk exposures.

In respect of market risk, the Group is exposed to equity price risk, interest rate risk and exchange rate risk.

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.

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 035 million increase in the equity values as at 31 March 2014 (2013: R9 007 million) and a 10% decrease will lead to a R9 592 million decrease in the equity values (2013: R8 673 million).

Period	10% increase	10% decrease
March 31, 2014	R10 035m	R9 592m
March 31, 2013	R9 007m	R8 673m

Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to meet its obligations promptly for all maturing liabilities, increase in financing assets, including commitments and any other financial obligations (funding liquidity risk), or will only able to do so at materially disadvantageous terms (market liquidity risk).

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.

3. Financial risk management (continued)

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.

Liquidity risk is governed by the Asset and Liability Management policy and the ALCO provides the objective oversight and makes delegated decisions related to all liquidity risk exposures. The aim is to measure, monitor and report liquidity risk exposures against approved risk tolerance so as to:

- Ensure a prudent cushion of unencumbered, high-quality liquid assets is maintained in the event of an unforeseen liquidity stress, while maintaining a minimum liquidity buffer of R1.5bn; and
- To uphold a structurally sound liquidity profile, both in terms of cash flow mismatches and funding diversification.

The exposure to liquidity risk has been covered during the period ending March 2013:

Period	Liquidity cover required	Performance
March 31, 2014	R4 500m	1.94 times
March 31, 2013	R6 163m	1.53 times

Repricing risk of assets in the liquidity buffer portfolio is kept to a minimum as it is designed to protect the cash values in a three-month horizon.

Interest rate risk

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 shareholders 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 of earnings to interest rate shocks and/or changes in interest-bearing balances is measured using net interest income simulation.

Interest rate sensitivity mismatch – Finance activities

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

Notes to the financial statements (continued)

for the year ended 31 March 2014

3. Financial risk management (continued)

Figures in Rand million Interest rate sensitivity mismatch - March 2014	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year
Assets	14 761	173	373	13 017
Liabilities	(8 433)	(56)	-	(5 286)
Interest rate sensitivity mismatch	6 328	117	373	7 731
Cumulative interest rate sensitivity mismatch	6 328	6 445	6 818	14 549
Cumulative interest rate sensitivity mismatch as a % of total assets	5.0	5.1	5.4	11.5
Interest rate sensitivity mismatch - March 2013				
Assets	8 725	280	674	13 841
Liabilities	(498)	(568)	(2 010)	(6 392)
Interest rate sensitivity mismatch	8 227	(288)	(1 336)	7 449
Cumulative interest rate sensitivity mismatch	8 227	7 939	6 603	14 052
Cumulative interest rate sensitivity mismatch as a % of total assets	6.5	6.3	5.2	11.1

Furthermore, interest rate risk management is monitored through the sensitivity analysis done to the financial assets and liabilities. A 100 basis points (bps) increase/(decrease) in market interest rates resulted in the following sensitivities:

Interest rate sensitivity – Finance activities

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

2014

Figures in Rand million	Rand	US Dollar	Euro	Total
+ 100 bps rate shock for assets	283.2	3.2	0.4	286.8
+ 100 bps rate shock for liabilities	(137.8)	(4.8)	(0.9)	(143.5)
Net effect				
2014				
+ 100 bps rate shock	145.4	(1.6)	(0.5)	143.3
- 100 bps rate shock	(145.4)	1.6	0.5	(143.3)

2013

Figures in Rand million				
+ 100 bps rate shock for assets	188.3	3.6	0.5	192.4
+ 100 bps rate shock for liabilities	(74.9)	(5.3)	(0.9)	(81.1)
Net effect				
2013				
+ 100 bps rate shock	113.4	(1.7)	(0.4)	111.3
- 100 bps rate shock	(113.4)	1.7	0.4	(111.3)

A 100 bps increase in all rates would increase the forecasted net interest income of the IDC by R143.3 million (2013: R111.3 million). A 100 bps decrease in all rates would result in a decrease of forecasted net interest income by R143.3 million (2013: R111.3 million).

3. Financial risk management (continued)

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
- Economic risk through the impact that exchange rate changes may have on the Group's competitive strength.

Open foreign currency positions can be either short, in which case the Group will need to buy foreign currency to close the position or long, in which case the Group will need to sell foreign currency to close the position. With respect to foreign currency denominated borrowings where the on-lending is not back-to-back in matching currency, or where a natural hedge does not exist, the resultant net open foreign currency exposure (capital and interest) is hedged using either forward exchange contracts and/or cross-currency swaps.

The Group's foreign currency mismatch per currency as at 31 March 2014 is shown as per tables below:

Currency US Dollar mismatch

Finance activities 2014

Figures in Rand million	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year	Total
Assets	16.7	3.7	304.5	83.6	408.5
Liabilities	(124.1)	(148.4)	(111.7)	(100.7)	(484.9)
Currency mismatch before hedging	(107.4)	(144.7)	192.8	(17.1)	(76.4)
Hedging – FECs	85.8	39.8	-	-	125.6
Currency mismatch after hedging	(21.6)	(104.9)	192.8	(17.1)	49.2
Cumulative currency mismatch	**(21.6)**	**(126.5)**	**66.3**	**49.2**	**49.2**

Finance activities 2013

Assets	50.3	14.3	23.2	314.7	402.5
Liabilities	(10.0)	(12.9)	(212.9)	(291.0)	(526.8)
Currency mismatch before hedging	40.3	1.4	(189.7)	23.7	(124.3)
Hedging – FECs	161.2	38.1	-	-	199.3
Currency mismatch after hedging	201.5	39.5	(189.7)	23.7	75.0
Cumulative currency mismatch	**201.5**	**241.0**	**51.3**	**75.0**	**75.0**

Notes to the financial statements (continued)
for the year ended 31 March 2014

3. Financial risk management (continued)

Currency Euro mismatch

Finance activities 2014

Figures in Rand million	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year	Total
Assets	9.2	1.4	9.5	25.1	45.2
Liabilities	(6.9)	(4.1)	(16.7)	(59.5)	(87.2)
Currency mismatch before hedging	2.3	(2.7)	(7.2)	(34.4)	(42.0)
Hedging – FECs	26.6	23.5	-	-	50.1
Currency mismatch after hedging	28.9	20.8	(7.2)	(34.4)	8.1
Cumulative currency mismatch	**28.9**	**49.7**	**42.5**	**8.1**	**8.1**

Finance activities 2013

Assets	5.0	1.7	2.3	40.5	49.5
Liabilities	(3.1)	(2.0)	(5.1)	(83.9)	(94.1)
Currency mismatch before hedging	1.9	(0.3)	(2.8)	(43.4)	(44.6)
Hedging – FECs	56.4	-	-	-	56.4
Currency mismatch after hedging	58.3	(0.3)	(2.8)	(43.4)	11.8
Cumulative currency mismatch	**58.3**	**58.0**	**55.2**	**11.8**	**11.8**

Residual contractual maturities of financial liabilities

Finance activities - March 31, 2014

	EURO million	SA RAND million	FOREIGN RAND million	USD million
Principal	87	9 900	56	485
Interest	9	2 590	6	47
	96	12 490	62	532
Payable within 1 year	14	615	28	198
Due after 1 year but within 5 years	55	9 884	34	217
Due after 5 years	27	1 991	-	117

Finance activities - March 31, 2013

Principal	94	7 400	92	527
Interest	8	1 464	12	25
	102	8 864	104	552
Payable within 1 year	12	1 658	43	246
Due after 1 year but within 5 years	51	5 722	61	226
Due after 5 years	40	1 484	-	80

Foreign rand – Rand facilities arranged with counterparties outside South Africa.

3. Financial risk management (continued)

Interest rates	**Range**
SA Rand = 3M JIBAR	5.7250% – 6.3750%
EURIBOR = 3-6M	0.3100% – 0.4140%
LIBOR = 3-6M	0.2306% – 0.3289%

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

Fair value hierarchy

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: – quoted instruments where the valuation technique includes inputs not based on observable data and includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions reflect differences between the instruments.

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

Group 2014 - Figures in Rand million	Level 1	Level 2	Level 3	Total
Derivative assets	-	71	-	71
Biological assets	-	-	43	43
Investment property	-	307	-	307
Land and buildings	-	-	2 520	2 520
Aircraft	-	153	-	153
Listed shares	63 721	-	-	63 721
Unlisted shares	-	-	8 356	8 356
Preference shares	-	211	5 792	6 003
Assets held for sale	-	26	-	26
	63 721	768	16 711	81 200
Derivative liabilities	-	26	-	26

Notes to the financial statements (continued)
for the year ended 31 March 2014

4. Fair value information (continued)

Group 2013 - R'm	Level 1	Level 2	Level 3	Total
Derivative assets	-	49	-	49
Biological assets	-	-	21	21
Investment property	-	330	-	330
Land and buildings	-	-	1 310	1 310
Aircraft	-	162	-	162
Listed shares	55 595	-	-	55 595
Unlisted equities	-	-	9 440	9 440
Preference shares	-	1 029	6 372	7 401
	55 595	1 570	17 143	74 308
Derivative liabilities	-	6	-	6

Company 2014 - Figures in Rand million	Level 1	Level 2	Level 3	Total
Derivative assets	-	60	-	60
Investment property	-	15	-	15
Aircraft	-	106	-	106
Listed shares	32 316	-	-	32 316
Unlisted shares	-	-	8 327	8 327
Preference shares	-	211	5 791	6 002
Investments in subsidiaries	40 268	-	9 309	49 577
Investments in associates	1 590	-	11 131	12 721
	74 174	392	34 558	109 124
Derivative liabilities	-	19	-	19

Company 2013 - Figures in Rand million	Level 1	Level 2	Level 3	Total
Derivative assets	-	49	-	49
Investment property	-	15	-	15
Aircraft	-	110	-	110
Listed shares	33 897	-	-	33 897
Unlisted shares	-	-	8 892	8 892
Preference shares	-	1 029	6 372	7 401
Investments in subsidiaries	29 549	-	7 690	37 239
Investments in associates	1 281	-	9 727	11 008
	64 727	1 203	32 681	98 611
Derivative liabilities	-	6	-	6

4. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3

	Opening balance	Gains/ losses recognised in profit or loss	Gains/ losses recognised in other comprehensive income	Purchases	Sales	Transfers into level 3	Closing balance
Group - 2014 **Figures in Rand million**							
Assets							
Biological assets	21	1	-	21	-	-	43
Land and buildings	1 310	(53)	115	246	(48)	950	2 520
Unlisted shares	9 440	-	(1 139)	76	(21)	-	8 356
Preference shares	6 372	124	168	755	(1 627)	-	5 792
Total	**17 143**	**69**	**(856)**	**1 095**	**(1 696)**	**956**	**16 711**
Company - 2014							
Assets							
Unlisted shares	8 892	-	(620)	76	(21)	-	8 327
Preference shares	6 372	124	(861)	755	(599)	-	5 791
Investments in subsidiaries	7 690	15	(656)	2 260	-	-	9 309
Investments in associates	9 727	183	(1 258)	2 565	(86)	-	11 131
Total	**32 681**	**322**	**(3 395)**	**5 656**	**(706)**	**-**	**34 558**

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.

