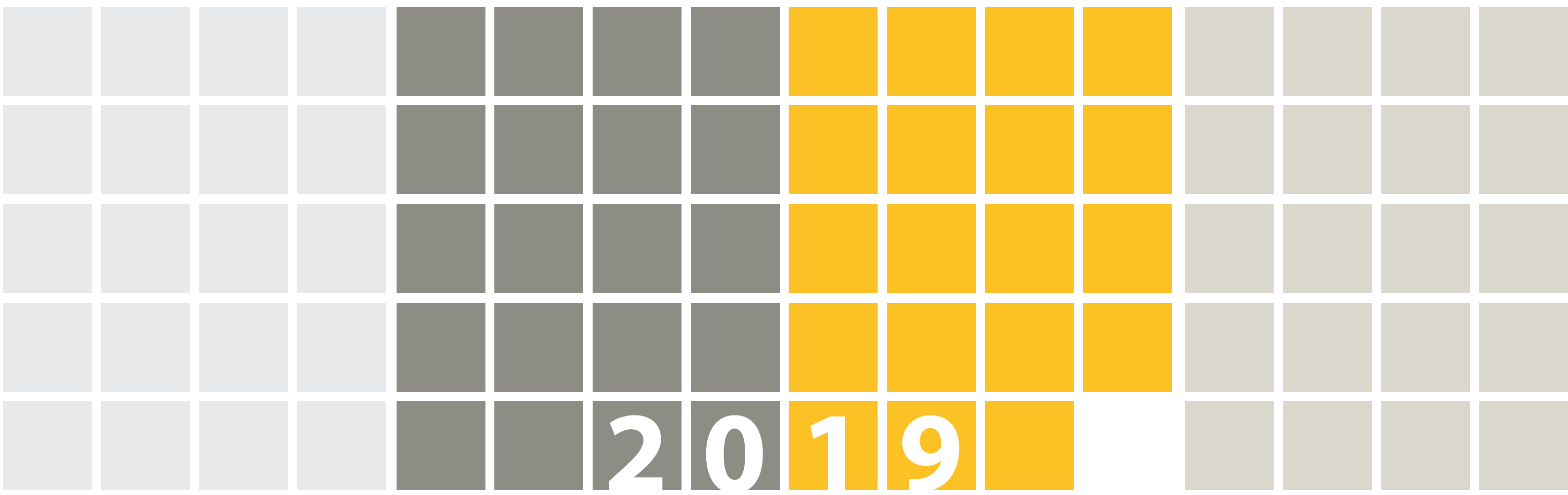

Annual Financial Statements

Your partner in development finance

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Icons denoting assurance

Denotes Reasonable Assurance

CONFIRMATION OF ACCURACY AND FAIR PRESENTATION

INTEGRATED REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE 2019 FINANCIAL YEAR-END

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

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

ANNUAL FINANCIAL STATEMENTS

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

PERFORMANCE INFORMATION

The performance information fairly reflects the operations, and actual output against planned targets for performance indicators as per the Corporate Plan of the IDC and approved amendments for the financial year ended 31 March 2019. The performance information has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

HUMAN RESOURCE MANAGEMENT

The human resource information contained in the respective tables in the integrated report, fairly reflects the information of the IDC for the financial year ended 31 March 2019.

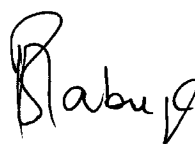
IN RESPECT OF MATERIAL ISSUES

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

PREPARATION OF THE FINANCIAL STATEMENTS

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

TP Nchocho
Chief Executive Officer
29 July 2019



BA Mabuza
Chairperson of the Board
29 July 2019

ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS for the Year Ended 31 March 2019

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

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

In my opinion, the annual financial statements fairly reflect the operations of the IDC for the financial year ended 31 March 2019.

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 2019 have been audited by the external auditors and their report is presented on page 20.

The annual financial statements of the IDC set out on page 27 to page 118 have been approved.

TP Nchocho
Chief Executive Officer
29 July 2019

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

REPORT ON SELECTED KEY PERFORMANCE INDICATORS

We have undertaken a limited assurance engagement on selected sustainability key performance indicators (KPIs), as described below, and that are presented in the 2019 Integrated Report of the Industrial Development Corporation of South Africa Limited (IDC) for the year ended 31 March 2019 (the Report). This engagement was conducted by a multidisciplinary team including specialists with relevant experience in sustainability reporting.

SUBJECT MATTER

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

Material Issue	Key Performance Indicators	Unit of Measurement	Guideline/Criteria	Boundary	Reference page number
Industrial development	• Value of funding approved	Rand Value (ZAR)	IDC Internal Criteria	IDC only	IDC IR 2019 1
Socio-economic development	• Expected direct jobs created/saved (approved)	Number (#)	IDC Internal Criteria	IDC only	IDC IR 2019 1
	• Value of funding to Black Industrialists (approved)	Rand Value (ZAR)	IDC Internal Criteria	IDC only	IDC IR 2019 1
Human Capital	• Retention - % turnover of employees occupying critical roles	Percentage (%)	IDC Internal Criteria	IDC only	IDC IR 2019 62
	• Succession - % critical roles that have identified potential successors for immediate and/or 1-3 years	Percentage (%)	IDC Internal Criteria	IDC only	IDC IR 2019 63
	• Average number of hours training	Number (#)	IDC Internal Criteria	IDC only	IDC IR 2019 64
Governance, Regulation and Risk Management	• Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Number (#) and Percentage (%)	IDC Internal Criteria	IDC only	IDC IR 2019 73
	• Communication and training on anti-corruption policies and procedures	Text claim	IDC Internal Criteria	IDC only	IDC IR 2019 73
	• Monitoring high risk portfolio	Text claim	IDC Internal Criteria	IDC only	IDC IR 2019 66
Partners	• Stakeholder engagement	Text claim	IDC Internal Criteria	IDC only	IDC IR 2019 12

INHERENT LIMITATIONS

Non-Financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matters and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of certain different but acceptable measurement techniques which can result in materiality and the accuracy of data are subject individual assumptions and judgements. The precision thereof may change over time. It is important to read the report in the context of the reporting criteria.

Further, because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the International Standard on Assurance Engagements, ISAE 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information.

Where the information relies on the factors derived by the independent third parties, our assurance work would not include an examination of the derivation of those factors and other third party information.

OUR INDEPENDENCE AND QUALITY CONTROL

We are independent of the entity in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable.

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

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

The Firms applies International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of IDC's use of its reporting criteria as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

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

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

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

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained and subject to the inherent limitations outlined elsewhere in this report, nothing has come to our attention that causes us to believe that the selected KPIs as set out in the subject matter paragraph for the year ended 31 March 2019 are not prepared, in all material respects, in accordance with the accompanying IDC reporting criteria.

OTHER MATTERS

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

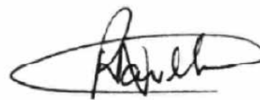
INDEPENDENT ASSURANCE PROVIDER'S LIMITED ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS

RESTRICTION OF LIABILITY

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

SizweNtsalubaGobodo Grant Thornton Inc.
Registered Auditor
Per Fikile Zwane
Director
Chartered Accountant (SA)
Registered Auditor
29 July 2019

SizweNtsalubaGobodo Grant Thornton Inc.
20 Morris Street East
Woodmead
2191



Ngubane and Company (JHB) Inc.
Registered Auditor
Per Nqabisa Ravele
Director
Chartered Accountant (SA)
Registered Auditor
29 July 2019

Ngubane and Company (JHB) Inc.
1 Superior Close Off 16th Road
Midrand
1685

REPORT OF THE BOARD AUDIT COMMITTEE

Report of the Board Audit Committee in terms of Regulations 27(1)(10)(b) and (c) of the Public Finance Management Act of 1999 (as amended) and requirements of King IV Code of Governance

BACKGROUND

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

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

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

As a Committee, we report that we adopted the appropriate formal Terms of Reference as approved by the Board and are satisfied that we have discharged our responsibilities according to the Companies Act, King IV and PFMA.

The Committee carried out its functions through attendance at Audit Committee meetings and discussions with executive management, Internal Audit, external auditors and external advisors where appropriate.

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

In executing its key functions and discharging its responsibilities as outlined in its Terms of Reference during the period under review, the Committee:

- Assisted the Board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, risk management and auditing processes applied within the Corporation in the day-to-day management of its business
- Facilitated and promoted communication between the Board, management, the external auditors and Internal Audit Department on matters that are the responsibility of the Committee
- Introduced measures that, in the opinion of the Committee, may enhance the credibility and objectivity of the financial statements and reports prepared with reference to the affairs of the Corporation (and the IDC Group)
- Nominated and recommended for appointment of registered auditors, SNG-GT and Ngubane & Co, as the Corporation's external auditors the firms who, in the opinion of the Committee, are independent of the IDC
- Determined the fees to be paid to the external auditors and the auditors' terms of engagement
- Ensured that the appointment of the external auditors comply with the Companies Act and any other legislation relating to the appointment of auditors
- Reviewed legal and compliance matters that could have a significant impact on the financial statements
- Monitored internal control frameworks and procedures, including accounting policies, legislative compliance, regulatory matters and governance
- Assessed combined assurance from the external auditors, internal auditors and management and ensured that the combined assurance received is adequate to address all material risks.

INTERNAL CONTROL

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

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

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

To formulate its opinion, the Committee:

- Monitored the identification and correction of weaknesses and breakdowns of systems and internal controls
- Monitored the adequacy and reliability of management information and the efficiency of management information systems
- Reviewed quarterly, interim and final financial results and statements and reporting for proper and complete disclosure of timely, reliable and consistent information
- Evaluated, on an ongoing basis, the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards as well as any related changes
- Discussed and resolved any significant or unusual accounting issues
- Reviewed reports supplied by management regarding the effectiveness and efficiency of the credit monitoring process, exposures and related impairments and adequacy of impairment provisions to discharge its obligations satisfactorily
- Reviewed and monitored all key financial performance indicators to ensure that they are appropriate and that decision-making capabilities are maintained at high levels
- Reported to the Board on the effectiveness of the Corporation's internal reporting controls.

EXTERNAL AUDITORS

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

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the financial year ended 31 March 2019.

The Committee:

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

FINANCIAL STATEMENTS

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

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

Expertise and experience of Finance Function
We have considered and satisfied ourselves 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.

DUTIES ASSIGNED BY THE BOARD

Integrated and sustainability reporting

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

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

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

REPORT OF THE BOARD AUDIT COMMITTEE

Combined assurance

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

Engagement regarding the extent to which the various assurance providers rely on each other's work take place continuously and we are of the view that adequate coordination occurred between the external auditors and Internal Audit.

A Combined Assurance Policy is in place that integrates Internal Audit, Compliance and Risk Management Plans and other external assurance providers. Furthermore, a Combined Assurance Plan was approved and used to monitor the activities in relation to the Combined Assurance Process.

Going concern

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

Governance of risk

The Board has assigned oversight of the Corporation's risk management function to a separate Board Risk and Sustainability Committee. The Chairperson of the BAC attends the Board Risk Committee meetings as an ex-officio member to ensure that information relevant to these committees is shared regularly.

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

Internal audit

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

The Internal Audit Department has a functional reporting line to the Committee Chairperson, an operational reporting line to the CEO and full access to other BAC members.

The BAC, with respect to its evaluation of the adequacy and effectiveness of internal controls, receives reports from Internal Audit on a quarterly basis, assesses the effectiveness of the internal audit function and reviews and approves the internal audit plan.

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

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

CONCLUSION

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

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

Following our review of the financial statements for the year ended 31 March 2019, we are of the opinion that they comply with the relevant provisions of the PFMA, as amended, and IFRS and that they present fairly the results of the operations, cash flow and financial position of the Corporation.

We have complied with all the King IV principles, with the inclusion of integrated reporting, evidenced by this issue of the Corporation's Integrated Report for the financial year ended March 2019. The Committee is satisfied that it has complied in all material respects, with its legal, regulatory and other responsibilities.

The BAC recommended this Integrated Report to the Board for approval.

Ms NP Mnxasana
Chairperson of the Board Audit Committee
29 July 2019

DIRECTORS' REPORT

INTRODUCTION

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

NATURE OF BUSINESS

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

The IDC's vision is to be the primary driving force of commercially sustainable industrial development and innovation for the benefit of South Africa and the rest of Africa. Its objective is to lead industrial capacity development. IDC's priorities are aligned with government's policy direction as set out in the National Development Plan (NDP), New Growth Path (NGP), National Infrastructure Plan (NIP), Industrial Policy Action Plan (IPAP) and the Agricultural Policy Action Plan (APAP). The Corporation is mandated to maximise its development impact through job-rich industrialisation while contributing to an inclusive economy by amongst others, funding black-owned companies, black industrialists, women and youth-empowered enterprises.

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

PUBLIC FINANCE MANAGEMENT ACT

The IDC Board is responsible for the development of the Corporation's strategic direction, which is captured in the Shareholder's Compact and five-year Corporate Plan, reviewed on an annual basis to cater for changes both in the internal and external environment. Following agreement with the Shareholder Representative, these documents form the basis for detailed action plans and continuous performance evaluation.

Our business units and departments are therefore guided by the five-year Corporate Plan to prepare annual business plans, budgets and capital programmes to meet their strategic objectives.

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

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

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

PERFORMANCE MANAGEMENT

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

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

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

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

PERFORMANCE INDICATORS

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

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

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

PERFORMANCE OVERVIEW

The Corporation has unfortunately recorded poor performance results against 2018/19 short-term and long-term corporate targets, following an upward trend in recent years as the economic performance continue to disappoint. IDC has had some success with overall investment levels in line since 2015. Inclusivity outcomes have shown good results for Black Industrialists, youth and women entrepreneurs. However, the operating environment has not been conducive to encourage investment and support the implementation of IDC's strategy.

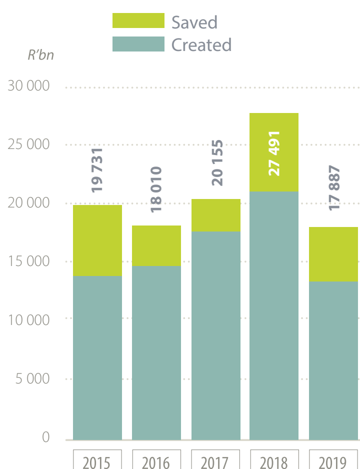
DEVELOPMENT OUTCOMES

In this reporting period, the IDC approved R13.1 billion (2018: R16.7 billion) and disbursed R11.8 billion (2018: R15.4 billion), a 22% and 23% decrease respectively. The share of funding for capacity expansions, projects, and start-ups continues to be the largest share of total funding approved (2019: 76%; 2018: 73% of total). There is also a notable increase in the share of funding to distressed businesses which increased from 13% to 19% in 2019, in value terms – from R2.1 billion to R2.5 billion (from 37 transactions in 2018 to 46 in 2019).

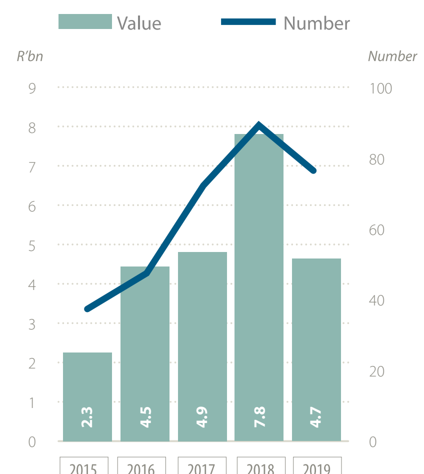
In line with the overall reduction in funding approved, performance for most of the development indicators declined (see Figure below). The total number of jobs expected to be created and saved from IDC's funding approvals that were signed during the year decreased by 35% to 17 887 which is significantly lower than the base level of 28 262. Of the total number of jobs, 13 329 are expected to be created and 4 558 saved. It has been difficult for the IDC to meet the 80% threshold for jobs expected to be created vs saved in this current economic environment with 25% of the jobs counted being saved jobs. Similarly leveraging external funding thus still requires IDC to increase its share of funding to ensure that projects are fully funded.

Funding for Black Industrialists, youth, and localisation has also declined, with only funding for women entrepreneurs and localisation meeting and/or exceeding base levels.

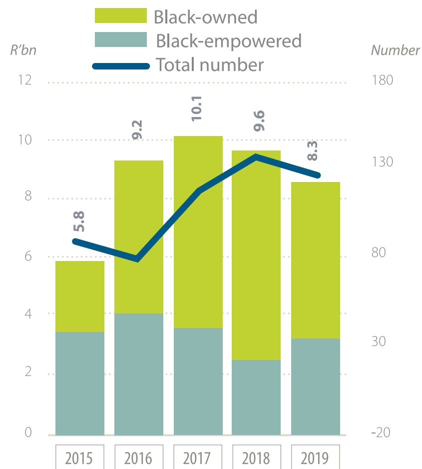
Number of jobs expected to be created / saved - signed



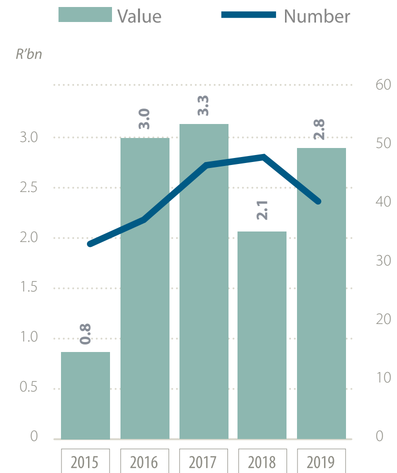
Funding signed to Black Industrialists



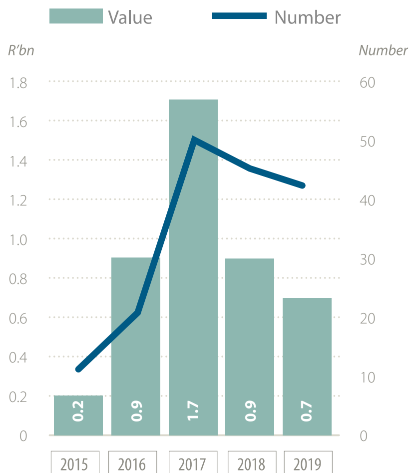
Funding approved for Black Economic Empowerment



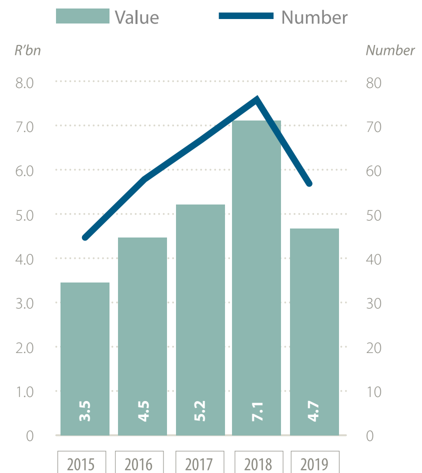
Funding signed to women entrepreneurs



Funding signed to youth entrepreneurs



Funding signed to localisation



Accordingly, performance against long-term targets also reflect below par performance, as they are closely aligned/informed by short-term targets. Information gathered from the IDC clients during 2019 show that although the number of direct jobs supported increased by 0.5% to 224 498 jobs, there was an overall 1.3% decline, when considering indirect jobs and associated job sectoral multipliers. In this instance, basic metals and mining have high job multipliers and lost most jobs. Also, with significant decline in short-term direct jobs to be created/ saved and funding to black industrialists, long-term indicators on job efficiency and increase in black owned companies (51%) were also adversely affected and did not reach desired base levels.

Making a meaningful contribution to industrial capacity development remains the key driver of our strategy and IDC remains committed to contribute meaningfully towards national efforts to stimulate the economy towards higher levels of growth. The IDC, working with key stakeholders and partners will intensify its activities and leveraging private sector participation.

FINANCIAL PERFORMANCE

The IDC and its financing subsidiaries (mini-group) once again recorded an operating income of R273 million, slightly lower compared to R399 million operating income in the previous financial year. Staff costs were 1% lower than in 2018 and 11% below budget. Other operating expenses also decreased marginally. The cost-to-income ratio (excluding cash resource income, impairments costs, sefa grant and income from mature listed investments) worsened to 50% from 39% in 2018. This is worse than the base that was set at 34.5%, mainly as a result of lower than anticipated income.

IDC measures the performance of significant subsidiaries as part of its targets to ensure that it gives enough attention to these. For Foskor, the company's operating profits are measured as an indication of the success or failure of any turnaround strategies. Foskor's loss was significantly lower than the budget, over-performing the target level. This compares favourably with the R763 million loss recorded last year. The success of the Scaw restructuring is also measured based on the performance of two of the companies that were carved out of the old structure. Grinding Media recorded a R55 million profit compared to the base target of R215 million profit while Cast Products' loss of R380 million is much worse than the budgeted R254 million loss.

The value of reserves on 31 March 2019 increased by 4.9% compared to a year ago. This is lower than the yield on long-term government bonds and means that IDC does not achieve the base for this indicator.

OTHER PERFORMANCE AREAS

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

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement	
Development Impact	Funding activity	Value of funding disbursed	Total value of funding disbursed by IDC	20%	R17.2bn	R21.8bn	R11.4bn	Not achieved	RA
		Funding leveraged	Amount of outside total funding attracted for each rand of IDC funding. Guarantees considered as fully leveraged funding. 10% Moderator.	Moderator	2:1		1.5:1	Penalty incurred	RA
	Jobs	Expected jobs created / saved	Expected direct jobs created/saved for funding approvals with agreements signed	20%	28 262	34 795	17 887	Not achieved	RA
		Expected direct jobs created	Expected direct jobs created for funding approvals with agreements signed as a percentage of total jobs created/saved	Moderator	80%		75%	Not achieved	RA
	Economic empowerment and tranformation	Value of funding to black industrialists	Value of funding approvals with agreements signed for transactions benefiting black industrialists	5%	R5 527 million	R8 037 million	R4 680 million	Not achieved	RA
			Value of funding approvals with agreements signed for transactions benefiting black woman industrialists	Moderator	R829 million		R1 957 million	No penalty	RA

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement	
Development Impact	Economic empowerment and tranformation	Value of funding for women empowered businesses	Value of funding approvals with agreements signed for transactions benefiting businesses where women have more than 25% shareholding and are operationally involved in the business	5%	R1 200 million	R1 500 million	R2 779 million	Target exceeded	RA
		Value of funding for youth empowered businesses	Value of funding approvals with agreements signed for transactions benefiting businesses where youth have more than 25% shareholding and are operationally involved in the business	5%	R770 million	R1 000 million	R665 million	Not achieved	RA
	Localisation	Funding for localisation initiatives	Value of funding agreements signed for transactions aimed at inputs into infrastructure or other government procurement and components for motor vehicles	5%	R4 664 million	R5 406 million	R4 701 million	Base achieved	RA
Financial Sustainability	Impairments	Level of impairments	Impairments as a percentage of the portfolio at cost – IFRS9	5%	24.6%	22.6%	28.4%	Not achieved	RA
			Moderation of 10% on rating for indicator if rand value of cumulative impairments as per balance sheet exceeded	Moderator	R27.3 billion		R25.3 billion	No penalty	RA
			Impairments as a percentage of the portfolio at cost – IAS39	5%	17.2%	15.2%	18.8%	Not achieved	RA

DIRECTORS' REPORT

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement	
Financial Sustainability	Impairments	Level of impairments	Moderation of 10% on rating for indicator if rand value of cumulative impairments as per balance sheet exceeded	Moderator	R19.2 billion		R16.8 billion	No penalty	RA
	Cost and income management	Revenue generation from assets	(Net interest, dividends, fees and money market income)/(Total assets)	5%	4.5%	5%	4.5%	Base achieved	RA
	Subsidiary performance	Foskor financial performance	Foskor operating profits/losses before capital gains	5%	(R392 million)	(R349 million)	(R184 million)	Target exceeded	RA
		Effectiveness of Scaw Group restructuring	Operating profit/loss (EBITDA) (R'm)	2.5%	Grinding Media: 215	Grinding Media: 237	R55 million	Not achieved	RA
				2.5%	Cast products: (R254 million)	Cast products: (R229 million)	(R380 million)	Not achieved	RA
		sefa performance	sefa performance rating	5%	sefa's performance rating		3.26	Base achieved	RA
Customers/ Stakeholders	Customers	Customer Satisfaction Index	Overall customer satisfaction rating (1-10)	5%	7.8	8.5	7.9	Base achieved	RA
Internal processes	Efficiencies	Cost to income ratio	Administration costs, excluding impairments and project costs as a percentage of net interest, dividend and fee income (excl. dividend income from Sasol, Kumba Iron Ore, BHP Billiton, South 32, Arcelor Mittal and Sappi)	5%	34.5%	24.5%	49.9%	Not achieved	RA

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement
Development Impact	Industrial capacity development	Growth in funding disbursed to investments in SA	Value of IDC funding in SA (excluding funding in the rest of Africa)	20%	Growth in gross fixed capital formation in manufacturing (2.4%)	Growth in gross fixed capital formation in manufacturing + 10% (12.4%)	-15.8%	Not achieved
				Moderator	Moderator applies if funding disbursed falls below 3 year historical average (10% Moderator on rating for this indicator)		Disburse-ment below 3 year historical average	Not achieved
		Growth in funding disbursed to rest of Africa	Value of IDC funding in rest of Africa	5%	5% increase in the percentage of disbursement into RoA (12.1%)	7.5% increase in the percentage of disbursement into RoA (12.4%)	-2.1%	Not achieved
	Job creation	Growth in levels of jobs supported by IDC clients	Number of people employed at SA companies in IDC's portfolio and calculated impact on indirect jobs	15%	Growth in levels of employment the economy (excl. govt. employment) (2.23%)	Growth in levels of employment in the economy (excl. govt. employment) + 7% (9.23%)	-1.3%	Not achieved RA
				Moderator	Moderator applies if there are net job losses in IDC clients and calculated impact on indirect jobs (10% Moderator on rating for this indicator)		Negative growth levels of employ-ment	Not achieved
		Increased number of jobs created per unit of funding by IDC (reduce cost per job)	Number of jobs expected to be created, including calculated indirect jobs divided by the value of IDC's SA funding approvals (excluding funding in the rest of Africa, and jobs saved)	10%	Change in the labour/capital ratio of the economy + 5% (-0.2%)	Change in the labour/capital ratio of the economy + 12.5% (7.3%)	-20.0%	Not achieved RA
				Moderator	Moderator applies if the number of jobs created per unit of funding does not rise above three year average (10% moderation on rating for this indicator)		Negative number of jobs created per unit of funding	Not achieved

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement	
Development Impact	Economic empowerment	Increase in levels of empowerment in IDC's portfolio	Companies with more than 50% black shareholding for which funding is approved	10%	Up to 2.5% increase in the value of black-owned businesses per annum (2.5%)	Up to 10% increase in the value of black-owned businesses per annum (10.0%)	-30.0%	Not achieved	RA
				Moderator	Moderator applies if the value of IDC funding approvals to companies with more than 50% black shareholding falls below three year average (-10% moderation on rating for this indicator)		Decrease in value of IDC fund approvals	Not achieved	
Financial Sustainability	Strength of balance sheet	Growth rate in IDC's reserves	Value of IDC reserves	30%	Yield on long-term govt. bonds (9.3%)	Yield on long-term govt. bonds + 2% (11.3%)	4.9%	Not achieved	RA
Human Capital	HC sustainability	People Sustainability Index	Composite index measuring sustainability of IDC's human capital	10%	5% increase in PSI score per annum (74.8%)	10% increase in PSI score per annum (78.3%)	66.9%	Not achieved	

FUNDING

The IDC sources loan funding mainly from international development agencies, facilities from commercial banks and bond issuances. The general 2019 funding requirements for the IDC Mini Group to fund, inter alia, finance advances of R11.8 billion and borrowing redemptions of R6.5 billion, amounted to R18.3 billion (2018: R19.8 billion). These requirements were met partly out of R8.3 billion of internally generated funds, namely repayments received and profits. New borrowings amounted to R11.2 billion for the year.

CORPORATE GOVERNANCE

The IDC's directors endorse the King IV Report on Corporate Governance and, during the review period, implemented these proposals.

DIVIDENDS

A dividend of R50 million was paid during the financial year.

POST REPORTING DATE EVENTS

LISTED SHARES

The value of the Group's listed shares decreased by R5.8 billion to R50.4 billion between financial year-end and approval of the financial statements on 29 July 2019. The main driver of the decrease was the drop in Sasol's share price, which was attributed to delays at its Lake Charles Chemicals project, based in Louisiana, USA.

DIRECTORS' REPORT

SALE OF CAST PRODUCTS

At the beginning of April 2019, the IDC Group disposed of a 15% stake in Cast Products (Pty) Ltd, a subsidiary that was carved out of the SCAW Group. The IDC shareholding decreased from 100% to 85%.

REPORTABLE IRREGULARITY

A matter of conflict of interest in relation to an executive was identified during the financial year year ending 31 March 2019 through the Corporation's post investment reviews. The Board has taken steps to address the matter in line with the Corporation's internal policies. The external auditors then raised a reportable irregularity, in terms of section 45 of the Auditing Profession Act, 2005 (Act 26 of 2005) (Auditing Profession Act), for the annual financial period ending 31 March 2019. The Board is in the process of closing out the irregularity. The finalisation of the irregularity depends on the recommended sanctions from the chairperson of the disciplinary enquiry. The matter pertaining to the reportable irregularity has been described in note 43 to the consolidated and separate financial statements. The Board reiterated that it is in a continuous process of strengthening the Corporation's culture and governance.

SHARE CAPITAL

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

AUDIT COMMITTEE INFORMATION

The Audit Committee consists of the following non-executive directors:

- NP Mnxasana (Chairperson)
- RM Godsell
- SM Magwentshu-Rensburg
- M More

In addition, R Pitot, is a co-opted member of the committee.

GOING CONCERN

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

DIRECTORS AND SECRETARY

The current directors of the IDC are listed below:

Executive

- TP Nchocho (CEO)

Non-Executive

- BA Mabuza (Chairperson)
- LI Bethlehem
- BA Dames
- RM Godsell
- A Kriel
- SM Magwentshu-Rensburg
- NP Mnxasana
- M More
- PM Mthethwa
- ND Orleyn
- NE Zalk

P Makwane is the Secretary. The IDC's registered office is at 19 Fredman Drive, Sandown, 2196.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of the Industrial Development Corporation of South Africa Limited and its subsidiaries (the Corporation / the Group / the Company) set out on pages 26 to 118, which comprise the consolidated and separate statements of financial position as at 31 March 2019, the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies, reportable segments and geographic segments.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA)and the Industrial Development Corporation Act of South Africa, 1940 (Act No 22, 1940 as amended) (IDC Act).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report.

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

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

KEY AUDIT MATTERS

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

Key audit matter	How the matter was addressed in the audit
Expected credit losses (ECL) on Solely Payments of Principal and Interest investments (SPPI)	
Refer to note 9, 10, 12 and 13 of the consolidated and separate financial statements. This key audit matter is applicable to both the consolidated and separate financial statements. SPPI investments represent 18% and 18% of the total assets of the Group and Company respectively and are considered significant to the separate and consolidated financial statements. The estimation of credit losses is inherently uncertain and is subject to significant judgement. Furthermore, models used by the accounting authority to determine expected credit losses require certain inputs that are not fully observable.	Our audit procedures included the following: • We reviewed the IFRS 9 framework (classification) and assessed whether investments are classified in terms of the Company's business model. • We evaluated the expected credit loss model used by the Group and Company with specific emphasis on the assumptions used and determined whether the expected credit losses on SSPI investments has been calculated in accordance with the relevant accounting standards. • We paid particular attention to the valuation of, and rights to, security held by the Group and Company by inspecting relevant supporting documentation on these securities.

Key audit matter	How the matter was addressed in the audit
Expected credit losses (ECL) on Solely Payments of Principal and Interest investments (SPPI)	
The key areas of significant management judgement within the ECL calculations include: • Evaluation of significant increase in credit risk (SICR); • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement; and • Input assumptions applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL measurement. This estimation uncertainty is increased due to the ongoing volatility in South Africa and wider regional economy markets. Due to the significance of these judgements on the SPPI provision balance and the significance of SPPI in the financial statements, the expected credit losses was considered a key audit matter.	• Where management has used specialists to provide valuations, we assessed their competence, independence, professional qualifications and experience. We assessed whether the inputs used to calculate the expected credit losses by accounting authority are in accordance with the Company's Investment Monitoring Committee Policy by comparing the policy requirements against what has been applied during the year and assessed whether the conclusions reached were appropriate. We evaluated the adequacy of the presentation and disclosure in relation to this key audit matter given the likelihood of management judgment that may be applied.