Notes to the financial statements (continued)
for the year ended 31 March 2014

4. Fair value information (continued)

Level 2

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

- Quoted price for similar assets or liabilities in an active market;
- Quoted price for identical or similar assets or liabilities in inactive markets;
- Valuation model using observable inputs; and
- Valuation model using inputs derived from/corroborated by observable market data.

These include derivative financial instruments, investment properties and option pricing models.

Valuation techniques using unobservable inputs

Level 3

Instruments valued using inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Valuation techniques include price earnings, net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates and discount rates.

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

Price Earnings (PE) Valuation

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

- At least 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.

4. Fair value information (continued)

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	8.54%
		Expected long term growth	5.00%
Agro and Food	Discounted cash flow	Cost of Debt	8%-12%
		Discount factor	12%-19%
		Sector beta	1-1.5
	Price-earning valuation	Industry/sector PE ratio	22.7%-25.7%
		Risk Adjusted PE ratio	10.31%-13.31%
		Expected long term growth	5%
Mining	Discounted cash flow	Cost of Debt	5.74%-8%
		Discount factor	14.6%-27.5%
		Sector beta	0.75-1.22
Chemicals	Discounted cash flow	Cost of Debt	9.09%-13%
		Discount factor	13.74%-15.2%
		Sector beta	1.00
Metals	Discounted cash flow	Cost of Debt	9%-9.5%
		Discount factor	15.9%-17.1%
		Sector beta	1.00
Tourism	Discounted cash flow	Cost of Debt	9%-11%
		Discount factor	14.1%-15.4%
		Sector beta	1.00
SHIP	Discounted cash flow	Cost of Debt	8.5%-13.8%
		Discount factor	14.8%-23.2%
		Sector beta	1.00

Notes to the financial statements (continued)
for the year ended 31 March 2014

5. Cash and cash equivalents

	Group		Company	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**
Cash and balances with bank	1 734	1 682	1 694	1 563
Negotiable securities	6 143	7 327	5 556	6 480
Bank overdraft	(106)	(8)	-	-
	7 771	**9 001**	**7 250**	**8 043**
Current assets	7 877	9 009	7 250	8 043
Current liabilities	(106)	(8)	-	-
	7 771	**9 001**	**7 250**	**8 043**

Cash and cash equivalents comprises cash deposits with banks and negotiable securities maturing within three months. These attract interest at market related rates.

6. Trade and other receivables

Trade receivables	3 164	2 575	897	784
Prepayments	421	91	-	-
Other receivable	228	295	9	6
	3 813	**2 961**	**906**	**790**

Trade and other receivables pledged as security

A subsidiary, Prilla (Pty) Ltd, entered into an invoice discounting agreement with Nedbank Limited whereby it has discounted all its debtors and has given first cession of all receivables as security for a R95 million (2013: R75 million) finance facility advanced to it.

A subsidiary, Sheraton Textiles, has ceded its trade and other receivables to the value of R32 million to The Standard Bank of South Africa as security for its overdraft facilities.

7. Inventories

Finished goods	1 100	1 072	-	-
Raw materials, components	1 071	1 106	-	-
Phosphate rock	971	583	-	-
Consumable stores	436	413	13	11
Work in progress	276	216	-	-
	3 854	**3 390**	**13**	**11**

Group inventory to the value of R40.19 million was written down as a net realisable value adjustment at 31 March 2014 (2013: R30.8 million).

8. Loans and advances

Figures in Rand million	Group		Company	
	2014	2013	2014	2013
Loans and advances to clients*	24 667	21 863	23 986	21 277
Specific impairment of loans and advances	(3 472)	(2 934)	(3 311)	(2 717)
Portfolio impairment of loans and advances	(377)	(263)	(377)	(263)
	20 818	**18 666**	**20 298**	**18 297**

* Interest rates range between 5% and 20%.

Reconciliation of impairment of loans and advances

Specific allowances for impairment	Group 2014	Group 2013	Company 2014	Company 2013
Balance at 1 April	2 934	2 307	2 717	2 307
Impairment loss for the year				
– Charge for the year	1 066	864	1 122	647
– Recoveries	(44)	(16)	(44)	(16)
– Effect of foreign currency movements	1	(1)	1	(1)
Write-offs	(485)	(220)	(485)	(220)
Balance at 31 March	**3 472**	**2 934**	**3 311**	**2 717**
Portfolio allowance for impairment				
Balance at 1 April	263	222	263	222
Impairment charge for the year	114	41	114	41
Balance at 31 March	**377**	**263**	**377**	**263**
Total allowances for impairment	**3 849**	**3 197**	**3 688**	**2 980**
Maturity of loans and advances				
– due within three months	2 223	1 470	2 223	1 470
– due after three months but within one year	3 371	3 561	3 059	3 326
– due after one year but within two years	4 446	3 454	4 327	3 379
– due after two years but within three years	3 847	3 922	3 756	3 862
– due after three years but within four years	3 004	3 055	2 944	3 024
– due after four years but within five years	2 995	2 124	2 940	2 084
– due after five years	4 781	4 277	4 737	4 132
– impairment of loans and advances	(3 849)	(3 197)	(3 688)	(2 980)
	20 818	**18 666**	**20 298**	**18 297**

Notes to the financial statements (continued)

for the year ended 31 March 2014

9. Investments

Figures in Rand million	Group 2014	Group 2013	Company 2014	Company 2013
Listed equities	63 845	55 702	32 440	34 004
Unlisted equities	8 508	9 592	8 479	9 044
Preference shares	7 572	8 027	7 571	8 027
Preference shares - option values	211	1 029	211	1 029
	80 136	74 350	48 701	52 104
Impairment of listed shares	(124)	(107)	(124)	(107)
Impairment of unlisted shares	(152)	(152)	(152)	(152)
Impairment of preference shares	(1 780)	(1 655)	(1 780)	(1 655)
Shares at fair value	**78 080**	**72 436**	**46 645**	**50 190**
Specific allowance for impairment				
Listed equities				
Balance at 1 April	107	47	107	47
Impairment charge for the year	17	60	17	60
	124	**107**	**124**	**107**
Unlisted equities				
Balance at 1 April	152	27	152	27
Impairment charge for the year	-	125	-	125
	152	**152**	**152**	**152**
Preference shares				
Balance at 1 April	1 655	1 153	1 655	1 153
Impairment charge for the year	125	502	125	502
	1 780	**1 655**	**1 780**	**1 655**
Comprises:				
Impairment of listed shares	(124)	(107)	(124)	(107)
Impairment of unlisted shares	(152)	(152)	(152)	(152)
Impairment of preference shares	(1 780)	(1 655)	(1 780)	(1 655)
	(2 056)	**(1 914)**	**(2 056)**	**(1 914)**

10. Non-current assets held-for-sale

Investment property	26	-	-	-

On 20 February 2013, a property strategy was approved in SEFA which stated that certain of the properties were to be sold.

Fair value adjustments were done at the date of reclassification.

Purchase offers for 14 of the 16 properties reclassified for sale have been accepted. Disposal for these properties will be final once the transfer is registered at the relevant deeds office. The remaining 2 properties are still in negotiations.

11. Investments in subsidiaries

Figures in Rand million	Company 2014	Company 2013
Fair value of investments	44 534	34 329
Impairment of shares	(73)	(58)
Loans receivable	6 623	4 319
Impairment of loans	(1 507)	(1 351)
	49 577	**37 239**

IDC subsidiaries	Share class	Issued share capital	% interest	Shares at cost and fair value 2014	Shares at cost and fair value 2013	IDC net indebtedness to the holding company 2014	IDC net indebtedness to the holding company 2013	IDC net indebtedness by the holding company 2014	IDC net indebtedness by the holding company 2013
Arengo 316	Ordinary	-	100%	-	-	117	98	-	-
Crossley Holdings	Ordinary	-	59%	-	-	327	285	-	-
Crossley Holdings	Preference	7	59%	25	25	-	-	-	-
Dymson Nominee	Ordinary	-	100%	2	2	42	41	-	-
Findevco	Ordinary	-	100%	-	-	-	-	(373)	(373)
Foskor	Ordinary	9	59%	8	8	1 290	900	-	-
Herdmans SA	Ordinary	-	100%	-	-	225	175	-	-
Impofin	Ordinary	-	100%	-	-	-	-	(88)	(88)
Kindoc Investments	Ordinary	-	100%	-	-	158	154	-	-
Kindoc Sandton Properties	Ordinary	-	100%	-	-	206	212	-	-
Konbel	Ordinary	-	100%	-	-	-	-	(10)	(10)
Konoil	Ordinary	-	100%	-	-	-	-	(8 864)	(7 852)
Prilla	Ordinary	4	100%	14	14	366	324	-	-
Scaw South Africa	Ordinary	266	74%	-	-	2 431	1 548	-	-
Scaw Metals	Ordinary	-	100%	45	45	-	-	-	-
Sustainable Fibre Solutions	Ordinary	-	100%	4	4	123	122	-	-
South African Fibre Yarn Rugs	Ordinary	37	69%	15	15	277	277	-	-
Sheraton Textiles	Ordinary	6	80%	-	-	47	47	-	-
Thelo Rolling Stock Leasing	Ordinary	-	50%	-	-	522	-	-	-
Other	Ordinary	-	100%	151	142	492	136	-	-
				264	255	6 623	4 319	(9 335)	(8 323)
Fair value adjustment				44 270	34 074	-	-	-	-
Impairment adjustment				(73)	(58)	(1 507)	(1 351)	-	-
Fair value				44 461	34 271	5 116	2 968	(9 335)	(8 323)

Legally the IDC owns 59% of Foskor, but for accounting purposes an effective 85% of Foskor is consolidated. Please refer to note 24.

Notes to the financial statements (continued)
for the year ended 31 March 2014

11. Investments in subsidiaries (continued)

Profit and losses

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

	Group		Company	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**
Profits	1 139	945		
Losses	(580)	(498)		
	559	**447**		

Included in financing are the following investments which have been made in terms of section 3 (a) of the Industrial Development Act with the approval of the State President:

Foskor Limited - At cost	-	-	8	8
Sasol Limited - At cost	131	131	-	-
	131	**131**	**8**	**8**

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

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.