Key audit matter	How the matter was addressed in the audit
Valuation of unlisted investments and non-solely payments of principle and interest loans (non SSPI)	
Refer to note 9, 10, 12 and 13 of the consolidated and separate financial statements for detailed disclosure of investments in unlisted shares and non SPPI loans respectively. This key audit matter is applicable to both the consolidated and separate financial statements Unlisted investments are classified as financial assets at fair value through other comprehensive income or financial assets through profit or loss and are significant in context of the consolidated and separate financial statements. Non SPPI loans are classified as at fair value through profit and loss and are significant in context of the consolidated and separate financial statements. For the Company, significant judgement is applied by management in the valuation of unlisted equities and non SPPI loans in: 1. subsidiaries, 2. associates, joint ventures and partnerships and 3. other entities. For the Group, significant judgement is applied by management in the valuation of unlisted equities and non SPPI loans in other entities.	Our audit procedures included the following: • We assessed the models used by the accounting authority and discount rates applied at year-end, and reperformed a sample of the valuations by agreeing valuation inputs to independently sourced data. • We benchmarked inputs used for valuations to current market best practices in assessing the appropriateness of the methodologies applied. • We assessed and challenged the reasonability of cash flows and discount rates used in valuing unlisted investments by comparing them to similar instruments. • We independently recalculated the expected fair values to evaluate if accounting authority's estimates are within a reasonable range in comparison with our independent expectation. • We also assessed the disclosures made relating to the valuation of unlisted investments to ensure consistency with the requirements of the relevant accounting standards and with the methodologies applied by the accounting authority.

Key audit matter	How the matter was addressed in the audit
Valuation of unlisted investments and non-solely payments of principle and interest loans (non SSPI)	
Significant judgements and assumptions are applied by management in valuing these investments include the following: • Free cash flows of investees. • Replacement values. • Discount or premium applied to the Industrial Development Corporation of South Africa Limited's stake in investees. • Debt weighting – this is the target interest- bearing debt level. • Realisable value of assets. • Probabilities of failure in using the Net Asset Value-model. Due to the significant judgment applied by accounting authority and the extensive audit work that had to be performed, the valuation of unlisted investments and non SPPI loans was considered a key audit matter.	

Key audit matter	How the matter was addressed in the audit
Impairment of cash generating units at Foskor Proprietary Limited (Foskor)	
Refer to note 1.10 and note 3 of the consolidated financial statements for detailed disclosure of the impairments of assets. This key audit matter is applicable to the consolidated financial statements. Included in (account balance) is a cash-generating unit (CGU) at Foskor, a subsidiary of the Industrial Development Corporation of South Africa Limited. Significant judgements and assumptions applied by the Group, in the impairment of the CGU include the following: • Risks specific to future cash flows • Reasonableness of net asset value • WACC assessment • Reasonability of the assumptions and inputs • Sensitivity analysis This estimation uncertainty is increased due to the ongoing volatility in South Africa and wider regional economic markets. Due to the significant judgment applied by management and the extensive audit work that had to be performed, the impairment of cash-generating unit at Foskor, was considered a key audit matter.	Our audit procedures included the following: • We challenged the Group's impairment assessment by involving our own internal valuation team and recalculated the impairment assessment. • We assessed the reasonability of the Group's weighted average cost of capital (WACC) by comparing the factors used in determining the WACC to requirements per relevant accounting standards. • We evaluated the reasonability of cash flows based on the selling price used by the Group in its assessment by independently assessing the underlying factors giving rise to these inputs and whether these factors were reasonable.

RESPONSIBILITY OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.
Our procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2019:

Predetermined objectives	Pages in the annual financial statements
Development impact	14 - 18
Financial sustainability	14 - 18
Customer / stakeholders	14 - 18
Internal processes	14 - 18

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

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

OTHER MATTERS

We draw attention to the matters below. Our opinions are not modified in respect of these matters.

Achievement of planned targets

Refer to the annual performance report on pages 14 to 18 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

We identified a material misstatement in the annual performance report submitted for auditing. The material misstatement was on the reported performance information of financial sustainability. As management subsequently corrected the misstatement, we did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

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

The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.

Material misstatements of disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

OTHER INFORMATION

The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the confirmation of accuracy and fair presentation, the accounting officer's statement of responsibility of annual financial statements, the report of the board audit committee and the directors' report. The other

information does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

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

INTERNAL CONTROL DEFICIENCIES

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

REPORTABLE IRREGULARITY

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in note 43 to the consolidated and separate financial statements.

AUDIT TENURE

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane and Company (JHB) Inc. and SizweNtsalubaGobodo Grant Thornton Inc. have been the auditors of the Industrial Development Corporation of South Africa Limited for 2 years and 12 years respectively.

Ngubane and Company (JHB) Inc.
Registered Auditor

Per Nqabisa Ravele
Director
Chartered Accountant (SA) Registered Auditor

31 July 2019

Ngubane and Company (JHB) Inc.
Ngubane House 1 Superior Close Midrand
1685

SizweNtsalubaGobodo Grant Thornton Inc.
Registered Auditor

Per Nhlanhla Sigasa
Director
Chartered Accountant (SA) Registered Auditor

31 July 2019

SizweNtsalubaGobodo Grant Thornton Inc.
SNG Grant Thornton Office Park 20 Morris Street East Woodmead
2191

ANNEXURE – AUDITOR'S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

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

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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

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

Statement of Financial Position

Annual Financial Statements for the Year Ended 31 March 2019

Figures in Rand million	Note(s)	Group		Company	
		2019	2018	2019	2018
Assets					
Cash and cash equivalents	16	9 809	6 156	9 233	5 726
Derivative financial instruments	11	1	142	-	108
Trade and other receivables	15	3 865	3 351	2 084	1 257
Inventories	14	2 051	1 748	1	4
Current tax receivable		273	270	252	270
Loans and advances	12	25 880	30 660	27 932	28 564
Investments	13	60 320	57 516	36 296	35 941
Non-current assets held for sale and assets of disposal groups	28	36	4 508	-	-
Investments in subsidiaries	9	-	-	47 432	46 395
Investments in associates	10	32 752	23 972	32 129	23 623
Deferred tax	42	1 885	487	-	-
Investment property	6	290	403	37	32
Property, plant and equipment	5	7 343	7 683	58	54
Biological assets	7	93	52	-	-
Intangible assets	8	9	10	-	-
Total Assets		**144 607**	**136 958**	**155 454**	**141 974**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital	18	1 393	1 393	1 393	1 393
Reserves		52 645	45 097	70 817	59 094
Retained income		41 564	45 533	20 887	27 298
		95 602	92 023	93 097	87 785
Non-controlling interest		(299)	84	-	-
Total Equity		**95 303**	**92 107**	**93 097**	**87 785**
Liabilities					
Bank overdraft	16	49	19	-	-
Derivatives	11	39	139	17	126
Trade and other payables	36	3 042	3 379	1 078	1 097
Current tax payable		5	8	183	2
Retirement benefit obligation	37	375	384	-	188
Liabilities of disposal groups	28	-	2 108	-	-
Borrowings	19	39 486	33 217	54 125	46 723
Deferred tax	42	5 747	4 707	6 719	6 012
Financial Guarantees	25	194	-	194	-
Provisions	29	366	888	41	41
Share-based payment liability	30	1	2	-	-
Total Liabilities		**49 304**	**44 851**	**62 357**	**54 189**
Total Equity and Liabilities		**144 607**	**136 958**	**155 454**	**141 974**

Statement of Profit or Loss and Other Comprehensive Income

Annual Financial Statements for the Year Ended 31 March 2019

Figures in Rand million	Note(s)	Group 2019	Group 2018	Company 2019	Company 2018
Continuing operations					
Revenue	20&21	17 910	14 223	8 179	6 638
Cost of sales		(8 307)	(6 226)	-	-
Gross profit		**9 603**	**7 997**	**8 179**	**6 638**
Other income		234	1 594	28	1 423
Profit (loss) on sale of financial assets	23	68	2 383	(7)	2 383
Loss on financial assets classified as FVTPL		(607)	-	(1 168)	-
Expected credit losses		(611)	-	(1 313)	-
Financial assets written off		(2 430)	-	(2 300)	-
Operating expenses		(3 930)	(6 957)	(1 670)	(6 438)
Operating profit	32	**2 327**	**5 017**	**1 749**	**4 006**
Finance costs	22	(2 825)	(2 433)	(2 573)	(2 492)
Non-administrative income	31	-	378	-	378
Income from equity accounted investments		644	419	-	-
Profit (loss) before taxation		**146**	**3 381**	**(824)**	**1 892**
Taxation	33	574	381	354	201
Profit (loss) from continuing operations		**720**	**3 762**	**(470)**	**2 093**
Discontinued operations					
(Loss) from discontinued operations	28	-	(538)	-	-
Profit (loss) for the year		**720**	**3 224**	**(470)**	**2 093**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Share of comprehensive income of equity accounted Investments		-	5	-	-
Remeasurements on net defined benefit liability/asset		21	2	24	12
Fair value movements on equity instruments		10 581	-	15 463	-
Income tax relating to items that will not be reclassified		(1 556)	1	(2 169)	-
Total items that will not be reclassified to profit or loss		**9 046**	**8**	**13 318**	**12**
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		728	(149)	-	-
Available-for-sale financial assets adjustments		-	937	-	2 187
Share of comprehensive income of equity accounted investments		-	(405)	-	60
Income tax relating to items that may be reclassified		-	145	-	(331)
Total items that may be reclassified to profit or loss		**728**	**528**	**-**	**1 916**
Other comprehensive income for the year net of taxation	39	**9 774**	**536**	**13 318**	**1 928**
Total comprehensive income for the year		**10 494**	**3 760**	**12 848**	**4 021**

Statement of Profit or Loss and Other Comprehensive Income

Annual Financial Statements for the Year Ended 31 March 2019

		Group		Company	
Figures in Rand million	Note(s)	2019	2018	2019	2018
Profit for the year attributable to:					
Owners of the Parent		1 103	3 440	(470)	2 093
Non-controlling interest		(383)	(216)	-	-
		720	3 224	(470)	2 093
Total comprehensive income for the year attributable to:					
Owners of the parent		10 885	3 976	12 850	4 021
Non-controlling interest		(391)	(216)	-	-
		10 494	3 760	12 850	4 021

Statement of Changes in Equity

Annual Financial Statements for the Year Ended 31 March 2019

Group

Figures in Rand million	Share capital	Foreign currency translation reserve	Associated entities reserve	Revaluation reserve	Common control reserve	Other reserve	Share-based payment reserve	Retained Earnings	Non Controlling interest	Total Equity
Balance at 01 April 2017	1 393	1 746	909	39 951	1 657	(6)	304	42 143	193	88 290
Other comprehensive income	-	(548)	5	1 077	-	2	-	3 440	(216)	3 760
Total comprehensive income for the year	-	(548)	5	1 077	-	2	-	3 440	(216)	3 760
Minority interest	-	-	-	-	-	-	-	-	107	107
Fair value adjustments	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(50)	-	(50)
Changes in ownership interest - control not lost	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	-	(548)	5	1 077	-	2	-	3 390	(109)	3 817
Balance at 01 April 2018	1 393	1 198	914	41 028	1 657	(4)	304	45 533	84	92 107
Comprehensive income	-	-	-	-	-	21	-	712	8	741
Total comprehensive income for the year	-	-	-	-	-	21	-	712	8	741
IFRS 9 transitional	-	-	-	(1 713)	-	-	-	(5 377)	-	(7 090)
Transactions with other shareholders	-	-	-	-	-	-	-	-	(391)	(391)
Share of equity accounted investments	-	728	-	-	-	-	-	-	-	728
Fair value adjustments	-	-	-	9 025	-	-	-	-	-	9 025
Day 1 gain on liabilities	-	-	-	-	-	-	-	378	-	378
Dividends	-	-	-	-	-	-	-	(50)	-	(50)
Reclassification adjustments	-	-	-	(2 289)	-	-	-	2 289	-	-
Amortised gain on bonds	-	-	-	-	-	-	-	(145)	-	(145)
Total contributions by and distributions to owners of company recognised directly in equity	-	728	-	5 023	-	-	-	(2 905)	(391)	2 455
Balance at 31 March 2019	1 393	1 926	914	46 051	1 657	17	304	43 340	(299)	95 303

Statement of Changes in Equity

Annual Financial Statements for the Year Ended 31 March 2019

Company

Figures in Rand million	Share capital	Foreign currency translation reserve	Associated entities reserve	Revaluation reserve	Common control reserve	Other reserve	Share-based payment reserve	Retained Earnings	Non Controlling interest	Total
Balance at 01 April 2017	1 393	-	(35)	55 961	1 222	18	-	25 255	-	83 814
Profit for the year	-	-	-	-	-	-	-	2 093	-	2 093
Other comprehensive income	-	-	60	1 856	-	12	-	-	-	1 928
Total comprehensive income for the year	-	-	60	1 856	-	12	-	2 093	-	4 021
Dividends	-	-	-	-	-	-	-	(50)	-	(50)
Total contributions by and distributions to owners of company recognised directly in equity	-		60	1 856	-	12	-	2 043		3 971
Balance at 01 April 2018	1 393	-	25	57 817	1 222	30	-	27 298	-	87 785
Total comprehensive Loss for the year	-	-	-	-	-	24	-	(470)	-	(446)
IFRS 9 transition impact	-	-	-	(1 713)	-	-	-	(5 891)	-	(7 604)
Fair value adjustments	-	-	-	13 294	-	-	-	-	-	13 294
Reclassification adjustments	-	-	-	(2 289)	-	-	-	2 289	-	-
Dividends	-	-	-	-	-	-	-	(50)	-	(50)
Day 1 gain on bonds	-	-	-	-	-	-	-	263	-	263
Amortisation of gains on bonds	-	-	-	-	-	-	-	(145)	-	(145)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	9 292	-	-	-	(3 534)	-	5 758
Balance at 31 March 2019	1 393	-	25	67 109	1 222	54	-	23 294	-	93 097
Note(s)	18									

The accounting policies on page 35 and the notes on pages 51 to 118 form an integral part of the financial statements.

* The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long term loan to a subsidiary company, to the reporting currency.

Statement of Cash Flows

Annual Financial Statements for the Year Ended 31 March 2019

Figures in Rand million	Note(s)	Group 2019	Group 2018	Company 2019	Company 2018
Cash flows from operating activities					
Cash (used in)/generated from operations	24	(2 106)	36	(2 233)	(359)
Interest received		4 465	3 374	4 486	3 445
Dividend income		3 383	2 855	3 306	2 832
Finance costs		(2 825)	(2 318)	(2 573)	(2 249)
Tax (paid) refunded		(31)	453	16	264
Increase on operating assets		(3 781)	(7 511)	(5 492)	(6 510)
Increase in operating liabilities		6 264	2 850	7 400	4 170
Net cash from operating activities		**5 369**	**(261)**	**4 910**	**1 593**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(1 440)	(1 719)	(170)	(21)
Proceeds on sale of property , plant and equipment	5	274	355	142	-
Purchase of investment property		(1)	-	-	-
Sale of investment property		87	-	-	-
Purchase of intangible assets	8	(2)	(4)	-	-
Acquisition of investments		(3 322)	(2 077)	(4 069)	(4 799)
Purchase of other financial assets		-	(66)	-	(38)
Purchase of biological assets	7	(72)	(18)	-	-
Sale of biological assets	7	37	-	-	-
Proceeds on realisation of investments		2 744	2 381	2 744	2 381
Net cash from investing activities		**(1 694)**	**(1 148)**	**(1 353)**	**(2 477)**
Cash flows from financing activities					
Dividends paid		(50)	(50)	(50)	(50)
Net cash from financing activities		**(50)**	**(50)**	**(50)**	**(50)**
Total cash movement for the year		**3 623**	**(1 459)**	**3 507**	**(934)**
Cash at the beginning of the year		6 137	7 596	5 726	6 660
Total cash at end of the year	16	**9 760**	**6 137**	**9 233**	**5 726**

Figures in Rand million	Industrial Development Corporation		Other financing activities		Foskor (Pty) Limited	
	2019	2018	2019	2018	2019	2018
Income						
Interest received	4 486	3 445	111	147	33	34
Dividends received	3 306	2 832	737	683	-	-
Fee income	387	361	43	93	-	-
Farming, manufacturing and mining income	-	-		-	5 429	5 893
Revenue *	8 179	6 638	891	923	5 462	5 927
Share of profits of equity-accounted investments	-	-	-	45	-	(5)
Other income	28	1 423	16	17	91	82
Net capital gains	(7)	2 383	-	11	(0)	-
Expenses						
Financing costs	(2 573)	(2 492)	(41)	(34)	(259)	(79)
Operating expenses	(1 546)	(979)	(274)	(397)	(5 317)	(6 311)
Share of losses of equity-accounted investments	-	-	(6)	-	-	-
Taxation	354	201	3	(9)	288	188
Depreciation	(24)	(22)	(36)	(4)	(353)	(336)
Project feasibility expenses	(100)	(129)	-	-	-	-
Net movement in impairments	(4 781)	(4 930)	(151)	(110)	-	-
Impairment of property, plant and equipment	-	-	-	-	-	(229)
Profit/(Loss) from discontinued operations	-	-	-	-	-	-
Profit for the year	(470)	2 093	402	442	(88)	(763)
Total assets	155 454	141 974	39 647	37 044	7 736	8 341
Interest in equity-accounted investments	32 129	23 623	914	992	25	-
Total liabilities	62 357	54 189	2 880	2 994	2 810	3 949
Capital expenditure	170	21	3	4	468	728
Capital expenditure commitments	-	-	-	-	238	-

*All revenue is from external customers.