		% Ownership / interest held by non-controlling interest	
Subsidiary	**Country of incorporation**	**2014**	**2013**
Foskor	RSA	15%	15%
Scaw	RSA	26%	26%

Summarised statement of financial position

	Foskor		Scaw SA	
	2014	**2013**	**2014**	**2013**
Assets				
Non-current assets	5 075	4 545	2 245	2 311
Current assets	3 451	3 048	2 523	2 419
Total assets	8 526	7 593	4 768	4 730
Liabilities				
Non-current liabilities	2 784	2 375	7 962	7 533
Current liabilities	1 951	1 415	1 113	1 450
Total liabilities	4 735	3 790	9 075	8 983
Total net assets (liabilities)	3 791	3 803	(4 307)	(4 253)
Carrying amount of non-controlling interest	567	570	(1 120)	(1 106)

Notes to the financial statements (continued)
for the year ended 31 March 2014

11. Investments in subsidiaries (continued)

Summarised statement of comprehensive income

Figures in Rand million	Foskor 2014	Foskor 2013	Scaw SA 2014	Scaw SA 2013
Revenue	5 113	4 942	6 452	2 197
Other income and expenses	(5 147)	(5 164)	(6 676)	(2 407)
Profit before tax	(34)	(222)	(224)	(210)
Tax expense	5	57	58	132
Profit (loss)	(29)	(165)	(166)	(78)
Other comprehensive income	39	(74)	12	26
Total comprehensive income	10	(239)	(154)	(52)
Profit (loss) allocated to non-controlling interest	(5)	(33)	(43)	(20)
Other comprehensive income allocated to non-controlling interest	6	(12)	3	7
Summarised statement of cash flows				
Cash flows from operating activities	313	(252)	65	3
Cash flows from investing activities	(744)	(948)	(337)	3
Cash flows from financing activities	561	1 224	21	3
Net increase(decrease) in cash and cash equivalents	130	24	(251)	9
Dividend paid to non-controlling interest	-	14	-	-

12. Investments in associates, joint ventures and partnerships

	Group 2014	Group 2013	Company 2014	Company 2013
Associated companies	**14 094**	**11 648**	**12 691**	**10 976**
Fair value of investments – listed shares in associates	-	-	1 590	1 281
Fair value of investments – unlisted shares in associates	-	-	8 711	8 253
Impairment of shares	-	-	(1 240)	(1 048)
Net asset value at acquisition	2 026	1 020	-	-
Accumulated equity-accounted income	15 847	16 755	-	-
Accumulated equity-accounted losses and impairments	(7 815)	(9 074)	-	-
Loans receivable	4 928	3 773	4 910	3 753
Impairment of loans	(892)	(826)	(1 280)	(1 263)
Partnerships and joint ventures	**163**	**32**	**30**	**32**
Partners' capital	172	60	60	60
Accumulated losses	(9)	(28)	(30)	(28)
	14 257	**11 680**	**12 721**	**11 008**

Notes to the financial statements (continued)
for the year ended 31 March 2014

12. Investments in associates, joint ventures and partnerships (continued)

Material associates

Companies	Nature of business	Accounting periods*	Country of incorporation	% holding 2012	Total exposure 2014	Total exposure 2013
Broadband Infraco	Provides telecommunication infrastructure		RSA	26.00%	364	421
Broodkraal Landgoed	Farms table grapes	1/07/12 - 30/06/13	RSA	32.00%	103	120
Ethekwini Health and Heart Centre	Operates a hospital	1/03/13 - 28/02/14	RSA	25.48%	159	179
Savannah Consortium	Mining and processing platinum metals		RSA	29.50%	68	70
Duferco Steel Processing	Processes steel coil		RSA	50.00%	65	176
Eastern Produce Malawi	Farms tea coffee and macadamia nuts		Malawi	26.80%	141	104
Hans Merensky	Holds investments in timber and agricultural industries	1/01/13 - 31/12/13	RSA	29.70%	540	549
Hernic Ferrochrome	Operates a ferrochrome plant		RSA	21.30%	297	340
Hulamin Limited	Asset-leasing company	1/01/13 - 31/12/13	RSA	29.90%	1 014	1 423
Incwala Resources	Platinum mining		RSA	23.60%	641	541
Karsten Boerdery	Farms table grapes and dates	1/10/12 - 30/9/13	RSA	36.60%	270	213
KaXu Solar One	Parabolic trough solar energy farm	1/1/13- 31/12/13	RSA	29.00%	1 301	-
Merafe Ltd	Operates chrome and alloys plant	1/1/13 - 31/12/13	RSA	21.90%	646	593
Mozal S.A.R.L.	Produces primary aluminium metal	1/07/12 - 30/06/13	Mozambique	24.00%	3 165	2 978
Ohorongo Cement	Cement production	1/1/13- 31/12/13	Namibia	20.20%	285	-
Rio Tinto South Africa	Mining of various minerals	1/1/13- 31/12/13	RSA	20.00%	1 299	-
Sheba's Ridge Platinum	Produce base metals and platinum group metals		RSA	26.00%	44	104
Umicore Catalyst	Manufactures automotive catalysts	1/1/13 - 31/12/13	RSA	35.00%	241	280
York Timber Ltd	Sawmilling	1/01/13 - 31/12/13	RSA	28.70%	658	642
Other associates	Various		Various		2 793	2 915
					14 094	11 648

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

12. Investments in associates, joint ventures and partnerships (continued)

Figures in Rand million	Company 2014	Company 2013
Fair value		
Opening fair value of shares	8 486	10 828
Movement in fair values during the year:		
Chuma/Malibongwe/Savannah Platinum SPV (Pty) Ltd	(12)	(153)
Hans Merensky Holdings (Pty) Limited	107	261
Hernic Ferrochrome (Pty) Limited	(54)	(46)
Hulett Aluminium (Pty) Limited	133	(223)
Incwala Resources (Pty) Limited	(159)	(137)
Merafe Limited	186	(66)
Mozal S.A.R.L.	(1 066)	(1 667)
York Timber Limited	(10)	29
Rio Tinto South Africa	1 088	-
Imbani Platinum	(180)	(103)
Other	542	(237)
	9 061	**8 486**

Summarised financial information of material associates

2014

Summarised statement of comprehensive income	Revenue	Profit (loss) from continuing operations	Other comprehensive income	Total comprehensive income	Dividend received from associate
Broadband Infraco	302	(142)	-	(142)	-
Broodkraal Landgoed	100	(22)	12	(10)	-
Ethekwini Health and Heart Centre	424	58	-	58	-
Savannah Consortium*	249	(81)	-	(81)	-
Duferco Steel Processing	2 436	(89)	(18)	(107)	-
Eastern Produce Malawi	102	21	-	21	-
Hans Merensky	4 231	172	87	259	-
Hernic Ferrochrome	2 670	(251)	(18)	(269)	-
Hulamin Limited	7 560	(1 345)	(5)	(1 350)	-
Incwala Resources	15	10	-	10	-
Karsten Boerdery	1 277	195	(6)	189	1
KaXu Solar One	-	(8)	402	394	-
Merafe Ltd	3 497	205	5	210	-
Mozal S.A.R.L.	7 416	(968)	-	(968)	-
Ohorongo Cement	702	(110)	-	(110)	-
Rio Tinto South Africa	7 862	780	-	780	5
Sheba's Ridge Platinum	-	(1)	-	(1)	-
Umicore Catalyst	2 061	89	(1)	88	-
York Timber Ltd	1 238	67	(1)	66	-

Notes to the financial statements (continued)

for the year ended 31 March 2014

12. Investments in associates, joint ventures and partnerships (continued)

Figures in Rand million

Summarised statement of financial position	Non current assets	Current assets	Non current liabilities	Current liabilities	Total net assets
Broadband Infraco	1 463	616	2 405	301	(627)
Broodkraal Landgoed	443	12	83	310	62
Ethekwini Health and Heart Centre	438	80	324	54	140
Savannah Consortium*	616	241	297	80	480
Duferco Steel Processing	1 061	829	384	1 376	130
Eastern Produce Malawi	782	172	234	195	525
Hans Merensky	2 196	1 437	710	783	2 140
Hernic Ferrochrome	1 946	2 052	869	2 720	409
Hulamin Limited	2 743	2 987	631	1 696	3 403
Incwala Resources	2 796	23	-	97	2 722
Karsten Boerdery	1 214	558	743	161	868
KaXu Solar One	5 754	279	5 514	19	500
Merafe Ltd	3 100	1 904	1 314	764	2 926
Mozal S.A.R.L.	12 649	3 705	48	3 848	12 458
Ohorongo Cement	2 214	516	1 390	196	1 144
Rio Tinto South Africa	2 967	6 414	1 668	1 220	6 493
Sheba's Ridge Platinum	419	-	189	419	(189)
Umicore Catalyst	144	702	27	130	689
York Timber Ltd	2 888	788	1 160	226	2 290

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

The aggregate amounts were as follows:

	Group	
	2014	2013
Non-current assets	63 332	47 716
Current assets	33 363	19 983
	96 695	**67 699**
Equity	46 921	40 651
Non-current liabilities	29 319	15 955
Current liabilities	20 455	11 093
	96 695	**67 699**
Statement of Comprehensive Income		
Revenue	55 987	32 249
Profits	1 767	1 216
Losses	(4 587)	(1 819)

12. Investments in associates, joint ventures and partnerships (continued)

Partnerships and joint ventures

Figures in Rand million	Percentage interest	Total exposure 2014	Total exposure 2013
Women Private Equity Fund (One)	38.83	9	9
The Vantage Capital Fund Trust	100	21	23
		30	**32**

	Group		Company	
	2014	2013	2014	2013
The aggregate amounts were as follows:				
Non-current assets	113	96	80	96
Current assets	101	54	-	54
	214	**150**	**80**	**150**
Equity	214	150	80	150
Statement of Comprehensive Income				
Profits	7	2	-	2
Losses	(6)	(3)	-	(3)

13. Deferred tax

	Group		Company	
Figures in Rand million	2014	2013	2014	2013
Composition of deferred taxation asset is as follows:				
Capital and other losses	328	22	-	-
Calculated tax losses	61	370	-	-
	389	**392**	**-**	**-**
Balance at the beginning of the year	392	22	-	-
Calculated tax losses	61	-	-	-
Temporary differences	(64)	370	-	-
– Mining assets	-	372	-	-
– Other	(64)	(2)	-	-
Balance at the end of the year	**389**	**392**	**-**	**-**
Composition of deferred taxation liability is as follows:				
Capital and other allowances	477	298	(631)	(546)
Capital gains and losses and fair value adjustments	5 500	6 332	7 892	8 258
	5 977	6 630	7 261	7 712
Reduced by taxation on: Calculated taxation losses	(497)	(231)	-	-
	5 480	**6 399**	**7 261**	**7 712**
At beginning of the year	6 399	7 290	7 712	8 003
Calculated taxation losses	(202)	(155)	-	-
Temporary differences	(717)	(736)	(451)	(291)

Notes to the financial statements (continued)

for the year ended 31 March 2014

13. Deferred tax (continued)

	Group		Company	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**
– Property, plant and equipment	(245)	(17)	(1)	(4)
– Provisions	(114)	(24)	(85)	(24)
– Mining assets	424	111	-	-
– Capital gains and losses and fair value adjustments	(850)	(807)	(365)	(263)
– Disallowed/exempt items	68	1	-	-
Balance at the end of the year	**5 480**	**6 399**	**7 261**	**7 712**

14. Investment property

Group	**Cost 2014**	**Fair Value 2014**	**Cost 2013**	**Fair Value 2013**
Land and buildings leased to industrialists	20	20	17	17
Land held for development	268	268	294	294
Farming land and buildings	19	19	19	19
Total	**307**	**307**	**330**	**330**
Company				
Land and buildings leased to industrialists	15	15	15	15

Reconciliation of investment property - Group - 2014

	Opening balance	Additions	Classified as held for sale	Fair value adjustments	Total
Land and buildings leased to industrialists	17	1	-	2	20
Land held for development	294	-	(26)	-	268
Farming land and buildings	19	-	-	-	19
	330	**1**	**(26)**	**2**	**307**

Reconciliation of investment property - Group - 2013

	Opening balance	Additions	Reclassification	Total
Land and buildings leased to industrialists	11	6	-	17
Land held for development	87	193	14	294
Farming land and buildings	19	-	-	19
	117	**199**	**14**	**330**

14. Investment property (continued)

Reconciliation of investment property - Company - 2014

	Opening balance	Total
Land and buildings leased to industrialists	15	15

Reconciliation of investment property - Company - 2013

	Opening balance	Additions	Total
Land and buildings leased to industrialists	9	6	15

15. Property, plant and equipment

	2014			2013		
Group	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land and buildings	3 046	(526)	2 520	1 886	(576)	1 310
Plant and machinery	9 760	(5 109)	4 651	10 245	(5 090)	5 155
Aircraft	221	(68)	153	221	(59)	162
Furniture and fixtures	186	(120)	66	156	(98)	58
Motor vehicles	61	(27)	34	56	(20)	36
Asset under construction	1 588	-	1 588	1 192	-	1 192
Total	**14 862**	**(5 850)**	**9 012**	**13 756**	**(5 843)**	**7 913**
Company						
Plant and machinery	103	(101)	2	103	(97)	6
Aircraft	166	(60)	106	165	(55)	110
Furniture and fixtures	49	(38)	11	35	(31)	4
Motor vehicles	6	(5)	1	6	(5)	1
Total	**324**	**(204)**	**120**	**309**	**(188)**	**121**

Notes to the financial statements (continued)

for the year ended 31 March 2014

15. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2014

Figures in Rand million

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Carrying value
Land and buildings	1 310	229	20	(48)	950	115	(53)	(3)	2 520
Plant and machinery	5 155	832	19	(3)	(908)	-	(441)	(3)	4 651
Aircraft	162	-	-	-	-	-	(9)	-	153
Furniture and fixtures	58	41	1	(1)	-	-	(26)	(7)	66
Motor vehicles	36	8	2	(4)	-	-	(5)	(3)	34
Asset under construction	1 192	412	-	-	(16)	-	-	-	1 588
Capitalised borrowing costs	-	70	-	-	-	-	-	-	70
	7 913	**1 522**	**42**	**(56)**	**26**	**115**	**(534)**	**(16)**	**9 012**

Reconciliation of property, plant and equipment - Group - 2013

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Foreign exchange movements	Depreciation	Carrying value
Land and buildings	1 292	144	138	(6)	-	(204)	-	(54)	1 310
Plant and machinery	2 574	591	2 342	(5)	-	-	(4)	(343)	5 155
Aircraft	149	3	-	-	-	24	4	(18)	162
Furniture and fixtures	35	41	4	-	-	-	-	(22)	58
Motor vehicles	32	5	4	(1)	-	-	-	(4)	36
Assets under construction	690	451	63	-	(12)	-	-	-	1 192
	4 772	**1 235**	**2 551**	**(12)**	**(12)**	**(180)**	**-**	**(441)**	**7 913**

15. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2014

Figures in Rand million

	Opening balance	Additions	Depreciation	Carrying value
Plant and machinery	6	-	(4)	2
Aircraft	110	-	(4)	106
Furniture and fixtures	4	14	(7)	11
Motor vehicles	1	1	(1)	1
	121	**15**	**(16)**	**120**

Reconciliation of property, plant and equipment - Company - 2013

	Opening balance	Additions	Revaluations	Depreciation	Carrying value
Plant and machinery	10	-	-	(4)	6
Aircraft	99	-	24	(13)	110
Furniture and fixtures	-	12	-	(8)	4
Motor vehicles	1	-	-	-	1
	110	**12**	**24**	**(25)**	**121**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

	Group	
	31 March 2014	31 March 2013
Cost-capitalised finance lease	42	42
Accumulated depreciation	(20)	(18)
Carrying amount	**22**	**24**

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

16. Biological assets

	2014			2013		
Group	Cost	Fair value adjustments	Fair value	Cost	Fair value adjustments	Fair value
Maize[1]	9	-	9	8	-	8
Planted walnut trees[2]	4	-	4	4	-	4
Planted pecan nut trees[3]	25	-	25	9	-	9
Blueberry plants[4]	5	-	5	-	-	-
Total	**43**	**-**	**43**	**21**	**-**	**21**

Notes to the financial statements (continued)

for the year ended 31 March 2014

16. Biological assets (continued)

Reconciliation of biological assets - Group - 2014

Figures in Rand million

	Opening balance	Additions	Additions through business combinations	Disposals	Gains or losses arising from changes in fair value	Total
Maize	8	8	-	(8)	1	9
Planted walnut trees	4	-	-	-	-	4
Planted pecan nut trees	9	16	-	-	-	25
Blueberry plants	-	2	3	-	-	5
	21	**26**	**3**	**(8)**	**1**	**43**

Reconciliation of biological assets - Group - 2013

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Total
Maize	8	8	(1)	(7)	8
Planted walnut trees	4	-	-	-	4
Planted pecan nut trees	2	7	-	-	9
	14	**15**	**(1)**	**(7)**	**21**

1 *Current biological assets comprise of maize which would be sold within the next 12 months. Due to the fact that there is an active market at year end and the fair value of the maize could be determined by using an external independent valuer the biological asset would be measured at fair value less estimated point-of-sale cost of agricultural produce, which is determined at the point of sale harvest.*

2 *Biological assets comprise of planted walnut trees and because there is no other commercial crop grown in South Africa or anywhere in the world with the same climate conditions or even the same tree cultivars - it is thus not possible to benchmark this project on the basis of a similar project elsewhere in the world. This is a green field project with high levels of uncertainty/risk. Although the revised project cash flow model is the best estimate available at this time, it has a high degree of risk and past reviews indicate that the cash flows could vary significantly over time. Therefore biological assets are carried at cost less accumulated depreciation and impairment losses.*

3 *Biological assets comprises of pecan nut trees and because the trees were only plant during the current financial year, there was too much uncertainty regarding the assumptions that would need to be made to perform an expected valuation. Therefore the pecan nut trees are carried at cost less accumulated depreciation and impairment losses.*

4 *There are 76.66 hectares of plants. The current density for the majority of the plants are 4 000 plants per hectare, but new plant densities at Klyne Fontein is 4 167 and 3 333 plants per hectare respectively. Fair value cannot be determined for blueberry plants as trustworthy information about the projected yields for blueberry plants is not available and any predictions about yields cannot be verified in terms of historical yields.*

17. Intangible assets

	2014			2013		
Group	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Goodwill	882	(867)	15	844	(829)	15
Computer software, other	66	(42)	24	60	(45)	15
Customer relationships	93	(93)	-	93	(93)	-
Intellectual Property	2	(2)	-	1	-	1
Total	**1 043**	**(1 004)**	**39**	**998**	**(967)**	**31**

17. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2014

Figures in Rand million

	Opening balance	Additions	Additions through business combinations	Amortisation	Total
Goodwill	15	-	38	(38)	15
Computer software, other	15	10	-	(1)	24
Intellectual Property	1	-	-	(1)	-
	31	**10**	**38**	**(40)**	**39**

Reconciliation of intangible assets - Group - 2013

	Opening balance	Additions through business combinations	Total
Goodwill	-	15	15
Computer software, other	1	14	15
Intellectual Property	-	1	1
	1	**30**	**31**

18. Share capital

	Group		Company	
	2014	**2013**	**2014**	**2013**
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.

Notes to the financial statements (continued)
for the year ended 31 March 2014

19. Derivative financial instruments

	Group		Company	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**
Derivative assets				
Foreign exchange contract assets	71	49	60	49
Derivative liabilities				
Foreign exchange contract liability	26	6	19	6

All contractual maturities are within 12 months. These derivative assets and liabilities are subject to a master netting agreement, which allows the company to off-set the assets and liabilities, arriving at a net asset position of R41m (2013: R43m).

20. Trade and other payables

Trade payables	3 186	2 860	722	622
Accrued bonus	259	227	199	186
Accrued leave pay	115	103	71	66
	3 560	**3 190**	**992**	**874**
Movement in accruals				
Bonuses				
Balance at the beginning of the year	227	268	186	236
Additional accruals raised during the year	226	207	181	166
Utilised during the year	(194)	(248)	(168)	(216)
Balance at the end of the year	**259**	**227**	**199**	**186**
Leave pay				
Balance at the beginning of the year	103	91	66	59
Additional accruals raised during the year	28	56	19	18
Utilised during the year	(16)	(44)	(14)	(11)
Balance at the end of the year	**115**	**103**	**71**	**66**

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.

21. Retirement benefits (continued)

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 2013.

The amounts recognised in the statement of financial position are as follows:

	Group	
Figures in Rand million	**2014**	**2013**
Present value of funded obligations	380	1 161
Fair value of plan assets	(449)	(1 466)
Other	70	87
Present value of unfunded obligations	1	(218)
Liability recognised	**1**	**(218)**
Experience adjustments on plan liabilities	(29)	11
Experience adjustments on plan assets	(47)	(2)
The movement in the defined benefit obligation:		
Opening balance	1 161	399
Current-service cost	6	3
Acquired in a business combination	-	712
Interest-cost	42	106
Actuarial (gains)/losses	(29)	15
Benefit paid	(28)	(74)
Decrease as a result of transfer to previous shareholder*	(772)	-
Closing balance	**380**	**1 161**
Movement in asset plan		
Fair value of plan assets at beginning of the year	1 466	374
Acquired in business combination	-	922
Expected return on asset	51	136
Actuarial (loss)/gain recognised during the year	47	107
Benefits paid	(29)	(73)
Decrease as a result of transfer to previous shareholder	(1 086)	-
Fair value of plan assets at the end of the year	**449**	**1 466**
The amounts recognised in profit or loss are as follows:		
Current-service cost	6	3
Interest cost	42	106
Expected return on assets	(51)	(136)
Total included in operating expenses	**(3)**	**(27)**

The amounts recognised in other comprehensive income in 2014 is income of R1.1m.

Notes to the financial statements (continued)
for the year ended 31 March 2014

21. Retirement benefits (continued)

Figures in Rand million	Group 2014	Group 2013
The actual return on plan assets was:		
Expected return on plan assets	51	136
Actuarial gains/(losses) on plan assets	47	107
Actual return on plan assets	**98**	**243**
Plan assets are comprised as follows		
Equity instruments	41%	46%
Cash	15%	20%
Debt instruments	23%	13%
Other	21%	21%
	100%	**100%**

The principal actuarial assumptions for accounting purposes were:

	2014	2013
Discount rate %	8.94	7.84
Expected return on plan assets %	8.94	7.84
Future salary increases %	7.73	7.66
Future pension increases %	5.72	5.66
Normal retirement age	60	60

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

	Impact on overall liability 2014	Impact on overall liability 2013
Inflation rate (increase of 1%)	9.36% increase	10% increase
Inflation rate (decrease of 1%)	7.36% decrease	8% decrease

The expected contributions to the post-employment pension scheme for the year ending 31 March 2013 are R0.2 million (2012 R0.2 million).

* The transfer to previous shareholder relates to Scaw SA.

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.