Scaw South Africa, Grinding Media and Cast Products		Other*		Total	
2019	2018	2019	2018	2019	2018
-	1	(165)	(253)	4 465	3 374
-	-	(660)	(660)	3 383	2 855
-	-	2	(2)	432	452
3 211	3 554	990	(1 905)	9 630	7 542
3 211	3 555	167	(2 820)	17 910	14 223
-	-	650	379	650	419
-	2 078	99	(2 409)	234	1 191
-	-	75	(11)	68	2 383
(19)	(94)	67	266	(2 825)	(2 433)
(3 499)	(3 820)	(875)	2 628	(11 514)	(8 879)
-	-	-	-	(6)	-
(28)	-	(43)	1	574	381
-	(113)	(210)	(38)	(623)	(513)
-	-	-	-	100	(129)
-	-	1 284	2 388	(3 648)	(2 652)
-	(5)	-	5	-	(229)
-	(74)	-	(464)	-	(538)
(335)	1 527	1 214	(75)	720	3 224
(1 633)	5 575	(56 597)	(55 977)	144 607	136 958
-	-	(316)	(643)	32 752	23 972
784	10 037	(19 527)	(26 318)	49 304	44 851
319	90	480	876	1 440	1 719
-	-	235	16	473	16

Geographical segments

Annual Financial Statements for the Year Ended 31 March 2019

Figures in Rand million	South Africa		Rest of Africa		Other*		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Income								
Interest received	3 645	2 757	820	617	-	-	4 465	3 374
Dividends received	2 544	2 281	776	515	63	59	3 383	2 855
Fee income	432	454	-	-	-	-	432	454
Farming, manufacturing and mining income	9 585	7 354	45	61	-	125	9 630	7 540
Revenue	16 206	12 846	1 641	1 193	63	184	17 910	14 223
Share of profits of equity-accounted investments	644	(11)	-	430	-	-	644	419
Other income	232	1 584	-	-	1	10	234	1 594
Net capital gains	68	2 383	-	-	-	-	68	2 383
Expenses								
Financing expenses	(2 824)	(2 433)	(1)	-	-	-	(2 825)	(2 433)
Operating expenses	(11 470)	(9 089)	(44)	(2)	-	(1)	(11 514)	(9 092)
Share of losses of equity-accounted investments	-	-	-	(59)	-	(132)	-	(191)
Taxation	574	381	-	-	-	-	574	381
Depreciation	(623)	(512)	-	-	-	-	(623)	(512)
Impairment of property, plant and equipment	-	(229)	-	-	-	-	-	(229)
Net movement in impairments	(3 648)	(2 652)	-	-	-	-	(3 648)	(2 652)
Project feasibility expenses	(100)	(129)	-	-	-	-	(100)	(129)
Impairment reversal	-	(538)	-	-	-	-	-	(538)
Profit for the year	**(941)**	**1 601**	**1 596**	**1 596**	**64**	**61**	**720**	**3 224**
Total assets	127 723	124 426	15 392	10 185	1 492	2 347	144 607	136 958
Interest in equity-accounted investments	32 752	20 731	-	3 241	-	-	32 752	23 972
Total liabilities	49 291	44 792	13	18	-	41	49 304	44 851
Capital expenditure	1 440	1 719	-	-	-	-	1 440	1 719
Capital expenditure commitments	473	16	-	-	-	-	473	16

Other – includes all countries outside the African continent

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 2019 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 29 July 2019.

1.1 Statement of compliance

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

1.2 Basis of preparation

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

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

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

1.3 New Standards, amendments and interpretations to existing standards

1.3.1 New Standards adopted as at 1 April 2018

a) IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 April 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018. Impact of IFRS 15 was not significant on the financial statements.

b) IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Group applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

The adoption of IFRS 9 has impacted the following areas:

- the classification and measurement of the Group's financial assets.
- investments in listed equity securities and the equity investments in subsidiaries previously classified as available-for-sale (AFS) investments under IAS 39 are now designated to be measured at fair value through other comprehensive income.
- the impairment of financial assets applying the expected credit loss model. This affects the Group's investments in debt-type assets and trade receivables measured at amortised cost.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at 1 April 2018:

The comparatives figures for financial assets were prepared based IAS 39.

1.3.2 Standards, amendments and Interpretations to existing Standards not yet effective or early adopted by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

a) IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months. IFRS 16 is effective from periods beginning on or after 1 March 2019. Early adoption is permitted; however, the Group have decided not to early adopt. IDC does not anticipate a significant impact on the annual financial statements.

1.4 Financial instruments

1.4.1 Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

1.4.2 Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs (where applicable). As with the initial recognition of financial instruments, the fair value is determined by applying the guidance set out in IFRS 13.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVOCI).

IDC group has made an irrevocable election at initial recognition to classify investments in ordinary shares as financial assets at FVOCI.

The classification for debt instruments is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

1.4.3 Subsequent measurement of financial assets

1.4.3.1 Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

The effective-interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider ECLs and includes transaction costs, premiums or discounts, fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit impaired financial assets (assets that are credit-impaired at initial recognition) the group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and

incorporates the impact of the ECLs in estimated future cashflows.

When the group revises the estimates of future cashflows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate, discounted using the original effective interest rate. Any changes are recognised in profit or loss.

IDC group loans and advances and preference shares that meet the above criteria are measured at amortised cost. Cash and cash equivalents; trade and most other receivables also fall into this category of financial instruments.

1.4.3.2 Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists, refer to note 1.28.

1.4.4 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, cash and cash equivalents, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the group's first identifying a credit loss event. Instead IDC considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, financial assets are broken down into these three-stages to determine the amount of impairment to be recognised as expected credit losses (ECL) at each reporting date as well as the amount of interest revenue to be recorded in future periods:

- **Stage 1:** Performing loan (Credit risk has not increased significantly since initial recognition – recognise 12 months ECL, and recognise interest on a gross basis);
- **Stage 2:** Underperforming loan (Credit risk has increased significantly since initial recognition – recognise lifetime ECL, and recognise interest on a gross basis);
- **Stage 3:** Non-performing loan (Financial asset is credit impaired – recognise lifetime ECL, and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

As SICR is assessed on a business partner level, as opposed to a contract level, contagion is implicitly allowed for. SICR is driven by deterioration in credit risk, being added on the watchlist and arrears greater than 30 days. Business partners that have been flagged as being in Workout and Restructuring and those handed over to Legal Services for collection are non-performing and are moved to Stage 3 irrespective of the arrears amounts. When a business partner's credit rating, account or economical standing that improves, they will meet the criteria for curing. That will result in the instrument or exposure to return to a lower stage. Where exposure is less than R100 million the curing period is 3 months and where exposure is R100 million or more the curing period is 12 months.

The stages of ECL can be overridden in instances of technical arrears, deferments in process, in instances where a business partner is transferred to Workout and Restructuring and Legal Services department and lastly where there is evidence indicating deterioration in credit risk or debt serviceability. Stage overrides are approved by the IMC SPPI and documented. IDC also applies the 3-stage impairment model to financial guarantees and loan commitments.

- The ECL is calculated by taking into account the Probability of Default, Exposure At Default, Loss Given Default and Macro-economic conditions forecasts. Probabilty of Default (PD) - is the likelihood of an account defaulting within a specified month of its term;

- Exposure at Default (EAD) - is the total value a bank is exposed to when a loan defaults;
- Loss Given Default (LGD) - is the proportion of the exposure that is most likely to be recovered, considering the security held against the exposure.

Trade receivables, cash and cash equivalents and contract assets that do not contain a significant financing component, we use a simplified impairment approach e.g. financial assets with a credit rating or trade receivables with a maturity of 12 months or less.

1.4.5 Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

1.4.6 Derivative financial instruments and hedge accounting

IDC applies the new hedge accounting requirements in IFRS 9 prospectively. All hedging relationships that were hedging relationships under IAS 39 at the 31 March 2018 reporting date meet the IFRS 9's criteria for hedge accounting at 1 April 2018 and are therefore regarded as continuing hedging relationships.

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL).

For the reporting periods under review, IDC has not designated forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate foreign currency exchange risk arising from certain highly probable transactions denominated in foreign currency.

1.5 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 financial assets designated through other comprehensive income (FVOCI).

i) Business combinations

The acquisition method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The assets, liabilities and contingent liabilities acquired are assessed and included in the statement of financial position at their estimated fair value to the Group. If the cost of acquisition is higher than the net assets acquired, any difference between the net asset value and the cost of acquisition of a subsidiary is treated in accordance with the Group's accounting policy for goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

ii) Transactions eliminated on consolidation

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

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

iii) Non-controlling interests

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

iv) Loss of control

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

1.6 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.

1.7 Investments in associates

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

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

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

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

1.8 Joint ventures and partnerships

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

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

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

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

1.9 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 recognized in profit or loss and determined in accordance with the impairment of non-financial assets.

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

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

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

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (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 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.

1.11 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 recognized in profit and loss, except for FVOCI investments.

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.

1.12 Investment property

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

a) Measurement

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

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

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

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

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

1.13 Property, plant and equipment

a) Measurement

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

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

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

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

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

b) Subsequent cost

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

c) Depreciation

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

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

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

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

d) De-recognition

The carrying amount of items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal.

Gains or losses arising from de-recognition are determined as the difference between the net disposal proceeds and the carrying amount of the item of 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.

1.14 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.

1.15 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.

1.16 Share capital

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

1.17 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.

1.18 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 decommissioning provision includes estimated costs for the rehabilitation or restoration of any sites, land or location as a result of prior business activity. 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.

1.19 Contingent liabilities and commitments

a) Contingent liabilities

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

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

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

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

b) Commitments

Items are classified as commitments where the Group has committed itself to future transactions. Commitments are not recognised in the statement of financial position of the Group but disclosed in the notes.

1.20 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 recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which unused tax deductions can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax will be realised.

Deferred tax is not recognised if the temporary differences arise on the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting income. Deferred tax is also not recognised in respect of temporary differences relating to investments in associates, subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future and the timing of the reversal of the temporary difference is controlled.

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

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

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

1.21 Revenue

Revenue comprises sales to customers, dividends, interest and fee income. To determine whether to recognise revenue with contracts with customers, IDC follows a 5-step process:

- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations;
- Recognising revenue when/as performance obligation(s) are satisfied.

a) Sales to customers

IDC group revenue from sale of goods comprises of vast category of products, such as phosphate rocks and acids, grinding media balls, cast steel products and others, due the different industries the subsidiaries operate in. Revenue is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of such goods. IDC enters these contracts with customers as the principal and applies the 5-steps identified by IFRS 15 to identify the revenue to be recognized (stated above) for each contract.

b) Dividends

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

c) Interest

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

d) Fees

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

- Income earned on the execution of a significant act , mainly granting of credit and managing of funds, is recognised when the significant act has been performed.
- Income earned from the provision of services is recognised as the service is rendered (i.e over time) by reference to the stage of completion of the service, measured using an output method.

- 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 revenue other than from contracts with customers.
- Fees charged for servicing a loan are recognised in revenue as the service is provided.

The comparatives figures for revenue were prepared based IAS 18.

1.22 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.

1.23 Employee benefits

a) Post-retirement medical benefits

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

b) Defined contribution plans

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and under which the Group will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and previous periods.

c) Defined benefit plans

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

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

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

d) Short-term employee benefits

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

1.24 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.

1.25 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.

1.26 Related parties

The IDC operates in an economic environment together with other entities directly or indirectly owned by the South African government. Only parties within the national sphere of government will be considered to be related parties.

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

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

1.27 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.

1.28 Determination of fair values

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

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

a) Financial assets and liabilities

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

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

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

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

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

b) Property, plant and equipment

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

c) Intangible assets

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

d) Investment property

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

i. Capitalisation method

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

ii. Comparative method

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

iii. Residual land valuation method

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

e) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

f) Share-based payment transactions

A Group company entered into a Business Assistance Agreement, which is considered to be an equity-settled, share-based payment transaction. The fair value of the technical and business services received in exchange for the grant of equity instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity instruments granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest.

1.29 Use of estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors,

including expectations of future events that are believed to be reasonable under the circumstances.

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

a) Income taxes

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

b) Fair value of financial instruments

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

Listed equities are valued based on their listed value (fair value) on 31 March 2019.

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) Loans with no repayment terms

Certain shareholder loans have no repayments terms. When assessed under IFRS 9 whether they meet the criteria for SPPI some judgements were made. Based on common law in South Africa, loans with no repayment terms are deemed to be payable on demand. This meant that some shareholder loans met the definition of SPPI.

d) 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.

e) Environmental rehabilitation liability

In determining the environmental rehabilitation liability, an inflation rate of 4.5% (2018: 3.8% was assumed to increase the rehabilitation liability for the next 30 years, and a rate of 8.6% (2018: 7.99%) to discount that amount to present value. The assumed discount rate of 8.6% is a risk-free rate.

f) 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.

g) 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.

h) Transfer of function

The transfer of function does not fall within the scope of IFRS therefore management used judgement to formulate the accounting treatment of these transactions. At the time of transfer, all assets and liabilities were deemed to be of the same quality and value to the receiving entity as they were to the transferring entity. Both entities applied similar group accounting policies therefore the values of the assets and liabilities would be similar.

1.30 Transfer of functions

a) Between entities under common control

i. Recognition

The receiving entity recognises the assets and liabilities acquired through a transfer of functions on the effective date of the transfer. All income and expenses that relate

to the functions transferred are also recognised from the effective date of the transfer. The recognition of these income and expenses are governed by the accounting policies related to those specific income and expenses and accordingly this policy does not provide further guidance thereon.

ii. Measurement

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

iii. Derecognition

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

1.31 Preparation of the annual financial statements

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

1. Changes in accounting policies

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.
The adoption of IFRS 9 has impacted the following areas:

- The classification and measurement of the Group's financial assets. The Group holds financial assets to hold and collect the associated cash flows. Most of the Group's loans and advances, which were previously classified as 'Loans and Receivables' under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test (SPPI test) in IFRS 9. Those that do not meet this test are accounted for at fair value through profit or loss (FVTPL) - Note 2.

- Investments in both listed and unlisted equities, previously classified as available-for-sale (AFS) investments under IAS 39, are now measured at fair value through other comprehensive income (OCI) as the cash flows are not solely payments of principal and interest (SPPI). The Group elected to irrevocably designate equity investments at fair value with changes presented in other comprehensive income (OCI). In addition, all gains and losses upon derecognition will no longer be recycled to profit and loss - Note 2.

- Preference shares, previously classified as available-for-sale (AFS) investments under IAS 39, are now classified at fair value through profit or loss (FVTPL) if they do not meet the SPPI test, otherwise they are held at amortised cost. Fair value adjustments accumulated under IAS 39 on the latter were reversed in order to recognise the financial assets at amortised cost and expected credit losses raised. The table below reflects preference shares which were reclassified to amortised cost and what their fair values would have been under IAS 39. IAS 39 impairments are also compared to IFRS 9 expected credit loss allowances.

Preference shares: Company & Group	Fair value (IAS 39)	Amortised cost (IFRS 9)
Balance :31 March 2019	7 614	8 157
Impairment / ECL	-1 427	-1 714
Carrying amount	6 187	6 443

- The impairment of financial assets is determined applying the expected credit loss model. This affects the Group's trade receivables and investments in debt-type assets measured at amortised cost. For contract assets arising from IFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component - Note 2.