21. Retirement benefits (continued)

The amounts recognised in the statement of financial position are as follows:

	Group		Company	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**
Present value of unfunded obligation:				
Medical Aid Health members	623	759	162	155
Movement in the liability recognised in the statement of financial position:				
At the beginning of the year	759	265	155	135
Acquired in business combination	-	667	-	-
Contributions paid	(19)	(48)	(7)	(6)
Current-service costs	18	14	2	2
Interest cost	53	89	13	11
Present value of unfunded obligations	219	(244)	-	-
Reduction in obligation as a result of transfer to previous shareholder*	(382)	2	-	-
Deficit	(25)	14	(1)	13
Balance at the end of the year	**623**	**759**	**162**	**155**
The principal actuarial assumptions used for accounting purposes were:				
– Discount rate (%)	9.20	8.60	9.2	8.60
– General inflation rate (%)	6.70	6.40	6.7	6.40
– Medical inflation rate (%)	8.70	8.40	8.7	8.40
– Normal retirement age	59/63	59/63	59/63	59/63

Present value of unfunded obligation history	**Group**	**Company**
2010	191	100
2011	214	112
2012	265	135
2013	759	155
2014	623	162

	Group		Company	
	2014	**2013**	**2014**	**2013**
	Change in past service liability		**Change in service cost plus asset**	
Inflation rate (increase of 1%)	14.0% increase	14.3% increase	15.1% increase	15.5% increase
Inflation rate (decrease of 1%)	11.5% decreace	11.7% decrease	12.2% decrease	12.5% decrease

The expected contributions to post-employment medical plans for the year ending 31 March 2015 are R0.2 million.

* The transfer to previous shareholder relates to Scaw SA.

Notes to the financial statements (continued)

for the year ended 31 March 2014

22. Other financial liabilities

		Group		Company	
Figures in Rand million		**2014**	**2013**	**2014**	**2013**
Foreign loans		6 430	6 069	6 430	6 057
Domestic loans		14 920	12 956	22 587	19 598
		21 350	**19 025**	**29 017**	**25 655**
Non-current liabilities					
Foreign loans		5 178	4 674	5 178	4 674
Domestic loans		12 174	10 012	9 835	6 805
		17 352	**14 686**	**15 013**	**11 479**
Current liabilities					
Foreign loans		1 252	1 395	1 252	1 383
Domestic loans		2 746	2 944	12 752	12 793
		3 998	**4 339**	**14 004**	**14 176**
		21 350	**19 025**	**29 017**	**25 655**
Foreign Loans	**Interest rate**				
– US dollar	0% to 2.37%	5 108	4 862	5 108	4 850
– Euro	0.25% to 5.74%	1 267	1 114	1 267	1 114
– SA rand-denominated	6.25% to 6.44%	55	93	55	93
		6 430	**6 069**	**6 430**	**6 057**
Maturity of foreign loans					
– due within one year		1 252	1 395	1 252	1 383
– due after one year but within five years		2 590	1 954	2 590	1 954
– due after five years		2 588	2 720	2 588	2 720
		6 430	**6 069**	**6 430**	**6 057**
Maturity of domestic loans					
– no set dates of repayment		-	-	12 752	12 793
– due within one year		2 746	2 944	-	-
– due after one year but within five years		11 722	9 450	8 842	6 305
– due after five years		452	562	993	500
		14 920	**12 956**	**22 587**	**19 598**
Domestic loans					
Secured loans*					
Nedbank Limited		2 527	2 285	-	-

**Secured by assets of subsidiary companies*

22. Other financial liabilities (continued)

Figures in Rand million		Group 2014	Group 2013	Company 2014	Company 2013
Other secured loans		29	31	-	-
Unsecured loans					
Rand-denominated loans		3 900	2 900	3 900	2 900
Unemployment Insurance Fund Bond		3 441	3 405	3 441	3 405
Public Bond		1 500	-	1 500	-
Public Investment Corporation Green Bond		993	500	993	500
Other unsecured loans		97	71	-	-
Loans from subsidiaries with no fixed terms of repayment	Interest free	-	-	9 335	8 323
Loans with no fixed terms of repayment	Money market related	2 433	3 764	2 883	3 935
Loans with no fixed terms of repayment	Interest free	-	-	535	535
		14 920	**12 956**	**22 587**	**19 598**
Interest and non-interest bearing loans					
– Non-current interest-bearing loans		17 324	14 611	15 013	11 479
– Current interest-bearing loans		3 998	4 339	4 134	5 318
		21 322	18 950	19 147	16 797
– Non-current interest-free loans		28	75	-	-
– Current interest-free loans		-	-	9 870	8 858
		28	75	9 870	8 858
		21 350	**19 025**	**29 017**	**25 655**

23. Provisions

Reconciliation of provisions - Group - 2014

	Opening balance	Additions	Utilised during the year	Total
Environmental rehabilitation	389	41	(6)	424
Trust fund	(120)	(17)	-	(137)
Other provisions	106	-	(2)	104
	375	**24**	**(8)**	**391**

Notes to the financial statements (continued)

for the year ended 31 March 2014

23. Provisions (continued)

Reconciliation of provisions - Group - 2013

Figures in Rand million

	Opening balance	Additions	Utilised during the year	Acquired through business combinations	Change in discount factor	Total
Environmental rehabilitation	314	-	(14)	69	20	389
Trust fund	(106)	(14)	-	-	-	(120)
Other provisions	-	106	-	-	-	106
	208	**92**	**(14)**	**69**	**20**	**375**

Reconciliation of provisions - Company - 2014

	Opening balance	Additions	Utilised during the year	Total
Environmental rehabilitation	39	41	(13)	67

Reconciliation of provisions - Company - 2013

	Opening balance	Additions	Utilised during the year	Total
Environmental rehabilitation	48	-	(9)	39

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.

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 after Phase 1 was completed. An amount of R18.5 million was expected to be incurred for Phase 2 activities, this provisional amount was based on previous historical costs and it was adjusted for inflation. It was assumed that the amount incurred each year for Phase 2 activities will be settled at each respective year end. Phase 2 activities commenced during 2013/14 financial after Phase 1 was completed. An amount of R18.5 million was expected to be incurred for Phase 2 activities, this provisional amount was based on previous historical costs and it was adjusted for inflation. It was assumed that the amount incurred each year for Phase 2 activities will be settled at each respective year end.

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.

23. Provisions (continued)

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 10 years.

ZAR157 bond for the operation of in-situ reduction system for a period of two years.

ZA2023 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 2014. 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).

A contingent liability has been recognised for the issuing of guarantees to the Department of Mineral Resources.

Columbus

Columbus Joint Venture was a partnership between IDC, Samancor Limited and Highveld Steel. The provision is for the rehabilitation of dumps of different waste streams that was estimated at 4.3 million tons, 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 2016.

Scaw South Africa

Scaw South Africa has an obligation to incur restoration rehabilitation and environmental costs when environmental disturbance is caused by the development of on-going production at a property. A provision is recognised for the present value of such costs. It is anticipated that the costs will be incurred over a period in excess of 20 years.

The estimation of the environmental rehabilitation provision is a key area where management's judgement is required.

Notes to the financial statements (continued)
for the year ended 31 March 2014

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 by the BEE Participants. The value of the share-based payment is determined using an appropriate valuation technique.

	Group		Company	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**
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	56	57	297	304
Fair value adjustment through profit or loss	(32)	(1)	(121)	(7)
At the end of the year	**24**	**56**	**176**	**297**

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 (%)	43.00
Risk-free interest rate (%)	8.54
Dividend yield (%)	2.25
Strike price R'	655.68

24. Share-based payments (continued)

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

Figures in Rand million

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

	Group		Company	
	2014	2013	2014	2013
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 (%)	42.42	41.69	30.13	20.30
Risk-free interest rate (%)	7.87	6.33	7.59	6.10
Dividend yield (%)	6.21	1.56	0.70	1.15
Strike price R'	598.40	592.76	526.74	525.69

25. Revenue

	Group 2014	Group 2013	Company 2014	Company 2013
Farming manufacturing and mining income	13 594	8 140	-	-
Interest received	2 159	1 689	2 439	1 881
Dividends received	3 723	4 128	2 757	3 283
Fee income	545	632	494	578
	20 021	**14 589**	**5 690**	**5 742**
Dividends received on available-for-sale financial assets				
– Listed	3 244	3 114	2 234	2 178
– Unlisted	36	75	36	96
– Associated companies	-	-	44	70
– Preference shares income	443	939	443	939
	3 723	**4 128**	**2 757**	**3 283**
Dividends received from the investments made in terms of section 3 (a) of the Industrial Development Act.				
Sasol Limited	1 012	932	-	-

26. Investment revenue

	Group 2014	Group 2013	Company 2014	Company 2013
Interest income				
Cash and cash equivalents	471	588	366	389
Loans and advances to clients	1 672	1 073	2 071	1 492
Other	16	28	2	-
	2 159	**1 689**	**2 439**	**1 881**

Notes to the financial statements (continued)
for the year ended 31 March 2014

27. Finance costs paid

Figures in Rand million	Group 2014	Group 2013	Company 2014	Company 2013
Current borrowings	980	663	892	618
Finance leases	3	3	-	-
(Profit)/loss on foreign currency borrowings	(8)	(45)	(64)	(82)
Other interest paid	51	68	9	18
	1 026	**689**	**837**	**554**

28. Fee income

Fee income				
Metal fees	251	197	251	197
Guarantee fees	6	21	6	21
Other contract related fees	246	293	231	289
Other fees	42	121	6	71
Total fee income	**545**	**632**	**494**	**578**

29. Net capital (losses)/gains

Capital gains on disposal of available-for-sale investments	4	15	4	15
Capital losses on disposal of available-for-sale investments	(3)	(45)	(3)	(45)
	1	**(30)**	**1**	**(30)**

30. Operating profit

Is arrived at after taking into account the following:				
Loss on sale of investment property	1	-	1	-
Revaluation of investment property	2	-	-	-
Depreciation on property, plant and equipment	534	441	16	25
Impairment on property, plant and equipment	16	-	-	-
(Profit)/loss on sale of property, plant and equipment	24	12	-	-
Impairment on investment property	(2)	-	-	-
Research and development	8	8	6	7
Project feasibility expenses	145	87	136	70
Impairments and write-offs on other financial assets	1 584	1 753	1 776	2 284
Employee costs	3 511	2 381	843	801
Operating lease rentals	29	23	6	6

30. Operating profit (continued)

Figures in Rand million	Group		Company	
	2014	2013	2014	2013
Net increase/(decrease) in impairments				
Agro industries	(26)	129	(9)	182
Strategic High Impact Projects	(27)	65	(27)	65
Mining and Mineral Beneficiation	422	38	361	240
Chemicals and Allied Industries	70	(50)	57	(26)
Metals, Transportation and Machinery Products	45	101	83	(76)
Textiles	58	103	224	361
Forestry and Wood Products	270	55	263	24
Media and Motion Pictures	58	636	51	795
Tourism	(140)	122	(71)	161
Healthcare	138	40	133	40
Green Industries	13	(35)	18	(31)
Information Communication Technology	107	(114)	123	(64)
Franchising	(22)	(4)	(22)	(4)
Transportation, financial services and other	7	-	-	-
Construction	(8)	60	(22)	58
Venture capital	(45)	9	(2)	8
Other	145	128	97	81
	1 065	1 283	1 257	1 814
Bad debts written off / (recovered)				
Food, beverage and ago industries	79	1	79	1
Strategic High Impact Projects	58	16	58	16
Mining and Mineral Beneficiation	-	(1)	-	(1)
Chemicals and Allied Industries	13	58	13	58
Metals, Transportation and Machinery Products	144	271	144	271
Textiles	24	2	24	2
Forestry and Wood Products	(1)	10	(1)	10
Media and Motion Pictures	-	2	-	2
Tourism	45	21	45	21
Healthcare	6	(1)	6	(1)
Information Communication Technology	8	20	8	20
Franchising	4	28	4	28
Transportation, financial services and other	1	30	1	30
Construction	14	12	14	12
Financial Management	-	1	-	1
Venture Capital	124	-	124	-
	519	**470**	**519**	**470**