On the date of initial application, 1 April 2018, the financial instruments of the Group were reclassified as follows:

1. Changes in accounting policies (continued)

Group

Figures in Rand million	IAS 39 as at 31 March 2018	Reclassification	Measurements	IFRS 9 as at 1 April 2019	Retained earnings impact	Other reserves impact
Loans and advances	**30 660**	**30 660**	**(4 467)**	**26 193**	**(4 467)**	**-**
Amortised cost		30 660	(4 467)	26 193	(4 467)	-
From amortised cost (IAS 39)	-	(30 660)	-	-	-	-
Investments	**57 516**	**57 516**	**(1 886)**	**55 630**	**(334)**	**(1 552)**
FV through Profit and Loss	-	1 430	-	1 430	-	-
From available for sale (IAS 39)	-	(1 430)	-	-	-	-
FV through OCI	-	50 626	-	50 626	-	-
From available for sale (IAS 39)	-	(50 626)	-	-	-	-
Amortised cost	-	5 460	(1 886)	3 574	(334)	(1 552)
From available for sale (IAS 39)	-	(5 460)	-	-	-	-
Fair value adjustment reversal	-	-	-	-	-	-
Investments in subsidiaries						
Investments in associates	**23 972**	**23 972**	**(1 592)**	**22 380**	**(1 430)**	**(162)**
FV through Profit and Loss	-	1 490	-	1 490	-	-
From available for sale (IAS 39)	-	(75)	-	-	-	-
From amortised cost (IAS 39)	-	(1 415)	-	-	-	-
FV through OCI	-	15 057	-	15 057	-	-
From available for sale (IAS 39)	-	(15 057)	-	-	-	-
Amortised cost	-	(7 425)	(1 592)	5 833	(1 430)	(162)
From available for sale (IAS 39)	-	(333)	-	-	-	-
Fair value adjustment reversal	-	-	-	-	-	-
From amortised cost (IAS 39)	-	(7 092)	-	-	-	-
Cash and cash equivalents	**6 156**	**-**	**-**	**6 156**	**-**	**-**
Derivative financial instruments	**142**	**-**	**-**	**142**	**-**	**-**
Trade and other receivables	**3 351**	**-**	**(5)**	**3 346**	**(5)**	**-**
Other assets	**15 161**	**-**	**-**	**15 161**	**-**	**-**
Total assets	136 958	-	-	129 008	(6 236)	(1 714)
Share capital	**1 393**	**-**	**-**	**1 393**	**-**	**-**
Reserves	**45 097**	**-**	**1 713**	**43 384**	**-**	**(1 713)**
Retained income	**45 533**	**-**	**(5 377)**	**40 156**	**(5 377)**	**-**
Minority interest	**84**	**-**	**-**	**84**	**-**	**-**
Equity	92107	-	-	85 017	(5 377)	(1 713)
Other financial liabilities	**33 217**	**-**	**247**	**33 464**	**-**	**-**
Financial guarantee	-	-	-	-	-	-
Other liabilities	**11 634**	**-**	**(1 107)**	**10 527**	**1 107**	**-**
Total liabilities	44 851	-	(860)	43 991	860	-
Total equity and liabilities	136 958	-	-	129 008	(6 236)	(1 713)

Company

Figures in Rand million	IAS 39 as at 31 March 2018	Reclassification	Measurements	IFRS 9 as at 1 April 2019	Retained earnings impact	Other reserves impact
Loans and advances	**28 564**	**28 564**	**(4 361)**	**24 203**	**(4 361)**	**-**
Amortised cost	-	28 564	(4 361)	24 203	(4 361)	-
From amortised cost (IAS 39)	-	(28 564)	-	-	-	-
Investments	**35 941**	**35 941**	**(1 886)**	**34 055**	**(334)**	**(1 552)**
FV through Profit and Loss	-	1 430	-	1 430	-	-
From available for sale (IAS 39)	-	(1 430)	-	-	-	-
FV through OCI	-	29 051	-	29 051	-	-
From available for sale (IAS 39)	-	(29 051)	-	-	-	-
Amortised cost	-	5 460	(1 886)	3 574	(334)	-
From available for sale (IAS 39)	-	(5 460)	-	-	-	(1 552)
Investments in subsidiaries	**46 395**	**46 395**	**(621)**	**45 774**	**(621)**	**-**
FV through Profit and Loss	-	4 932	-	4 932	-	-
From available for sale (IAS 39)	-	(558)	-	-	-	-
From amortised cost (IAS 39)	-	(4 375)	-	-	-	-
FV through OCI	-	37 658	-	37 658	-	-
From available for sale (IAS 39)	-	(37 658)	-	-	-	-
Amortised cost	-	3 805	(621)	3 184	(621)	-
From available for sale (IAS 39)	-	(500)	-	-	-	-
From amortised cost (IAS 39)	-	(3 305)	-	-	-	-
Investments in associates	**23 623**	**23 623**	**(1 592)**	**22 032**	**(1 430)**	**(162)**
FV through Profit and Loss	-	1 490	-	1 490	-	-
From available for sale (IAS 39)	-	(75)	-	75	-	-
From amortised cost (IAS 39)	-	(1 415)	-	1 415	-	-
FV through OCI	-	15 057	-	15 057	-	-
From available for sale (IAS 39)	-	(15 057)	-	15 057	-	-
Amortised cost	-	7 077	(1 592)	5 485	(1 430)	(162)
From available for sale (IAS 39)	-	(333)	-	-	-	-
From amortised cost (IAS 39)	-	(6 743)	-	-	-	-
Cash and cash equivalents	**5 726**	**-**	**-**	**5 726**	**-**	**-**
Derivative financial instruments	**108**	**-**	**-**	**108**	**-**	**-**
Trade and other receivables	**1 257**	**-**	**(5)**	**1 252**	**(5)**	**-**
Other assets	**360**	**-**	**-**	**360**	**-**	**-**
Total assets	141 974	-	-	133 510	(6 751)	(1 713)
Share capital	**1 393**	**-**	**-**	**1 393**	**-**	**-**
Reserves	**59 094**	**-**	**(1 713)**	**57 381**	**-**	**(1 713)**
Retained income	**27 298**	**-**	**(5 891)**	**21 407**	**(5 891)**	**-**
Equity	87 785	-	(7 604)	80 181	(5 891)	(1 713)
Other financial liabilities	**46 723**	**-**	**247**	**46 970**	**(247)**	**-**
Other liabilities	**7 466**	**-**	**(1 107)**	**6 359**	**1 107**	**-**
Total liabilities	54 189	-	(860)	53 329	860	-
Total equity and liabilities	141 974	-	-	133 510	(6 751)	(1 713)

1. Changes in accounting policies (continued)

IFRS 9 requires an assessment to be performed of the credit risk of a financial asset at valuation date, compared to the credit risk at inception to determine whether a significant increase in credit risk ("SICR") has occurred. As such, all financial assets that meet SPPI are assessed for SICR at each reporting date. The SICR assessment is done at business partner level, implying a level of contagion.

- Stage 1 assets are considered performing Credit risk has not increased significantly since initial recognition. A 12 months ECL / expected loss allowance is recognized for stage 1 assets.
- Stage 2 assets are considered to be underperforming as credit risk has increased significantly since initial recognition, but are not credit impaired. A lifetime ECL / loss allowance is recognized for stage 2 assets.
- Stage 3 assets are classified as nonperforming and credit impaired. A lifetime ECL / expected loss allowance is recognized for all stage 3 assets.

The tables below reflect the amortised cost and staging of the Group's financial instruments.

Group

Loans & Advances	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	9 524	640	486	10 650
Medium risk	5 069	439	1 959	7 467
High risk	8 399	969	8 098	18 491
Subtotal	22 992	2 048	10 543	35 583
Expected credit losses	-2 694	-381	(6 628)	(9 703)
Amortised cost	20 298	1 667	3 915	25 880
ECL coverage ratio (%)	12	19	63	27

Guarantees	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	13	36	81	130
Medium risk	2	-	1	3
High risk	14	11	36	61
Total	29	47	118	194

Company

Loans & Advances	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	9 524	640	486	10 650
Medium risk	5 069	439	1 959	7 467
High risk	8 399	969	9 381	18 749
Subtotal	22 992	2 048	11 826	36 866
Expected credit losses	-2 694	(381)	(5 859)	(8 934)
Amortised cost	20 298	1 667	5 967	27 932
ECL coverage ration (%)	12	19	50	24

Guarantees	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	13	36	81	130
Medium risk	2	-	1	3
High risk	14	11	36	61
Total	29	47	118	194

IFRS 15 impact

This IFRS introduces a new revenue recognition model for contracts with customers and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 15 also includes extensive new disclosure requirements; and the Group have adopted IFRS 15 on 1 April 2018. Due to the transition methods adopted by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards.

It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods.

Due to the nature of the Groups operations, the adoption of IFRS 15 did not have a material impact on the Group, the majority of the impact was contained to enhanced and additional disclosures required by the standard, and no quantitative impact was observed.

The Group adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for the year ended March 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations.

Foskor Impact - Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax (VAT), returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Foskor's core business is the beatification of phosphate rock at the Mining Division and the manufacture and supply of standard merchant grade phosphoric acid and related granular fertiliser products at the Acid Division. Approximately 70% of the phosphate rock concentrate is railed to the Acid Division for processing into phosphoric acid, which is then used as a raw material in the production of granular fertiliser. About 50% of the phosphoric acid sales are exported, while granular fertiliser sales are mainly to the local market. The group generates its revenue based on various contractual arrangements with its customers from the major sources listed below. These sources provide context to the Group's activities and attempt to aggregate revenue by nature, extent, timing and risk.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies as well as critical judgements and estimates made by management in the selection and application of its accounting polices related to each major revenue

1. Changes in accounting policies (continued)

source. Revenue is shown net of indirect taxes, estimated returns, rebates and discounts, and after eliminating sales within the Group.

Revenue Source	Performance obligations	Recognition	Measurement and terms of sale	Critical estimates and judgements applied
Mining Division Revenue				
Sales of Phosphate Rock and Magnetite	Sale of Phosphate Rock and Magnetite products per metric tonne sold to local and export customers. Local customers include all customers within the borders of South Africa, while export includes all customers outside of South Africa.	Recognised at the point of transfer of control which is generally at the point of loading at Foskor's Mine for local sales and at loading point for export shipments.	Measured at the price per ton as per Foskor's standard selling price, less any discounts or rebates to which the customer qualifies. Payment terms are generally 30-60 days.	Management have assessed the point of transfer of control based on their understanding of the critical terms and conditions of sale, this assessment has concluded that control is transferred at the Foskor Mine or loading points at harbours in Maputo and Richards Bay. This is due to management being of the view that at this point the customer has obtained physical possession of the product and accepted the risks and rewards associated therewith. The estimated potential rebate/discount amount is only refunded to customers on a periodic basis. Management have estimated the potential effects of these arrangements and constrained revenue accordingly.
Acid Division Revenue				
Sale of Granular Fertiliser	Sale of Granulation fertiliser products per metric tonne sold to local and export customers. Local customers include all customers within the borders of South Africa, while export includes all customers outside of South Africa.	Recognised at the point of transfer of control which is generally at the point of loading at Foskor's Acid plant for local sales and at Richards Bay harbour loading point for export shipments.	Measured at the price per ton as per Foskor's standard selling price, less any discounts or rebates to which the customer qualifies. Payment terms are generally 30-60 days.	Management have assessed the point of transfer of control based on their understanding of the critical terms and conditions of sale, this assessment has concluded that control is transferred at the Foskor Acid Plant or loading point at harbour in Richards Bay. This is due to management being of the view that at this point the customer has obtained physical possession of the product and accepted the risks and rewards associated therewith. The estimated potential rebate/discount amount is only refunded to customers on a periodic basis. Management have estimated the potential effects of these arrangements and constrained revenue accordingly.

Revenue Source	Performance obligations	Recognition	Measurement and terms of sale	Critical estimates and judgements applied
Acid Division Revenue (contined)				
Phosphoric and Sulphuric Acid sales	Sale of Phosphoric Acid and Sulphuric Acid products per metric tonne sold to local and export customers. Local customers include all customers within the borders of South Africa, while export includes all customers outside of South Africa.	Recognised at the point of transfer of control which is generally at the point of loading at Foskor's Acid plant for local sales and at Richards Bay harbour loading point for export shipments.	Measured at the price per ton as per Foskor's standard selling price, less any discounts or rebates to which the customer qualifies. Payment terms are generally 30-60 days.	Management have assessed the point of transfer of control based on their understanding of the critical terms and conditions of sale, this assessment has concluded that control is transferred at the Foskor Acid Plant or loading point at harbour in Richards Bay. This is due to management being of the view that at this point the customer has obtained physical possession of the product and accepted the risks and rewards associated therewith. The estimated potential rebate/discount amount is only refunded to customers on a periodic basis. Management have estimated the potential effects of these arrangements and constrained revenue accordingly.
Sulphur, Ammonia & Gypsum Sales	Sale of Sulphur, Ammonia and Gypsum products per metric tonne sold to local. Local customers include all customers within the borders of South Africa.			
Other income				
Sundry/Other Revenue	Other revenue is income earned from customers within South Africa and customers outside South Africa.	Recognised when the right to receive payment is established.	Measured at the agreed price and payment terms are generally 30-60 days.	Management have assessed the manner of service and agreed price based on the understanding of the terms and conditions of service rendered.
Royalties	Royalties is earned in accordance with substance of agreement.	Recognised on an accrual basis in accordance with the substance of the relevant agreements.	Measured at the agreed performance declaration and payment terms are generally 30-60 days.	Management have assessed the manner in which royalties are declared based on the understanding of the terms and conditions of the agreement.

2. Financial assets and liabilities

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

Figures in Rand million	Note(s)	FVTPL	FVOCI	Amortised cost	Total	Fair value
Group - 2019						
Cash and cash equivalents	16	-	-	9 809	9 809	9 809
Loans and advances to clients	12	4 447	-	25 880	30 327	30 327
Investments - listed equities	13	-	54 860	-	54 860	54 860
Investments - unlisted equities	13	-	4 114	-	4 114	4 114
Investments - preference shares	13	1 346	-	4 949	6 295	6 313
Derivative assets	11	1	-	-	1	1
Trade and other receivables	15	-	-	3 824	3 824	3 824
Loans	19	-	-	39 486	39 486	39 486
Derivative liabilities	11	39	-	-	39	39
Bank overdrafts	16	-	-	49	49	49
Trade and other payables	36	-	-	2 661	2 661	2 661
Total		5 833	58 974	86 658	151 465	151 483

Figures in Rand million	Note(s)	FVTPL	FVOCI	Amortised cost	Total	Fair value
Company - 2019						
Cash and cash equivalents	16	-	-	9 233	9 233	9 233
Loans and advances to clients	12	4 448	-	27 932	32 380	32 380
Investments - listed equities	13	-	30 890	-	30 890	30 890
Investments - unlisted equities	13	-	4 060	-	4 060	4 060
Investments - preference shares	13	1 364	-	4 949	6 313	6 313
Trade and other receivables	15	-	-	2 074	2 074	2 074
Loans	19	-	-	54 125	54 125	54 125
Derivative liabilities	11	-	-	-	17	17
Trade and other payables	36	-	-	797	797	797
Total		5 812	34 950	99 110	139 889	139 889

	Note(s)	Held for trading	Loans and receivables	Available-for- sale	Other amortised cost	Total	Fair value
Group - 2018							
Cash and cash equivalents	16	-	6 156	-	-	6 156	6 156
Loans and advances to clients	12	-	30 660	-	-	30 660	29 874
Investments - listed equities	13	-	-	45 621	-	45 621	45 621
Investments - unlisted equities	13	-	-	5 005	-	5 005	5 005
Investments - preference shares	13	-	-	6 890	-	6 890	6 890
Derivative assets	11	142	-	-	-	142	142
Trade and other receivables	15	-	1 800	-	-	1 800	1 800
Loans	19	-	-	-	33 217	33 217	30 258
Derivative liabilities	11	139	-	-	-	139	139
Bank overdrafts	16	-	-	-	19	19	19
Trade and other payables	36	-	-	-	2 875	2 875	2 875
Total		281	38 616	57 516	36 111	132 524	128 779

	Note(s)	Held for trading	Loans and receivables	Available-for- sale	Other amortised cost	Total	Fair value
Company - 2018							
Cash and cash equivalents	16	-	25 726	-	-	25 726	25 726
Loans and advances to clients	12	-	28 564	-	-	28 564	27 918
Investments - listed equities	13	-	-	24 142	-	24 142	24 142
Investments - unlisted equities	13	-	-	4 909	-	4 909	4 909
Investments - preference shares	13	-	-	6 890	-	6 890	6 890
Derivative assets	11	108	-	-	-	108	108
Trade and other receivables	15	-	1 254	-	-	1 254	1 254
Loans	19	-	-	-	46 723	46 723	44 158
Derivative liabilities	11	126	-	-	-	126	126
Trade and other payables	36	-	-	-	714	714	714
Total		234	55 544	35 941	47 437	139 156	135 945

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 industries and/or regions as well as the risk of over-dependency in relation to income on a limited number of exposures or counterparties and/or financial products and the risk of margin erosion due to inappropriate pricing relative to the cost of funding and the risk assumed. The management of these risk areas is therefore critical for the IDC.