Notes to the financial statements (continued)

for the year ended 31 March 2014

31. Auditors' remuneration

Figures in Rand million	Group		Company	
	2014	2013	2014	2013
Fees for audit services	24	24	9	9

32. Taxation

	Group 2014	Group 2013	Company 2014	Company 2013
Major components of the tax expense				
Current				
Local income tax - current period	528	301	524	288
Local income tax - recognised in current tax for prior periods	-	8	-	8
Foreign income tax	(2)	30	-	30
	526	**339**	**524**	**326**
Deferred				
Deferred tax - current year	31	(336)	27	(143)
Deferred tax - prior year	3	-	-	-
	34	**(336)**	**27**	**(143)**
	560	**3**	**551**	**183**
Reconciliation of the tax expense	%	%	%	%
Reconciliation between applicable tax rate and average effective tax rate.				
South African normal tax rate	28.00	28.00	28.00	28.00
The normal rate of taxation for the year has been adjusted as a consequence of:				
– dividend income	(30.00)	(55.00)	(50.00)	(51.00)
– provisions and impairments	21.00	23.00	27.00	35.00
– disallowed/exempt items	6.00	4.00	23.00	(2.00)
Effective tax rate	**25.00**	**0**	**28.00**	**10.00**

33. Directors' emoluments

Non-executive

Fees for services as directors:

Figures in Rand thousand	2014	2013
Director		
Ms MW Hlahla (Chairman)	698	507
Ms LJ Bethlehem	474	287
Mr JA Copelyn	152	86
Mr BA Dames	119	98
Ms LL Dhlamini	217	157
Mr RM Godsell	229	176
Mr LR Pitot	370	315
Ms BA Mabuza	310	309
Dr SM Magwentshu-Rensburg	265	181
Mr SK Mapetla	308	332
Ms MP Mthethwa	265	155
Mr ZJ Vavi	77	98
Mr NE Zalk	-	-
	3 484	2 701

1. Ms L Bethlehem and Mr JA Copelyn's do not derive any financial benefit for services rendered to the IDC. Their fees are paid directly to HCI Limited. Previously Ms Bethlehem's fees were paid to Standard Bank.
2. Mr NE Zalk is employed by the dti and does not earn director's fees for services rendered to the IDC.

Executive - 2014

	Emoluments	Long term incentive bonus	Performance Bonus*	Contributions to medical aid - ER, retirement benefits - ER, insurance, and other benefit	Total
IDC	**19 165**	**-**	**10 812**	**5 236**	**35 212**
MG Qhena	3 948	-	2 934	1 027	7 909
GS Gouws	2 693	-	1 541	866	5 100
G van Wyk	1 953	-	1 119	794	3 866
K Schumann	1 743	-	927	589	3 259
SAU Meer	1 997	-	945	233	3 175
AP Malinga	1 727	-	923	450	3 099
P Makwane	1 836	-	885	336	3 057
LP Mondi	1 606	-	867	537	3 010
RJ Gaveni	1 331	-	672	329	2 332
K Morolo[1]	331		-	75	406

Notes to the financial statements (continued)
for the year ended 31 March 2014

33. Directors' emoluments (continued)

Executive - 2014 (continued)

	Emoluments	Long term incentive bonus	Performance Bonus*	Contributions to medical aid - ER, retirement benefits - ER, insurance, and other benefit	Total
Foskor	**22 209**	**7 802**	**-**	**6 547**	**36 558**
TJ Koekemoer [2,3,8]	2 042	3 038	-	797	5 878
MA Pitse	3 257	602	-	1291	5 150
MP Mosweu [4,9]	1 838	2 859	-	151	4 848
XS Luthuli	2 229	358	-	714	3 301
SMS Sibisi	2 102	365	-	815	3 281
J Morotoba	2 659	5	-	454	3 118
K Cele	2 046	356	-	709	3 111
N Nkomzwayo	2 038	219	-	787	3 044
SR Golmari [6]	1 308	-	-	386	1 695
NM Gokhale [7]	1 248	-	-	341	1 589
A Myatt [5]	1 444	-	-	101	1 545
Scaw South Africa	**10 497**	**6 035**	**111**	**2 610**	**19 254**
M M Hanneman	2 676	3 791	43	658	7 168
U Khumalo	3 250	2 244	23	523	6 039
C R Davis	2 913	-	-	910	3 823
V E Firman	1 658	-	46	519	2 223
sefa	**8 410**	**-**	**1 069**	**1 032**	**10 510**
TR Makhuvha[10]	1 528	-	752	340	2 619
L van Lelyveld[11]	1 417	-	-	-	1 417
P Swanepoel[12]	1 168	-	-	163	1 331
LG Mashishi	1 011	-	-	217	1 228
A Dirks	774	-	131	108	1 013
AMA Ramavhunga[13]	843	-	-	65	908
D Jackson[14]	868	-	-	-	868
V Matsiliza[15]	553	-	97	91	741
D Mashele[16]	248	-	89	48	385
	60 281	**13 837**	**11 992**	**15 425**	**101 535**

** 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.*

[1] Appointed 20 January 2014
[2] Retired 31 December 2013
[3] Appointed on monthly contract 1 January 2014.
[4] Contract terminated 30 June 2013
[5] Appointed 1 August 2013, resigned 16 October 2013
[6] Appointed 24 June 2013
[7] Appointed 1 August 2013
[8] Included in the long-term performance bonus paid out for TJ Koekemoer is R2.3 million made up of all the amounts that accrued to him from the previous years. The balance relates to the vested portion that was deferred to the 2013/14 year for payment.
[9] Included in the long-term performance bonus paid out for MP Mosweu is R2.3 million made up of all the amounts that accrued to him from the previous years. The balance relates to the vested portion that was deferred to the 2013/14 year for payment.
[10] Mr T Makhuvha has been seconded to the company by the Industrial Development Corporation (IDC) and no remuneration has been paid to him by sefa.
[11] Appointed 15 April 2013
[12] Appointed 1 July 2013
[13] Resigned 30 November 2013
[14] Resigned 31 October 2013
[15] Appointed 1 July 2013
[16] D Mashele acted in executive positions during the financial year.

33. Directors' emoluments (continued)

Executive - 2013

Figures in Rand thousand	Emoluments	Long-term incentive bonus	Performance bonus	Contributions to medical aid, retirement benefits, insurance and other	Total R'000
IDC	**21 662**	**-**	**13 643**	**6 030**	**41 335**
MG Qhena	3 776	-	2 690	951	7 417
GS Gouws	2 578	-	1 788	802	5 168
G van Wyk	1 861	-	1 184	749	3 794
U Khumalo [1]	1 744	-	1 277	582	3 603
Ms K Schumann	1 657	-	1 051	556	3 264
SAU Meer	1 899	-	1 064	217	3 180
LP Mondi	1 527	-	1 077	507	3 111
AP Malinga	1 711	-	1 019	337	3 067
P Makwane	1 746	-	897	337	2 980
NV Mokhesi [2]	1 381	-	908	414	2 703
JM Modise [3]	1 354	-	-	473	1 827
RJ Gaveni [4]	428	-	688	105	1 221
Foskor	**17 192**	**8 831**	**-**	**4 611**	**30 634**
JW Horn [5]	1 764	3 615	-	306	5 685
MA Pitse	3 108	1 236	-	848	5 192
SMS Sibisi	1 965	983	-	362	3 310
TJ Koekemoer	1 847	715	-	665	3 227
XS Luthuli	2 001	691	-	436	3 128
K Cele	1 945	691	-	308	2 944
MP Mosweu	1 956	569	-	379	2 904
N Nkomzwayo	1 877	322	-	264	2 463
J Morotoba [6]	304	9		654	967
G Skhosana [7]	425	-	-	389	814
Scaw South Africa	**3 714**	**3 250**	**3 157**	**1 507**	**11 628**
C R Davis	1 276	1 200	1 352	646	4 474
I J Burger	1 039	900	629	562	3 130
M M Hanneman	672	750	484	168	2 074
V E Firman	727	400	692	131	1 950
sefa	**6 158**	**-**	**-**	**1 334**	**7 492**
CH Maseko	1 465	-	-	395	1 860
AMA Ramavhunga	1 180	-	-	304	1 484
LG Mashishi	798	-	-	202	1 000
MI Mazibuko	819	-	-	136	955
TR Makhuvha [8]	607	-	-	207	814
D Jackson	749	-	-	-	749
D Mashele	336	-	-	59	395
V Malale	204	-	-	31	235
	48 726	**12 081**	**16 800**	**13 482**	**91 089**

** 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.*

[1] Resigned 31 January 2013
[2] Resigned 28 February 2013
[3] Resigned 30 November 2012
[4] Appointed 1 December 2012
[5] Deceased 1 January 2013. Included in the long-term performance bonus payout is R2.8m made up of all amounts that accrued to him from previous years
[6] Appointed 18 February 2013
[7] Resigned 11 June 2012
[8] Appointed 1 November 2012

Notes to the financial statements (continued)
for the year ended 31 March 2014

34. Other comprehensive income

Components of other comprehensive income - Group - 2014

Figures in Rand thousand	Gross	Tax	Share of other comprehensive income of associates	Net
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit liability/asset				
Remeasurements on net defined benefit liability/asset	19	-	-	19
Movements on revaluation				
Gains (losses) on property revaluation	115	(21)	-	94
Total items that will not be reclassified to profit or loss	**134**	**(21)**	**-**	**113**
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	(49)	-	433	384
Available-for-sale financial assets adjustments				
Gains and losses arising during the year	7 626	974	(755)	7 845
Other reserves				
Other reserves from subsidiaries	(10)	-	-	(10)
Total items that may be reclassified to profit or loss	**7 567**	**974**	**(322)**	**8 219**
Total	**7 701**	**953**	**(322)**	**8 332**

Components of other comprehensive income - Group - 2013

Items that will not be reclassified to profit or loss				
Common control reserve				
Common control transactions	1 657	-	-	1 657
Movements on revaluation				
Gains (losses) on property revaluation	(159)	-	-	(159)
Total items that will not be reclassified to profit or loss	**1 498**	**-**	**-**	**1 498**
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	(49)	-	483	434
Available-for-sale financial assets adjustments				
Gains and losses arising during the year	460	796	175	1 431
Reclassification adjustments for available-for-sale financial assets	(664)	124	-	(540)
	(204)	**920**	**175**	**891**
Other reserves				
Other reserves from subsidiaries	90	-	-	90
Total items that may be reclassified to profit or loss	**(163)**	**920**	**658**	**1 415**
Total	**1 335**	**920**	**658**	**2 913**

34. Other comprehensive income (continued)

Components of other comprehensive income - Company - 2014

Figures in Rand million	Gross	Tax	Share of other comprehensive income of associates	Net
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit liability/asset				
Remeasurements on net defined benefit liability/asset	1	-	-	1
Movements on revaluation				
Gains (losses) on property revaluation	1	-	-	1
Total items that will not be reclassified to profit or loss	**2**	**-**	**-**	**2**
Items that may be reclassified to profit or loss				
Available-for-sale financial assets adjustments				
Gains and losses arising during the year	7 146	478	(20)	7 604
Total items that may be reclassified to profit or loss	**7 146**	**478**	**(20)**	**7 604**
Total	**7 148**	**478**	**(20)**	**7 606**

Components of other comprehensive income - Company - 2013

Items that will not be reclassified to profit or loss				
Common control reserve				
Common control transactions	1 222	-	-	1 222
Movements on revaluation				
Gains (losses) on property revaluation	24	-	-	24
Total items that will not be reclassified to profit or loss	**1 246**	**-**	**-**	**1 246**
Items that may be reclassified to profit or loss				
Available-for-sale financial assets adjustments				
Gains and losses arising during the year	(334)	53	(51)	(332)
Reclassification adjustments for available-for-sale financial assets	(664)	124	-	(540)
Total items that may be reclassified to profit or loss	**(998)**	**177**	**(51)**	**(872)**
Total	**248**	**177**	**(51)**	**374**

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)
for the year ended 31 March 2014

35. Nature and purpose of reserves (continued)

Common control reserve

The common control reserve relates 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:

	Group		Company	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**
Land and buildings				
– due within one year	6	4	-	-
– due after one year but within five years	16	15	-	-
– due after five years	10	13	-	-
Total minimum lease payments	32	37	-	-
Amount representing finance charges	(12)	(14)	-	-
Present value of minimum lease payments	**20**	**18**	**-**	**-**
Current portion	3	2	-	-
Long-term portion	17	16	-	-
	20	**18**	**-**	**-**

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 12 years remaining as at 31 March 2014. 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

It is company policy to lease certain motor vehicles and equipment under finance leases. The average lease term was 5-6 years and the average effective borrowing rate was 10%. Interest rates are linked to prime at the contract date. All leases have fixed repayments. The company's obligations under finance leases are secured by the lessor's charge over the leased assets.

Operating leases – Group as lessee

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

36. Financial and operating leases (continued)

Commitments for future minimum rentals payable under non-cancellable leases are as follows:

Figures in Rand million

	Group		Company	
	2014	**2013**	**2014**	**2013**
– due within one year	29	8	2	2
– due after one year but within five years	139	22	5	-
– due after five years	299	4	-	-
	467	**34**	**7**	**2**

The company leases network printers and scanners under one agreement, which terminates in 2016.

37. Cash used in operations

Profit before taxation	2 203	1 981	1 955	1 703
Income from equity accounted investments	310	466	(2)	1
Adjustments for:				
Impairment of goodwill relating to associated entities	218)	197	-	-
Amortisation of intangibles assets	40	-	-	-
Depreciation of property, plant and equipment	534	441	16	25
Loss/(profit) on sale of assets	24	12	-	-
Impairment/(Reversal) of property, plant and equipment	16	-	-	-
Net capital losses/(gains)	(1)	30	(1)	30
Interest received	(2 159)	(1 689)	(2 439)	(1 881)
Dividends received	(3 280)	(3 189)	(2 314)	(2 344)
Dividends received-preference share options	(443)	(939)	(443)	(939)
Finance costs paid	1 034	733	901	636
Finance cost: Exchange gains and losses	(8)	(45)	(64)	(82)
Project feasibility expenses	20	-	12	(17)
Specific and portfolio impairments	1 584	1 753	1 776	2 284
Fair value adjustment on share based payment	-	-	(121)	-
Movements in retirement benefit assets and liabilities	(135)	(218)	7	20
Movements in provisions	16	167	28	(9)
Changes in working capital:				
Inventories	(454)	(475)	(2)	(1)
Trade and other receivables	(828)	(137)	(116)	(515)
Derivative assets	43	(42)	(11)	(43)
Trade and other payables	345	(237)	118	28
(Increase)/decrease in non-current assets held-for-sale	(26)	15	-	-
	(1 383)	**(1 174)**	**(700)**	**(1 104)**

Notes to the financial statements (continued)

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38. Business combinations

Scaw Metals Group

On November 23, 2012 the Group acquired 74% of the voting equity interest of Scaw Metals Group which resulted in the group obtaining control over Scaw Metals Group. Scaw Metals Group is an international group manufacturing a diverse range of steel products. Its principal operations are located in South Africa, South America and Australia. Smaller operations are in Namibia, Zimbabwe and Zambia.

Scaw Metals Group consists of a number of companies in the steel sector namely; 74% of Scaw South Africa (Pty) Ltd, 50% of Consolidated Wire Industries (Pty) Ltd, 100% of Haggie Reid (Pty)Ltd (Australia), 100% of African Wire Ropes (Pty) Ltd (Namibia), 100% of Haggie Rand Zimbabwe (Pty) Ltd, 100% of Scaw Metals (Pty) Ltd (Australia, 100% of Afrope Zambia (Pty) Ltd (Zambia) and 100% of Haggie North America Inc. (Canada).

IDC's acquisition of the Scaw Metals Group will significantly benefit its steel strategy by trying to ensure competitively priced steel in the local economy and to promote the local beneficiation of the country's natural resources.

Fair value of assets acquired and liabilities assumed

	Group		Company	
Figures in Rand million	**2014**	**2013**	**2014**	**2013**
Property, plant and equipment	-	2 291		
Intangible assets	-	30		
Deferred tax	-	186		
Inventories	-	1 055		
Trade and other receivables	-	1 533		
Cash and cash equivalents	-	163		
Other financial liabilities	-	(4 292)		
Retirement benefit obligation	-	(712)		
Trade and other payables	-	(1 007)		
Total identifiable net assets	-	(753)		
Non-controlling interest	-	(162)		
	-	**(915)**		

Non-controlling interest

Non-controlling interest is measured at the present ownership interests proportionate share of the acquiree's identifiable net assets.

Acquisition date fair value of consideration paid

Cash paid	-	915		

38. Business combinations (continued)

Receivables acquired

Receivables acquired per major class are as follows, as at acquisition date:

Figures in Rand million

Group	2014			2013		
	Fair value	Gross contractual amounts	Contractual amounts not expected to be recovered	Fair value	Gross contractual amounts	Contractual amounts not expected to be recovered
Trade and other receivables	-	-	-	1 533	1 533	-

Acquisition related costs

The acquisition related costs amounted to R15 million. These costs have been expensed in the year of acquisition and are included in operating expenses in comprehensive income.

Revenue and profit or loss of Scaw Metals Group

Revenue of R8 648 million and profit of R2 445 million of Scaw Metals Group was included in the Group's results since the date of acquisition in 2013.

Small Enterprise Finance Agency

The government of the Republic of South Africa made a decision to merge the activities of Khula Enterprise Finance ("Khula") and the South African Micro Finance Apex Fund ("samaf") into a new entity small enterprise finance agency ("sefa"). sefa was established on Sunday, April 01, 2012 as a wholly owned subsidiary of IDC. The investments and loans of the government in Khula and samaf were transferred to IDC for no consideration. The rationale for the formation of sefa as a subsidiary of IDC was to increase the scale and reach of lending activities to survivalist, micro and medium sized enterprises, whilst also improving co-ordination and efficiencies among the entities being merged.

Fair value of assets acquired and liabilities assumed

	Group		Company	
	2014	2013	2014	2013
Investment property	-	195		
Property, plant and equipment	-	2		
Intangible assets	-	2		
Investments in subsidiaries	-	250		
Joint ventures and partnerships	-	49		
Investments in associates, joint ventures and partnerships	-	576		
Investments	-	48		
Deferred tax	-	40		
Trade and other receivables	-	24		
Cash and cash equivalents	-	725		
Other financial liabilities	-	(794)		
Deferred tax	-	(13)		
Other liabilities	-	(102)		
Current tax payable	-	(6)		
Trade and other payables	-	(133)		
	-	863		

Notes to the financial statements (continued)
for the year ended 31 March 2014

38. Business combinations (continued)

Receivables acquired

Receivables acquired per major class are as follows, as at acquisition date:
Figures in Rand million

Group	2014			2013		
	Fair value	Gross contractual amounts	Contractual amounts not expected to be recovered	Fair value	Gross contractual amounts	Contractual amounts not expected to be recovered
Trade and other receivables	-	-	-	24	24	-

Revenue and profit or loss of sefa

Revenue of R262 million and loss of R241 million of Small Enterprise Finance Agency was included in the Group's results since the date of acquisition in 2013.

Other entities acquired

Fair value of assets acquired and liabilities assumed

	Group		Company	
	2014	2013	2014	2013
Property, plant and equipment	42	-		
Other assets	65	-		
Inventories	10	-		
Trade and other receivables	24	-		
Cash and cash equivalents	20	-		
Other liabilities	(176)	-		
Trade and other payables	(25)	-		
	(40)	**-**		

39. Tax paid

Balance at beginning of the year	(120)	121	(116)	56
Current tax for the year recognised in profit or loss	(526)	(339)	(524)	(326)
Adjustment in respect of businesses sold and acquired during the year including exchange rate movements	-	(6)	-	-
Balance at end of the year	41	120	42	116
	(605)	**(104)**	**(598)**	**(154)**

40. Commitments

Figures in Rand million	Group 2014	Group 2013	Company 2014	Company 2013
In respect of:				
Undrawn financing facilities approved	28 996	30 027	28 996	27 309
Undrawn guarantee facilities approved	921	1 242	921	1 242
Capital expenditure approved by subsidiaries	706	920	-	-
– Contracted	325	860	-	-
– Not contracted	381	60	-	-
Capital expenditure approved by equity-accounted investments	461	502	-	-
– Contracted	152	352	-	-
– Not contracted	309	150	-	-
Total commitments	31 084	32 691	29 917	28 551
Less: counter-guarantees obtained from partners in respect of financing and guarantees to be provided to major projects	(158)	(138)	(158)	(138)
Commitments net of counter-guarantees	**30 926**	**32 553**	**29 759**	**28 413**

Commitments will be financed by loans and internally generated funds.

41. Guarantees

	Group 2014	Group 2013	Company 2014	Company 2013
Guarantees in respect of foreign loans taken up by wholly owned subsidiaries	-	-	-	12
Guarantees issued in favour of third parties in respect of finance provided to industrialists	1 025	1 242	920	1 242
Total industrial financing guarantees	1 025	1 242	920	1 254
Sundry guarantees issued by subsidiaries	501	452	-	-
Guarantees issued by equity-accounted investments	169	67	-	-
Guarantees	**1 695**	**1 761**	**920**	**1 254**

42. Contingencies

Contingent liabilities of subsidiaries

Foskor (Pty) Limited

The Group had mine rehabilitation guarantees amounting to R413 million at year end. In line with the requirements set out by the Department of Mineral Resources (DMR), this amount of R413 million (2013: R397 million) was in place at 31 March 2014.

These guarantees and the agreement reached with the DMR were based on the environmental rehabilitation and closure costs assessment that was performed during the 2014 financial year. The assessments are performed on a three-year rolling basis, with the next assessment due in 2015. Estimated scheduled closure costs for the mine are R552 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 R552 million in the form of guarantees and cash. The R552 million is covered by guarantees totalling R413 million and investment assets totalling R138 million, resulting in an underprovision of R1 million.