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 underlying contract, thereby causing the asset holder to suffer a financial loss. Credit risk, as defined by the IDC, comprises the potential loss on loans, advances, guarantees, quasi- equity and equity investments due to default.

Credit risk arises as a result of the Corporation's lending activities as well as the placement of deposits with financial institutions.

Approach to Managing Credit Risk

The IDC endeavors 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 lending and/or financing activities 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, industry / 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 countries;
- Sensitivity to the performance of a single company or counterparty; and/or
- Sensitivity to a particular risk mitigation technique, e.g. a particular collateral type.

The IDC has various established methodologies for the management of the credit concentrations it is exposed to and has established risk concentration limits, thresholds and policies for:
- Exposure to a single obligor;
- A counterparty or group of related parties / entities;
- Geographical locations; and
- Industries.

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

Single name (single obligor) and Counterparty (related party) limits

The need for singe name and counterparty 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 Business Partner or counterparty default or experience material loss in value. A single Business Partner represents a single obligor or single legal entity to whom the IDC has a credit exposure to, while a counterparty is defined as a group of related parties / entities.

Clients which have one or more of the following similarities with another client which IDC has or had a credit exposure to are considered counterparties if one or more of the following are present:
- 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.

Africa portfolio and regional limits and country thresholds

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

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

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

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

Risk Appetite and Risk Tolerance Process

One of the key practices of risk management is the determination and quantification of an organisation's risk appetite based on what is of strategic importance. IDC continuously makes improvements to the process to ensure that it is applicable to the Corporation and its strategic intent.

The setting of an effective risk appetite is considered one of the key building blocks to establishing a sound risk management framework. Risk appetite is defined as the amount and type of risk that an organisation is willing to pursue or retain. The

determination of the IDC's risk appetite plays an important role in its ERM activities. It is also considered by the IDC to be a leading best practice methodology to assist it to achieve its strategic objectives while maintaining a sound platform for future viability and continued growth.

Defining the level of risk the IDC is comfortable with assists it to:
- Make better informed business decisions;
- Focus on those risks that exceed the defined appetite for risk;
- Develop a business culture with a high awareness of risk; and
- Strike a balance between daring and prudence.

The IDC's risk appetite is linked and aligned to its mandate and business objectives and is an agreement between its business goals and the related risks. Risk tolerance is considered an integral part of the process and is an organisation's readiness to bear the risk after risk mitigation, in the pursuit of its strategic objectives. The setting of risk appetite and tolerance levels aids operational decision making and strategic planning and provides management with the information to determine whether the risk profiles of current and potential activities are either financially acceptable or require additional risk management measures to reduce the volatility to within risk appetite limits. Hence, it helps management to allocate resources and management time to the most significant risks. The use of risk appetite also ensures that management does not make conservative decisions that expose the organisation to insufficient risk and hence generate inadequate returns on capital.

The IDC's Risk Appetite and Tolerance Process incorporate the five steps set out below:

1. Establish Key Risk Indicator (KRI) per risk: For each of the risks identified in step 2 of the risk assessment process, one or more KRI is established. The KRI can be financial and non-financial, qualitative or quantitative. A KRI is related to a specific risk and is an indicator that provides an effective monitoring tool to measure changes in risk levels and keep management appraised of shifts in established patterns. Measurement of the KRI is used to answer the question: "How is our risk profile changing and is it within our desired tolerance levels?"

2. Establish risk appetite thresholds per KRI: The IDC has determined its risk appetite thresholds based on its strategic objectives, corporate values, organisational and control dimensions. Risk appetite, at the IDC, is defined as the amount of risk exposure, or potential adverse impact from an event that the IDC is willing to accept / retain. For each risk, the IDC risk appetite thresholds are determined on three simple levels: appetite for the risk, tolerate the risk or avoid the risk. Once a risk threshold has been breached or KRI indicates that breach is eminent, risk management treatments and business controls are considered / implemented to bring the exposure level back to within an acceptable range.

3. Review the results with the risk owners: Once KRI and risk appetite / tolerance levels have been set per risk, a review of the combined results is undertaken with each of the risk owners. The actual result for each of the risks is calculated and compared to the risk appetite thresholds. During this process each individual risk is assessed.

4. Compare risk measurement outcomes with results from the annual risk assessment: The next step is to assess how the risk appetite outcomes compare to the risk profile established through the annual risk assessment. This assessment is achieved through a gap analysis and focuses on what is considered to be the most important risks.

5. Summarise key findings: An analysis and comparison of the risk appetite thresholds with the actual results are undertaken to identify the key risks facing the IDC.

Geographical analysis

	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
Figures in Rand million	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount as per Note 10 and 9	25 880	30 660	60 320	57 516	27 932	28 564	36 296	35 941
Concentration by location:								
South Africa	18 286	22 505	58 199	55 184	20 337	20 409	34 175	33 609
SADC	2 425	2 605	856	712	2 425	2 605	856	712
Rest of Africa	5 169	5 550	-	164	5 169	5 550	-	164
Outside Africa	-	-	1 265	1 456	1	-	1 265	1 456
	25 880	30 660	60 320	57 516	27 932	28 564	36 296	35 941

Carrying value of equity instruments classified as FVOCI and preference shares classified as either amortised cost or FVTPL, excluding investments in subsidiaries, associates and joint ventures.

Economic industry limits

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

Although the IDC's business cuts across a number of industries, it could be exposed to concentration risk by virtue of disproportionately large exposures in any of these industries. Managing and monitoring such concentrations to limit downside potential is therefore an integral part of an effective risk management processes. To avoid undue losses due to associated exposures, the IDC strives to identify potential common risk factors and minimise its aggregate exposure to these risk factors.

The goal of industry limits is for the IDC to attempt to diversify or at least identify its portfolio concentrations based on exposures to industries 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 establishing an industry limit methodology is to ensure that it is effective in protecting the institution from credit events and is practical in its enforcement without restricting investment activities. The establishment of industry limits is aligned with the overall strategy of the IDC (including its risk appetite).

Industry analysis

	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
Figures in Rand million	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount as per Note 10 and 11	25 880	30 660	60 224	57 516	27 932	28 564	36 296	35 941
Concentration by Industry:								
Agriculture and Food	2 742	4 402	18	262	2 722	2 774	18	262
Chemicals and Petroleum	2 184	1 954	24 268	22 124	2 184	1 954	298	646
Finance & Insurance	1 608	1 877	54	98	1 516	1 732	1	1
Metals and Machinery	5 718	5 236	9 843	9 656	5 624	4 953	9 843	9 656
Mining	2 654	2 680	22 963	17 786	2 649	2 680	22 963	17 786
Other Manufacturing	1 473	1 867	130	626	1 473	1 867	130	626
Other Services	1 171	1 287	2 585	4 211	1 203	1 287	2 585	4 211
Trade, Catering and Accommodation	2 785	3 367	104	266	2 712	3 367	104	266
Transport, Communication and Utilities	5 545	7 990	355	2 487	7 849	7 950	354	2 487
	25 880	30 660	60 320	57 516	27 932	28 564	36 296	35 941

Carrying value of equity instruments classified as FVOCI and preference shares classified as either amortised cost or FVTPL, excluding investments in subsidiaries, associates and joint ventures.

Internal rating model and pricing

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

The rating and pricing methodology follows a two-step approach namely; rating which is incorporated into the pricing solution for all credit transactions

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

- Calculation of an Expected Loss (EL), where EL = (PD*EAD*LGD), which is included as a risk margin in the price of a facility based on the client's riskiness

3. Financial risk management (continued)

- Customised qualitative factors based on consultation with industry specialists in the business units to reflect specific IDC industry focus, when rating a client;
- Objectively determine the credit quality of individual clients as well as the portfolio;
- Quantification of the development score impact into a ZAR amount;

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

The IDC loan book is reviewed on a regular basis, by IMC SPPI, which monitors and manages the quality and arrears on a proactive basis. IFRS 9 requires an assessment to be performed of the credit risk of a financial asset at the valuation date, compared to the credit risk as at inception to determine whether a significant increase in credit risk ("SICR") has occurred.

As such, all financial assets that meet SPPI are assessed for SICR at each reporting period. The SICR assessment is done at business partner level, implying a level of contagion.

- Stage 1 assets are considered performing - Credit risk has not increased significantly since initial recognition. A 12 months ECL / loss allowance is recognized for stage 1 assets.
- Stage 2 assets are considered underperforming as credit risk has increased significantly since initial recognition, but are not credit impaired. A lifetime ECL / loss allowance is recognized for stage 2 assets.
- Stage 3 assets are non-performing and considered credit impaired. A lifetime ECL / loss allowance is recognized for all stage 3 assets.

A business partner is considered to have experienced SICR and will transition to stage 2 when:
- Amounts past due (arrears), exceed 30 days (rebuttable presumption);
- The business partner is on the IDC's watch list and is categorized as a 'high' risk; or
- A deterioration in probability of default occurred.

Business partners that have been flagged as being in Workout and Restructuring and those handed over to Legal Services for collection are considered credit impaired / non-performing and are transitioned to Stage 3 together with business partners that meets the default definition:

A financial asset is considered in default when the amount in arrears for more than 90 days exceeds 0.5% of the business partner's total exposure. Business partners may transition from stage 3 to stage 2 if there are indications that the business partner has cured, provided the predetermined cure rules are met:
- For exposures below R100 million the curing period is 3 months;
- For exposures exceeding R100 million and for clients in Workout and Restructuring and Legal, the cure period is 12 months.

Watch list:
IDC includes a client on its watch list where the SPPI exposure exceeds R50 million. A qualitative risk assessment is performed to determine the risk category (Red – high risk; Amber – medium risk or Green – low risk). Business partners allocated a 'high'/red risk indicator displays high default/repayment risk. The following categories of qualitative factors are considered in determining the watch list risk category:
- Business risk
- Financial risk
- Economic risk

Write-offs:

IDC writes off financial assets in a number of instances, including:

- When all reasonable short term and medium term recovery efforts have been exhausted or the legal collections or litigation route have been exhausted;
- When all liquid assets have been realized and the proceeds thereof have been allocated to the outstanding exposure;
- When the cost of further recovery efforts outweighs the benefits or further recovery efforts are not economically viable

Forward looking information:

A reasonable and supportable forecasts of future events and economic conditions at the reporting date is incorporated in the calculation of expected credit losses / loss allowances. Forward-looking macroeconomic information is introduced to allow loss allowances to automatically adjust to allow for future macroeconomic conditions. Macro-economic information for three scenarios, base case, pessimistic and optimistic views, are taken in consideration.

The correlation between the IDC's historical default experience and a range of macro-economic indicators were assessed and indicators that are most likely to impact on the default propensity of IDC BP's were selected to be applied in the calculation of loss allowances:

- Household consumption
- Gross fixed capital formation
- Exports
- PPI
- IDC commodity index (calculated by R&I based on the IDC's commodity mix).

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. In most instances loans in stage 3 are considered for restructuring. Once the loan is restructured it remains in stage 3 until the loan has cured / the performance post restructuring is considered satisfactory.

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. The fair values of underlying assets are based on the value of collateral assessed at the time of borrowing and subsequent valuations by the IDC Fixed Asset Valuation Department.

The fair values of collateral held against financial assets is shown below:

	Group		Company	
IDC financing activities* (R'm)	2019	2018	2019	2018
Against impaired assets				
General notarial bond	4 213	16	4 213	16
Special notarial bonds	3 399	300	3 399	300
Mortgage bond	7 590	1 032	7 590	1 032
Other	72	78	72	78
	15 274	1 426	15 274	1 426
Gross value of impaired loans	17 363	7 835	17 346	7 101

	Group		Company	
IDC financing activities* (R'm)	2019	2018	2019	2018
Against loans in arrears and not impaired				
General notarial bond	5 412	1 069	5 412	1 069

3. Financial risk management (continued)

Mortgage bond	10 371	200	10 371	200
Special notarial bonds	22 301	305	22 301	305
Other	190	7	190	7
	38 274	**1 581**	**38 274**	**1 581**
Gross value of impaired loans	23 863	1 057	23 863	1 028

Liquidity risk

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

Sources of liquidity risk include:

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

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

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

Liquidity coverage ratios aim to ensure that suitable levels of unencumbered high-quality liquid assets are held to protect against unexpected, yet plausible liquidity stress events. Two separate liquidity stresses are considered:

- First, an acute three-month liquidity stress impacting strongly on both funding and market liquidity; and
- Secondly, a protracted twelve-month liquidity stress impacting moderately on both funding and market liquidity.

Approved high-quality liquid assets include cash, near-cash, committed facilities, as well as a portion of the Corporation's listed equity investments, after applying forced-sale discounts.

Consolidated local and foreign currency liquidity coverage	3-months Scenario 1	12-months Scenario 2
2019		
Approved high-quality liquid assets	11,823.1	11,823.1
Net stressed outflows	(11,161.4)	(11,068.7)
Liquidity coverage ratios (%)	105.9	106.8
2018		
Approved high-quality liquid assets	13,763.1	13,763.1
Net stressed outflows	(9,428.4)	(11,068.1)
Liquidity coverage ratios (%)	146.0	124.3

Structural liquidity mismatch ratios aim to ensure adequate medium to long-term liquidity mismatch capacity by maintaining a stable funding profile. This is done by restricting, within reasonable levels, potential future borrowing requirements as a percentage of total funding-related liabilities. A robust funding structure reduces the likelihood that the Corporation's liquidity position would deteriorate in the event of a disruption to its sources of funding. The structural liquidity mismatch is based on

conservative cash flow profiling with the added assumption that liquidity in the form of high-quality liquid assets are treated as readily available (i.e. recognised in the first-time bucket).

Consolidated local and foreign currency structural liquidity mismatch (SLM)	0-18 months	18-24 months	24-36 months
2019			
Cumulative liquidity positive variance	8 005,7	10 735.6	4 428.4
Funding related liabilities	30 255,1	25 539,2	22 487,7
SLM (%)	26,5	42,0	19,7
2018			
Cumulative liquidity positive variance	2 629,3	1 416,0	7 735,1
Funding related liabilities	19 897,5	19 238,2	15 689,5
SLM (%)	13,2	7,4	49,3

Market risk

Market risk is the risk that the value of a financial position or portfolio will decline due to adverse movements in market rates. In respect of market risk, the Corporation is exposed to liquidity risk, equity price risk, interest rate risk and exchange rate risk.

Market risk is governed by the Asset and Liability Management policy and the Asset and Liability Committee (ALCO) provides the objective oversight and makes delegated decisions related to market risk exposures.

Interest rate risk

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

The Corporation's interest rate risk is a function of its interest-bearing assets and liabilities. The primary sources of interest rate risk include:

- Repricing risk: which results from interest-bearing assets and liabilities which reprice within different periods. Thisalso includes the endowment effect caused by an overall quantum difference between interest-bearing assets and liabilities;
- Basis risk: due to the imperfect correlation between interest rate changes (spread volatility) on interest-bearing assets and liabilities which reprice within the same period;
- Yield curve risk: arising from unanticipated yield curve shifts (i.e. twists and pivots); and
- Optionality: due to the presence of embedded options in assets (i.e. prepayment) and liabilities (i.e. early settlement) which may be exercised based on interest rate considerations.

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

Interest rate sensitivity mismatch - Finance activities

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

3. Financial risk management (continued)

Interest rate sensitivity mismatch - March 2019	0-3 months	4-6 months	7-12 months
Cumulative liquidity positive variance			
SA Rand	7 154,5	6 687,9	6 701,0
US Dollar	(203,7)	(306,4)	(298,3)
Euro	(2,4)	27,4	24,7
Interest rate sensitivity mismatch - March 2018			
Cumulative liquidity positive variance			
SA Rand	7 428,8	7 479,1	7 519,1
US Dollar	(109,4)	(295,3)	(286,2)
Euro	(18,6)	9,9	7,3

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:

Figures in Rand million	Rand	US Dollar	Euro
2019			
+ 100 bps rate shock	78,5	(2,3)	0,13
- 100 bps rate shock	(78,5)	2,3	(0,13)
2018			
+ 100 bps rate shock	79,7	(1,9)	0.03
- 100 bps rate shock	(79,7)	1,9	(0.03)

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

Exchange rate risk

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

In the normal business, the Corporation 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:

- Translation risk: refers to the exchange rate risk associated with the consolidation of offshore assets and liabilities or the financial statements of foreign subsidiaries for financial reporting purposes;
- Transaction risk: arises where the Corporation has cash flows/transactions (i.e. a monetary asset or liability, off-balance sheet commitment or forecasted exposure) denominated in foreign currencies whose values are subject to unanticipated changes in exchange rates.