Notes to the financial statements (continued)
for the year ended 31 March 2014

42. Contingencies (continued)

Contingent liabilities of equity accounted investments

Hans Merensky Holdings (Pty) Limited

Land claims against property held by the Group have been gazetted in terms of the Restitution of Land Rights Act, 1994. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions cannot be reliably predicted and measured at reporting date and consequently no impairment charge has been recognised. Gazetted land claims will have a financial impact if it is probable that there will be an outflow of economic interest from the Hans Merensky Group. When the financial loss becomes probable and can be reliably measured, an impairment charge will be recognised.

The York Timber Organisation Limited (York)

Suretyship: York participates in pool banking facilities granted by First Rand Bank Limited. As such, the York has provided unlimited suretyship in favour of the First Rand Bank Limited in respect of its obligations to the bank. Obligations are R85 million (2013: R85 million), R24 million being the Group's exposure thereto.

43. Related parties

Shareholder: The government of South Africa through the Economic Development Department.

Directors' interests			Financing balance					
Figures in Rand million	**Company**	**Financing approved**	**2014**	**2013**	**Interest/ funding rate**	**Type of financing/ repayment terms**	**Director's interest**	**Year of approval**
Mr SK Mapetla	Afrika Biopharma Investment	18	18	18	7%	Working Capital Facility	Mr SK Mapetla owns Owns 41% of Afrika Biopharma Investment	2010
Ms MW Hlahla	Clidet 688 T/A Praxley Consortium Five (Pty) Ltd	14	14	14	RATIRR of 8%	Redeemable preference shares	Ms MW Hlahla owns 14% in Praxley Consortium Five (Pty) Ltd	2007
Mr JA Copelyn	Cape Town Film Studio (Pty) Ltd	84	73	67	Prime + 1%	Normal Loan	The controlling shareholders of Cape Town Studio are Sabido Investments (Pty) Ltd(Sabido) and Videovision Dreamworld Sabido (42.5% shareholding) is the holding company of ETV and part of the JSE- listed group Hosken Consolidated investments Limited ("HCI"). Mr Copeland is a shareholder in HCI and also currently serves as CEO of HCI	2010
National sphere of government								
	The Land & Agricultural Development bank of SA Ltd	250	100	79	0%	Loan repayable on 31 March 2022		2011

43. Related parties (continued)

Figures in Rand million	Group 2014	Group 2013	Company 2014	Company 2013
Related party transactions				
Non-financing transactions - Rendering of services				
Eskom Limited	757	286	-	-
Transnet Limited	771	699	-	-
South African Airways (Pty) Limited	20	15	13	14
Telkom Limited	7	6	2	3
National Ports Authority	17	16	-	-
SA Post Office Limited	1	1	1	1
Council for Scientific and Industrial Research	1	-	-	-
Rand Water	4	-	-	-
	1 578	**1 023**	**16**	**18**

Acronyms and abbreviations

AC	Audit Committee
ADS	Agency Development and Support Department
AFD	Agence Française de Développement
AfDB	African Development Bank
APCF	Agro-Processing Competitiveness Fund
APDP	Automotive Production and Development Programme
API	Active pharmaceutical ingredient
APL	Agro-processing linkage
APORDE	African Programme on Rethinking Development Economics
ARV	Antiretroviral
AsgiSA	Accelerated and Shared Growth Initiative for South Africa
AU	African Union
BAW	Beijing Automotive Works
B-BBEE	Broad-based black economic empowerment
BCM	Business continuity management
BEE	Black economic empowerment
BIC	Board Investment Committee
bn	Billion
BoT	Board of Trustees
BR&SC	Board Risk and Sustainability Committee
BS	Business support
BSc	Bachelor of Science
BSP	Business Support Programme
CA	Chartered Accountant
CAMS	Complementary and alternative medicines
CCT	Cape Canopy Tours
CDP	Community Development Plan
CEPF	Critical Ecosystem Partnership Fund
CEO	Chief executive officer
CEPPWAWU	Chemical Energy Paper Printing Wood and Allied Workers Union
CFO	Chief financial officer
CGM	Consolidated General Minerals
CHP	Combined heat and power
CIP	Competitiveness Improvement Fund
CKD	Completely knocked down
CNG	Compressed natural gas
CO_2	Carbon dioxide
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CPI	Consumer Price Index
CRM	Customer Relationship Management
CRO	Chief risk officer
CSI	Corporate social investment
CSIR	Council for Scientific and Industrial Research
CTCP	Clothing and Textiles Competitiveness Programme
CTCIP	Clothing and Textiles Competitiveness Improvement Programme
DAFF	Department of Agriculture, Forestry and Fishing
DAP	Diammonium phosphates
DBE	Department of Basic Education
DBSA	Development Bank of Southern Africa
DFI	Development finance institution
DIRCO	Department of International Relations and Cooperation
DMTN	Domestic Medium Term Note programme
DoE	Department of Energy
DoH	Department of Health
DoT	Department of Transport
DRC	Democratic Republic of Congo
DRDLR	Department of Rural Development and Land Reform
DWCPD	Department of Women, Children and People with Disabilities
E&S	Environmental and societal
EBITDA	Earnings before interest, taxes, depreciation and amortization
ECIC	Export Credit Insurance Corporation of South Africa SOC Limited
EDD	Economic Development Department
EHS	Environmental, health and safety
EIA	Environmental impact assessment
EIB	European Investment Bank
EME	Exempt Micro Enterprise
ERM	Enterprise risk management
ESRR	Environmental and Social Risk Rating
ESCO	Energy servicing company
EVG	Employee Volunteerism and Giving
EVP	Employee value proposition
EWP	Employee wellness programme
EWRM	Enterprise wide risk management
Exco	Executive Management Committee
FDT	Funding Decision Tree
FET	Further education and training
FICA	Financial Intelligence Centre Act
FRIDGE	Fund for Research into Industrial Development, Growth and Equity
FSC	Forest Stewardship Council
FY	Financial year
GAAP	Generally accepted accounting principles
GDP	Gross domestic product
GEAR	Growth, Employment and Redistribution
GEC	Governance and Ethics Committee
GEEF	Green Energy Efficiency Fund
GFCF	Gross fixed capital formation
GHG	Greenhouse gas
GRI	Global reporting initiative
ha	hectare
H&S	Health and Safety
HCNC	Human Capital and Nominations Committee
HIPO	High potential
HIV	Human immunodificiency virus
IA	Internal Audit
IIA	Institute of Internal Auditors
ICT	Information and communications technology
IDC	Industrial Development Corporation of South Africa Limited
IDM	Integrated Demand-side Management
IDZ	Industrial development zone
IFRS	International Financial Reporting Standards
IMBS	Iron Mineral Beneficiation Services (Pty) Ltd
IMC	Investment Monitoring Committee
IPAP	Industrial Policy Action Plan
IPP	Independent power producer
IPSF	Industrial Policy Support Fund
IRR	Internal rate of return
ISAE	International Standards for Assurance Engagements
IT	Information technology
JSE	Johannesburg Stock Exchange

Acronyms and abbreviations (continued)

KfW	KfW Development Bank
km	kilometre
KRI	Key risk indicator
KZN	KwaZulu-Natal
LED	Local economic development
LED	Light-emitting diode
LPG	Liquid petroleum gas
LRC	Learner Representative Council
m	Million
M&E	Monitoring and evaluation
MAP	Monoammonium phosphates
MCEP	Manufacturing Competitiveness Enhancement Programme
MEWUSA	Metal and Electrical Workers Union of South Africa
MFMA	Municipal Finance Management Act
MHCV	Medium and heavy commercial vehicles
MinMec	Ministers and Members of Executive Councils Meeting
MK	Umkhonto we Sizwe
MoU	Memorandum of understanding
MPC	Monetary Policy Committee
MS	Matching Scheme
MW	Megawatt
NASA	National Aeronautics and Space Administration
NBI	National Business Institute
NCPC	National Cleaner Production Centre
NDC	National Development Corporation
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
NERSA	The National Energy Regulator
NFVF	National Film and Video Foundation
NGO	Non-governmental organisation
NGP	New Growth Path
NHI	National Health Insurance
NIPF	National Industrial Policy Framework
NPC	National Planning Commission
NT	National Treasury
NUM	National Union of Mineworkers
NUMSA	National Union of Mineworkers South Africa
NWMS	National Waste Management Strategy
NYDA	National Youth Development Agency
OEM	Original equipment manufacturer
OHS	Occupational Health and Safety
p.a.	per annum
PAC-BP	Pan African Capacity Building Programme
PCB	Printed circuit board
PET	Polyethylene terephthalate
PFMA	Public Finance Management Act
PGM	Platinum group metals
PIBC	Pre-investment business centre
PIC	Public Investment Corporation
PICC	Presidential Infrastructure Coordinating Commission
PII	Partnership Scheme
PIMD	Post Investment Monitoring Department
PIP	Production Incentive Programme
POPI	Protection of Personal Information
PPA	Power purchase agreement
PPD	Product Process Development
PPP	Public-private partnership
PPPFA	Preferential Procurement Policy Framework Act
PR	Public relations
PRASA	Passenger Rail Agency of South Africa
PTIP	Photovoltaic Technology Intellectual Property
PV	Photovoltaic
QSE	Qualifying Small Enterprise
R&T	Restructuring and Turnaround
RDP	Reconstruction and Development Programme
RE	Renewable energy
REDISA	Recycling and Economic Development Initiative of South Africa
REIPPP	Renewable Energy Independent Power Producer Procurement Programme
RFP	Request for proposal
RMD	Risk Management Department
RoA	Rest of Africa
SA	Republic of South Africa
SADC	Southern African Development Community
SAEWA	South African Equity Workers Association
SALGA	South African Local Government Association
SARS	South African Revenue Service
SBU	Strategic business unit
Scaw	Scaw Metals Group South Africa
SED	Socio-economic development
SEF	Social Enterprise Fund
sefa	Small Enterprise Finance Agency SOC Limited
SETA	Sector Education and Training Authority
SEZ	Special economic zone
SHIP	Strategic high-impact projects
SIC	Standard Industrial Classification
SIP	Strategic integrated project
SME	Small and medium enterprise
SMME	Small, medium and micro enterprises
SNG	Sizwe Ntsaluba Gobodo
SOC	State-owned company
SPII	Support Programme for Industrial Innovation
STB	Set-top box
STEM	Science, technology, engineering and maths
SWH	Solar water heater
the dti	Department of Trade and Industry
TIA	Technology Innovation Agency
tCO_2e	Tons of carbon dioxide equivalent
tpa	Tons per annum
TTO	Technology Transfer Office
TTP	Treated timber products
TVET	Technical Vocation Education and Training
UAE	United Arab Emirates
UASA	United Association of South Africa
UCIMESHAWU-	United Chemical Industries Mining Electrical State Health and Aligned Workers Unions
UCT	University of Cape Town
UIF	Unemployment Insurance Fund
UNEP-FI	United Nations Environment Programme – Finance Initiative
VC	Venture Capital
W&R	Workout and Restructuring
WSP	Whole School Programme
WWF	World Wildlife Fund

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GS Gouws (alt)

Non-Executive

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LI Bethlehem
JA Copelyn
BA Dames
LL Dhlamini
RM Godsell
BA Mabusza
SM Magwentshu-Rensburg
SK Mapatla
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