Any open (unhedged) position in a specific currency gives rise to exchange rate risk. Open positions can be either short (i.e. the Corporation will need to buy foreign currency to close the position) or long (i.e. the Group will need to sell foreign currency to close the position) with the net open foreign currency position referring to the sum of all open positions (spot and forward) in a specific currency.

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

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

The Group's foreign currency mismatch per currency as at 31 March 2019 is shown as per tables below:

Net open foreign currency positions - 2019

	US Dollar	Euro
- Loans (assets)	485,0	47,5
- Derivative hedges (FEC's)	67,2	20,2
- Borrowings (liabilities)	(566,2)	(70,6)
Other net (payables) / receivables	(8,0)	(1,3)
	(21,8)	(4,2)

Net open foreign currency positions - 2018

Foreign currency lending and borrowing	4,5	1,0
- Loans (assets)	465,9	43,5
- Derivative hedges (FEC's)	134,3	59,7
- Borrowings (liabilities)	(595,7)	(102,2)
Other net (payables) / receivables	(5,5)	(2,1)
Net open foreign currency positions	10,0	(3,1)

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

Equity price risk

Equity price risk is the risk that adverse movements in equity prices may cause a reduction in the value of the Corporation'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 Corporation's investments, unsystematic risk is managed by means of diversification.

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

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

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

From the table below it is evident that a 10% increase in the relevant variables, will have a R9 483 million increase in the equity values as at 31 March 2019 (2018: R10 821 million) and a 10% decrease will lead to a R9 483 million decrease in the equity values (2018: R10 003 million).

Period	10% increase	10% decrease
31March, 2019	R 9 483m	R 9 483m
31 March, 2018	R 10 821m	R 10 003m

3. Financial risk management (continued)

Operational risk

The IDC has adopted the Basel II (2004) definition for operational risk, which is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events. This definition includes legal risk but excludes systemic and reputational risk. This risk category relates to the IDC's reliance on systems, processes and people.

The seven main operational risks identified are:
- Internal theft and fraud;
- External theft and fraud;
- Employment practices and workplace safety;
- Clients, products and business practices;
- Damage to physical assets;
- Business disruption and system failures; and
- Execution delivery and process management.

Approach to managing operational risk

The purpose of operational risk management in IDC is to reduce the likelihood and consequences of avoidable operational risk events. An operational risk management framework, which has been approved by the IDC Board, has been developed to ensure that operational risks are consistently and comprehensively identified, assessed, mitigated, controlled, monitored and reported.

The IDC operational risk management framework comprises:
- The operational risk strategy and policies;
- The risk governance process;
- Risk identification and assessment;
- Risk measurement;
- Risk assurance;
- Risk execution and monitoring;
- Risk reporting; and
- Risk mitigation.

The IDC safeguards itself against operational risks through:
- A defined operational risk framework and operational risk policy;
- Regularly updating systems and procedures which are subject to approval by the Internal Audit Committee;
- Regular internal and external audits;
- Identifying operational risk at departmental and functional levels;
- Regular review of the comprehensive Business Continuity Plan (BCP) which incorporates a Disaster Recovery

Plan (DRP) for Information Technology (IT) recovery and a working Business Continuity Management Office that meets regularly;
- Insurance of fidelity guarantees, legal risks, public liability and other identified insurable risks including those of fixed assets which coverage is reviewed annually;
- The commitment of all employees to a code of conduct that encourages honesty, integrity and effectiveness.
- Functional area and business unit specific operational risk registers have been completed for all functions in IDC. Each of the completed operational risk registers were analysed to achieve a more complete understanding of the operational risk profile of the Corporation and the top operational risks identified. RMD is in the process of collecting data on all material operational risks losses and intends to develop a basic loss database for the Corporation in the next financial year.

Fraud and Corruption Prevention

The IDC has a fraud prevention plan in place and a Fraud and Corruption Prevention Committee comprising staff from the Internal Audit, Legal Services and International Finance, Financial Management, RMD, Operations and Human Capital Departments that

meet regularly. The IDC's fraud prevention plan forms part of its Corporate Crime Prevention and Detection Plan.

Business Continuity Management

Business Continuity Management (BCM) is included in the managing of Operational Risk. BCM aims to ensure that the Corporation is able to absorb, respond and recover from disruptions resulting from major business interruption events and disasters. In order for the BCM objectives to be achieved, RMD works in partnership with other departments and SBU's.

BCM has dual reporting to the Corporate Risk Division and the BCM Forum. The Chief Risk Officer has functional responsibility for BCM while the BCM Forum is a monitoring body.

The roles and activities of the BCM Forum include the following

- Assumes ownership of business continuity efforts within the IDC, ensures effective management of business continuity and that the principles of business continuity management are reflected in all key policies, strategies and decision making processes;
- Ensures that the business continuity framework remains current and relevant to the IDC;
- Defines the business continuity strategy to manage BCM risks through a core team in coordination with
- Departments, SBU's and the BCM Coordinator;
- Approves and reviews the business continuity policy, strategies and plans prior to EXCO submission;
- Approves BCM programme management and Emergency Command and Control Structure;
- Clarifies roles and responsibilities of the BCM program participants;
- Monitors BCM capabilities through internal and external BCM audit reports; and
- Oversees the BCM process.

For the purposes of BCM function development and management, the IDC has adopted British Standard BS25999 guideline, which is a BCM standard published by the British Standards Institution (BSI). In addition to the BS25999 standard, the function is also governed by the IDC's BCM Policy and aligned to the Business Continuity Institute's Global Good Practice Guideline 2010 (GPG). The guideline provides five phases of the BCM lifecycle which are widely adopted in the industry and provides a baseline for the purpose of common language in BCM.

GOVERNANCE RISK

Governance risk at the IDC is defined as the risk of loss resulting from inadequate legal, procurement, regulatory or compliance controls.

Approach to Managing Governance Risk

The management of the Corporation's governance risk include:

- Completion of Corporate Governance compliance checklists;
- The client due diligence process which includes a legal due diligence;
- Client reviews by Post Investment Monitoring Department;
- System restrictions for data capture, formatting and updates;
- Approval of all non-standard legal documents by the General Council and Divisional Executive: Legal and Post Investment;
- Obtaining external legal advice where appropriate;
- Continuous monitoring of new legislation and its application within the IDC context and policy manual updates;
- Compliance awareness training and reviewing of regulatory compliance policies, procedures and reporting; and
- The establishment of a Compliance Committee.

INFORMATION TECHNOLOGY GOVERNANCE RISK

3. Financial risk management (continued)

Information Technology (IT) Governance risk is defined as the risk of loss resulting from inadequate or failed IT processes.

The risk includes the failure of monitoring and evaluation processes resulting in non-compliance with legislation or internal processes and breach of security, business disruption and systems failure resulting in the inability to recover data and non-availability of IT applications. Other risks include poor service delivery from IT systems and failure of acquisition and implementation processes resulting in the non-alignment between business needs and IT solutions.

Recovery of IT is addressed in the Disaster Recovery Plan and other risks are addressed by:
- The IT security policy;
- Prudent and scrupulous recruitment policies; and
- Internal audit reviews of all information technology aspects, e.g. strategy, systems development, change management, hardware and software contracts and security policy.

Approach to Managing IT Governance Risk

The Corporation accepts that technology has a fundamental impact on the way in which business is conducted and businesses are measured. Therefore, IDC ensures that:
- Risks associated with the IT environment and projects are continuously evaluated and appropriate plans are in place and implemented to mitigate these risks to an acceptable level;
- IT expenditure is motivated by sound commercial principles rather than strategic instinct only i.e. that the business strategies and IT strategies are aligned;
- A long-term IT plan is developed and the appropriateness thereof is reviewed to ensure that it supports and does not inhibit the long-term strategy of the Corporation;
- Developments in the IT industry are continuously monitored and the potential impact thereof on the Corporation's long-term strategy is evaluated; and
- The necessary skills are in place to ensure that the internal control systems are adequately applied across the entire IT environment.

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.

4. Fair value information

Figures in Rand million	Level 1	Level 2	Level 3	Total
Group 2019				
Derivative assets	-	1	-	1
Biological assets	-	-	93	93
Investment property	-	-	290	290
Land and buildings	-	-	1 850	1 850
Listed shares	54 860	-	-	54 860
Unlisted shares	-	-	4 114	4 114
Preference shares	-	-	1 346	1 346
	54 860	1	7 693	62 554
Derivative liabilities	-	39	-	-
Group 2018				
Derivative assets	-	142	-	142
Biological assets	-	-	52	52
Investment property	-	-	403	403
Land and buildings	-	-	2 389	2 389
Listed shares	45 621	-	-	45 621
Unlisted equities	-	-	5 005	5 005
Preference shares	-	-	6 890	6 890
	45 621	142	14 739	60 502
Derivative liabilities	-	139	-	139
Company 2019				
Investment property	-	-	37	37
Listed shares	30 890	-	-	30 890
Unlisted shares	-	-	4 060	4 060
Preference shares	-	-	1 346	1 346
Investments in subsidiaries	23 970	-	23 462	47 432
Investments in associates	1 374	-	18 389	19 763
	56 234	-	47 294	103 528
Derivative liabilities	-	17	-	-
Company 2018				
Derivative assets	-	108	-	108
Investment property	-	-	32	32
Listed shares	24 142	-	-	24 142
Unlisted shares	-	-	4 909	4 909
Preference shares	-	-	6 890	6 890
Investments in subsidiaries	21 479	-	24 916	46 395
Investments in associates	1 648	-	21 975	23 623
	47 269	108	58 722	106 099
Derivative liabilities	-	126	-	126

4. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3

	Note(s)	Opening balance	Gains/ losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	IFRS 9 reclass-ification to amortised cost	Closing balance
Group - 2019								
Assets								
Biological assets	7	52	7	-	71	(37)	-	93
Land and buildings	5	2 389	(54)	3	60	(548)	-	1 850
Unlisted shares	13	4 949	-	781	-	(54)	-	414
Preference shares	13	6 895	99	-	679	-	(6 327)	1 346
Investment Property	6	403	-	(9)	1	(105)	-	290
		14 688	52	(841)	811	(744)	(6 327)	7 693
Group - 2018								
Assets								
Biological assets	7	51	1	-	-	-	-	52
Land and buildings	5	3 488	(30)	(1 336)	321	(54)	-	2 389
Unlisted shares	13	7 335	128	(2 227)	1 258	(1 489)	-	5 005
Preference shares	13	7 148	52	(1 258)	948	-	-	6 890
Investment property	6	366	37	-	-	-	-	403
		18 388	188	(4 877)	2 532	(1 543)	-	14 739

	Note(s)	Opening balance	Gains/ losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	IFRS 9 reclass-ification to amortised cost	Closing balance
Company - 2019								
Assets								
Unlisted shares	13	4 909	-	(817)	117	(149)	-	4 060
Preference shares	13	6 890	(402)	-	-	(193)	(4 949)	1 346
Investments in subsidiaries	9	22 705	61	(51)	747	-	-	23 462
Investments in associates	10	21 975	(4 597)	(631)	1 623	19	-	18 389
Investment property	6	32	5	-	-	-	-	37
		56 511	(4 904)	(1 499)	2 487	(323)	(4 949)	47 294
Company - 2018								
Assets								
Unlisted shares	13	7 315	86	(2 255)	562	(799)	-	4 909
Preference shares	13	7 148	(256)	(186)	514	(330)	-	6 890
Investments in subsidiaries	9	23 337	201	2 587	520	(1 729)	-	24 916
Investments in associates	10	17 391	(2 698)	4 950	2 332	-	-	21 975
Investment property	6	15	17	-	-	-	-	32
		55 206	(2 650)	5 096	3 928	(2 858)	-	58 722

Valuation processes applied by the Group

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

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

Valuation techniques using observable inputs

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

Level 1

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

Level 2

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

- Quoted price for similar assets or liabilities in an active market;
- Quoted price for identical or similar assets or liabilities in inactive markets;
- Valuation model using observable inputs; and
- Valuation model using inputs derived from/corroborated by observable market data.

These include derivative financial instruments, investment properties and option pricing models.

Valuation techniques using unobservable inputs

Level 3

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

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

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

4. Fair value information (continued)

Price Earnings (PE) Valuation

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

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

Free Cash Flow Valuation (FCF)

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

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

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

Net Asset Value Valuation (NAV)

Forced-Sale basis

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

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

NAV - Going Concern

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

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

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

Description	Valuation techniques	Unobservable input	Range
Equity Instruments			
All sectors		Risk-free rate	8.87%
		Expected long term growth	4.50%
Agro-processing	Discounted cash flow	Cost of Debt	5.1% - 12.7%
		Discount factor	7.7% - 23.4%
		Sector beta	1.1% - 1.5%
	Price-earning valuation	Industry/sector PE ratio	16.5% - 23.2%
		Risk Adjusted PE ratio	6.9% - 14.2%
		Expected long term growth	4.5%
Basic Metals and Mining	Discounted cash flow	Cost of Debt	4.1% - 12.8%
		Discount factor	6.7% - 21.5%
		Sector beta	1.00
Basic and Speciality Chemicals	Discounted cash flow	Cost of Debt	4.5% - 11.9%
		Discount factor	4.9% - 14.0%
		Sector beta	1.00
Automotive	Discounted cash flow	Cost of Debt	6.3% - 13.9%
		Discount factor	12.6% - 16.9%
		Sector beta	1.00
Light Manufacturing & Tourism	Discounted cash flow	Cost of Debt	9.9% - 12.5%
		Discount factor	8.0% - 16.1%
		Sector beta	1.00
Heavy Manufacturing	Discounted cash flow	Cost of Debt	3.8% - 9.5%
		Discount factor	13.7% - 20.2%
		Sector beta	1.00 - 1.01
Chemical Products	Discounted cash flow	Cost of Debt	7.9% - 12.5%
		Discount factor	14.1% - 21.5%
		Sector beta	1.00
New Industries	Discounted cash flow	Cost of Debt	7.9% - 15.4%
		Discount factor	5.6% - 21.5%
		Sector beta	1.00

Discounted cash flow

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

Price-earning valuation

The fair value would increase (decrease) if:

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

5. Property, plant and equipment

Figures in Rand million

Group	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	2 485	(635)	1 850	3 013	(624)	2 389
Plant and machinery	9 298	(5 443)	3 855	8 593	(4 687)	3 906
Furniture and fixtures	343	(247)	96	217	(165)	52
Motor vehicles	20	(14)	6	36	(26)	10
Bearer plants	206	(3)	203	205	-	205
Asset under construction	1 333	-	1 333	1 121	-	1 121
Total	13 685	(6 342)	7 343	13 185	(5 502)	7 683

Company	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	131	(126)	5	132	(120)	12
Furniture and fittings	136	(88)	48	111	(73)	38
Motor vehicles	10	(7)	3	8	(6)	2
Asset under construction	2	-	2	2	-	2
Total	279	(221)	58	253	(199)	54

Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Disposals	Transfers	Foreign Exchange Movements	Revaluations	Depreciation	Total
Land and buildings	2 389	60	(64)	(484)	(1)	3	(53)	1 850
Plant and machinery	3 906	894	-	(461)	-	-	(484)	3 855
Furniture and fixtures	52	126	(1)	2	-	-	(84)	96
Motor vehicles	10	3	(5)	(1)	-	-	(1)	6
Bearer plants	205	140	(135)	(6)	-	-	(1)	203
Asset Under Construction	1 121	217	(14)	9	-	-	-	1 333
	7 683	1 440	(219)	(941)	(1)	3	(623)	7 343

Reconciliation of property, plant and equipment - Group - 2018

	Opening balance	Additions	Disposals	Transfers	Revaluations	Impairment loss	Depreciation & Impairment	Total
Land and buildings	3 488	224	-	(1 147)	(124)	(3)	(49)	2 389
Plant and machinery	5 183	1 008	(325)	(1 289)	-	(229)	(442)	3 906
Furniture and fixtures	35	34	-	1	-	-	(18)	52
Motor vehicles	56	6	-	(47)	-	-	(5)	10
Bearer plants	181	39	(20)	8	-	-	(3)	205
Asset Under Construction	662	408	(11)	62	-	-	-	1 121
Capitalised Borrowing Costs	8	-	-	(8)	-	-	-	-
	9 613	1 719	(356)	(2 420)	(124)	(232)	(517)	7 683

Figures in Rand million

Reconciliation of property, plant and equipment - Company - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	12	-	-	(7)	5
Furniture and fixtures	38	165	(139)	(16)	48
Motor vehicles	2	2	-	(1)	3
Asset Under Construction	2	3	(3)	-	2
	54	170	(142)	(24)	58

Reconciliation of property, plant and equipment - Company - 2018

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

6. Investment property

Figures in Rand million

Group	2019			2018		
	Cost / Valuation	Movements	Fair value	Cost / Valuation	Movements	Fair value
Land and buildings leased to industrialists	36	(2)	34	27	9	36
Land held for development	343	(110)	232	316	27	343
Farming land and buildings	24	-	24	23	1	24
Total	403	(112)	290	366	37	403

Company	2019			2018		
	Cost / Valuation	Fair value adjustment	Carrying value	Cost / Valuation	Fair value adjustment	Carrying value
Land and buildings leased to industrialists	32	5	37	15	17	32

6. Investment property (continued)

Reconciliation of investment property - Group - 2019

	Opening balance	Additions	Disposals	Fair value adjustment	Total
Land and buildings leased to industrialists	36	-	-	(2)	34
Land held for development	343	2	(105)	(7)	232
Farming land and buildings	24	-	-	-	24
	403	2	(105)	(9)	290

Reconciliation of investment property - Group - 2018

	Opening balance	Fair value adjustment	Total
Land and buildings leased to industrialists	27	9	36
Farming land and buildings	23	1	24
Land held for development	316	27	343
	366	37	403

Reconciliation of investment property - Company - 2019

	Opening balance	Fair value adjustment	Total
Land and buildings leased to industrialists	32	5	37

Reconciliation of investment property - Company - 2018

	Opening balance	Fair value adjustment	Total
Land and buildings leased to industrialists	15	17	32

Details of valuation

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

The fair value of undeveloped land held as investment property is based on comparative market prices after intensive market surveys. Gains and losses arising from a change in fair value are recognised in profit or loss.

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

7. Biological assets

Group	2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Planted pecan nut trees	18	-	18	19	-	19
Maize	75	-	75	22	-	22
Blueberry plants	-	-	-	11	-	11
Total	93	-	93	52	-	52

Reconciliation of biological assets - Group - 2019

Figures in Rand million	Opening balance	Additions	Disposals	Gains (losses) arising from changes in fair value	Total
Planted pecan nut trees	19	17	(4)	6	38
Maize	22	54	(22)	1	55
Blueberry plants	11	-	(11)	-	-
	52	71	(37)	7	93

Reconciliation of biological assets - Group - 2018

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

Nature of biological assets

There are 129.03 hectares (2018: 129.03 hectares) of plants. The current plant density for the majority of plants at the Diepe Kloof farm is 4 000 and 5 000 plants per hectare and the plant densities at the Klyne Fontein farm is 3 333 and 4 167 plants per hectare. Fair value cannot be determined for blueberry plants as reliable information about the projected yields for the above mentioned varieties are not available and any predictions about yields cannot be verified in terms of historical yields.

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

8. Intangible assets

Group	2019			2018		
Figures in Rand million	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Goodwill	882	(882)	-	881	(881)	-
Intellectual Property	2	(1)	1	-	-	-
Computer software, other	86	(78)	8	78	(68)	10
Total	970	(961)	9	959	(949)	10

Reconciliation of intangible assets - Group - 2019

Figures in Rand million	Opening balance	Additions	Amortisation	Total
Intellectual Property	1	-	-	1
Water rights	-	-	-	-
Computer software, other	9	2	(3)	8
	10	2	(3)	9

8. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2018

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

9. Investments in subsidiaries

	Company	
Figures in Rand million	2019	2018
Fair value of investments	41 930	41 393
Impairment of shares	-	(2 678)
Loans receivable	6 858	8 548
Impairment of loans	(1 356)	(868)
	47 432	46 395

IDC subsidaries	Share class	% interest	Shares at cost and fair value		IDC net indebtedness to the holding company		IDC net indebtedness by the holding company	
			2019	2018	2019	2018	2019	2018
Arengo 316	Ordinary	100 %	-	-	160	159	-	-
ADC Cables	Ordinary	100 %	35	35	336	316	-	-
Dymson Nominee	Ordinary	100 %	2	2	46	47	-	-
Findevco	Ordinary	100 %	-	-	-	-	(374)	(373)
Foskor	Ordinary	59 %	805	205	1 172	956	-	-
Foskor	Preference		3 177	3 177	-	-	-	-
Impofin	Ordinary	100 %	-	-	-	-	(88)	(88)
Kindoc Investments	Ordinary	100 %	-	-	154	154	-	-
Konbel	Ordinary	100 %	-	-	-	-	(10)	(10)
Konoil	Ordinary	100 %	-	-	-	-	(13 455)	(12 720)
Prilla	Ordinary	100 %	14	14	308	324	-	-
Kindoc Sandton Properties	Ordinary	100 %	-	-	174	177	-	-
Sefa	Ordinary	100%	-	-	150	-	-	-
Grinding Media SA	Ordinary	59 %	-	-	1 957	-	-	-
Cast Products	Ordinary	100 %	-	-	1 304	-	-	-
Sustainable Fibre Solutions	Ordinary	100 %	4	4	136	134	-	-
Sheraton Textiles	Ordinary	80 %	3	-	56	57	-	-
Thelo Rolling Stock	Ordinary	50 %	-	-	976	981	-	-
Other subsidiaries	Ordinary	- %	280	644	(71)	5 243	(33)	-
			4 320	4 081	6 858	8 548	(13 960)	(13 191)
Fair value adjustment			37 610	37 312	-	-	-	-
Impairment adjustment			-	(2 678)	(1 356)	(868)	-	-
Fair value			41 930	38 715	5 502	7 680	(13 960)	(13 191)

Legally the IDC owns 59% of Foskor, but for accounting purposes an effective 85% of Foskor is consolidated by virtue of IDC holding shares on behalf of BBBEE participants until repayment of IDC funding is effected.

Subsidiaries with 50% stake

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

Profit and losses

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

	Group	Company
Figures in Rand million	2019	2019
Profits	32	18
Losses	(432)	(5)
	(400)	13

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:

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
Foskor Limited - At cost	-	-	805	205
Sasol Limited - At cost	131	131	-	-
	131	131	805	205

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

Subsidiaries with material non-controlling interests

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

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest	
		2019	2018
Foskor	RSA	15%	15%
SCAW	RSA	-	26%

The percentage ownership interest and the percentage voting rights of the non controlling interests were the same in all cases except for Foskor Limited where the voting rights were 41% (2018: 41%)

9. Investments in subsidiaries (continued)

Summarised statement of financial position

	Foskor		SCAW
Figures in Rand million	2019	2018	2018
Assets			
Non-current assets	5 686	5 757	-
Current assets	2 503	2 584	915
Total assets	8 189	8 341	915
Liabilities			
Non-current liabilities	1 842	2 109	-
Current liabilities	1 421	1 839	609
Total liabilities	3 263	3 948	609
Total net assets (liabilities)	4 926	4 393	306
Carrying amount of non-controlling interest	739	658	(80)

Summarised statement of profit or loss and other comprehensive income

	Foskor		SCAW
Figures in Rand million	2019	2018	2018
Revenue	5 429	5 893	224
Other income and expenses	(5 805)	(6 843)	(230)
Profit/(loss)before tax	(376)	(950)	(6)
Tax expense	287	188	-
Profit (loss)	(89)	(762)	(6)
Other comprehensive income/(loss)	3	(4)	-
Total comprehensive income	(86)	(766)	(6)
Profit (loss) allocated to non-controlling interest	(13)	(72)	-

Summarised statement of cash flows

	Foskor		SCAW
Figures in Rand million	2019	2018	2018
Cash flows from operating activities	(45)	(395)	(493)
Cash flows from investing activities	(495)	(761)	3 146
Cash flows from financing activities	590	768	(2 800)
Net increase(decrease) in cash and cash equivalents	50	(388)	(147)

10. Investments in associates

Figures in Rand million	Group		Company	
	2019	2018	2019	2018
Associated companies	32 565	23 769	32 107	23 601
Fair value of investments – listed shares in associates	-	-	1 374	1 648
Fair value of investments – unlisted shares in associates	-	-	18 389	15 321
Impairment of shares	-	-	-	(1 505)
Net asset value at acquisition	9 470	5 559	-	-
Accumulated equity-accounted income	23 168	21 843	-	-
Accumulated equity-accounted losses and impairments	(12 446)	(11 800)	-	-
Loans receivable	16 936	10 290	16 907	10 260
Impairment of loans	(4 563)	(2 123)	(4 563)	(2 123)
Partnerships and joint ventures	187	203	22	22
Partners' capital	222	212	41	41
Accumulated profits/(losses)	(35)	(9)	(19)	(19)
	32 752	23 972	32 129	23 623

Material associates

Companies		Financial year-ends*	Country of incorporation	% holding	Total exposure 2019	Total exposure 2018
BAIC Automobile SA (Pty) Ltd		31/12/2018	RSA	35.00%	406	446
BEECO 333		31/12/2018	RSA	23.00%	3 075	2 376
Broadband Infraco	Provides telecommunication infrastructure	31/12/2018	RSA	26.00%	229	478
Columbus Stainless Steel	Steel manufacturer	31/12/2018	RSA	24.00%	924	812
Duferco Steel Processing	Processes steel coil		RSA	50.00%	653	556
Eastern Produce Malawi	Farms tea, coffee and macadamia nuts	31/12/2018	Malawi	27.00%	209	152
Hans Merensky	Holds investments in timber and agricultural industries	31/12/2018	RSA	30.00%	1 150	953
Hulamin Limited	Asset-leasing company	31/12/2018	RSA	30.00%	1 141	1 376
Incwala Resources	Platinum mining		RSA	23.00%	645	650
Karsten Boerdery	Farms table grapes and dates		RSA	42.00%	717	431
KaXu Solar One	Parabolic through solar energy farm		RSA	29.00%	491	1 526
KHI Solar One (Pty) Ltd	Parabolic through solar energy farm	31/12/2018	RSA	29.00%	846	933
Merafe Ltd	Operates chrome and alloys plant	31/12/2018	RSA	22.00%	1 067	1 010
Mozal S.A.R.L.	Produces primary aluminium metal	31/12/2018	Mozambique	24.00%	3 685	3 089
Palabora Mining Co	Mining of various minerals		RSA	20.00%	1 844	1 945
Umicore Catalyst	Manufactures automotive catalysts	31/12/2018	RSA	35.00%	237	207
Xina Solar One	Parabolic through solar energy farm	31/12/2018		20.00%	1 060	1 067
York Timber Ltd	Sawmilling	31/12/2018	RSA	29.00%	881	885
Other associates	Various		RSA	various	13 305	4 877
					32 565	23 769

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

10. Investments in associates (continued)

Summarised financial information of material associates

2019

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit (loss) from continuing operations	Other comprehensive income	Total comprehensive income	Dividend received from associate
Broadband Infraco	372	(94)	-	(94)	-
Columbus Stainless	2 731	(111)	-	(111)	-
Duferco Steel Processing	1 838	(56)	-	(56)	-
Eastern Produce Malawi	622	117	-	117	11
Hans Merensky Holdings	15 654	512	520	932	7
Hulamin Limited	11 534	(773)	(23)	(796)	15
Karsten Group Holdings	1 031	118	-	118	6
KaXu Solar One	1 256	(113)	29	(84)	-
KHI Solar One	435	(210)	-	(210)	-
Merafe Ltd	5 606	683	-	683	93
Mozal S.A.R.L.	11 314	(374)	-	(374)	158
Umicore Catalyst	2 776	226	(1)	225	49
Xina Solar One	1 354	(41)	63	22	-
York Timber Ltd	800	(65)	-	(65)	-

Summarised statement of financial position	Non current assets	Current assets	Non current liabilities	Current liabilities	Total net assets
Broadband Infraco	1 151	95	457	153	636
Columbus Stainless	2 000	5 045	397	2 798	3 850
Duferco Steel Processing	1 266	1 379	976	1 333	336
Eastern Produce Malawi	777	376	247	128	778
Hans Merensky Holdings	7 820	4 165	3 621	3 005	5 359
Hulamin Limited	2 102	4 409	527	2 182	3 802
Karsten Group Holdings	2 242	1 085	1 069	564	1 694
KaXu Solar One	6 145	1 186	6 209	806	316
KHI Solar One	3 888	355	3 023	316	904
Merafe Ltd	3 309	3 271	1 136	550	4 893
Mozal S.A.R.L.	13 690	5 383	1 987	1 753	15 333
Umicore Catalyst	120	919	37	325	677
Xina Solar One	8 822	1 360	7 463	354	2 364
York Timber Ltd	4 005	948	1 444	442	3 067

Summarised financial information of material associates

2018

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

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

Aggregated individually immaterial associates accounted for using the equity method

	Group	
Figures in Rand million	2019	2018
The aggregate amounts were as follows:		
Non-current assets	111 363	85 095
Current assets	41 090	35 832
	152 453	120 927
Equity	75 312	55 456
Non-current liabilities	54 288	47 715
Current liabilities	22 853	17 756
	152 453	120 927
Statement of Comprehensive Income		
Revenue	73 871	93 094
Profits	8 035	9 360
Losses	(3 539)	(1 896)

10. Investments in associates (continued)

Partnerships and joint ventures

The IDC equity accounts for its joint venture, the Vantage Capital Fund Trust. While the IDC owns 100% of the trust, the trust deed does not grant the power to direct the investment.

	% interest	Total exposure 2019	Total exposure 2018
The Vantage Capital Fund Trust	100	40	168
Profits		2	2

Figures in Rand million	Group 2019	Group 2018	Company 2019	Company 2018
The aggregate amounts were as follows:				
Non-current assets	133	133	25	25
Current assets	228	228	-	-
	361	**361**	**25**	**25**
Equity	361	361	25	25
Statement of Comprehensive Income				
Profits	-	-	-	(3)
Losses	6	6	-	-

11. Derivative financial instruments

Figures in Rand million	Group 2019	Group 2018	Company 2019	Company 2018
Derivative assets				
Foreign exchange contract assets	1	142	-	108
Derivative liabilities				
Foreign exchange contract liability	39	139	17	126

These derivative assets and liabilities are subject to master netting agreements, which allows the Company to off-set the assets and liabilities, arriving at a net liability position of R17m (2018: net asset position of R18m)

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

12. Loans and advances

Figures in Rand million	Group 2019	Group 2018	Company 2019	Company 2018
Loans and advances to clients	35 583	35 830	36 866	33 060
Specific impairment of loans and advances	(9 703)	(4 168)	(8 934)	(3 504)
Collective impairment of loans and advances	-	(1 002)	-	(992)
	25 880	30 660	27 932	28 564

* Interest rates range between 0.4% and 26%

Reconciliation of provision for impairment of loans and receivables	Group 2019	Group 2018	Company 2019	Company 2018
Specific impairment of loans and advances				
Opening balance	4 168	3 037	3 504	2 434
IFRS 9 transition	4 467	-	4 467	-
– Charge for the year	2 587	1 900	2 347	2 157
– Recoveries	-	(55)	-	(55)
– Effect of foreign currency movements	(58)	(13)	(58)	(13)
Write-offs	(1 461)	(701)	(1 326)	(1 019)
	9 703	4 168	8 934	3 504
Portfolio impairment of loans and advances				
Opening balance	-	964	-	954
Impairment charge for the year	-	38	-	38
	-	1 002	-	992
Total allowances for impairment				
Specific allowances for impairment	9 703	4 168	8 934	3 504
Collective allowance for impairment	-	1 002	-	992
	9 703	5 170	8 934	4 496

Maturity of loans and advances	Group 2019	Group 2018	Company 2019	Company 2018
– due within three months	1 952	1 664	1 952	1 664
– due after three months but within one year	4 993	4 865	4 187	4 117
– due after one year but within two years	5 687	5 300	5 532	5 075
– due after two years but within three years	5 066	4 779	4 980	4 628
– due after three years but within four years	5 238	3 800	5 138	3 746
– due after four years but within five years	4 063	4 423	4 053	4 368
– due after five years	8 584	10 999	11 024	9 462
– impairment of loans and advances	(9 703)	(5 170)	(8 934)	(4 496)
	25 880	30 660	27 932	28 564

13. Investments

Figures in Rand million	Group 2019	Group 2018	Company 2019	Company 2018
Listed equities	54 860	45 629	30 890	24 150
Unlisted equities	4 114	5 244	4 060	5 148
Preference shares	1 346	9 150	1 346	9 150
	60 320	60 023	36 296	38 448
Impairment of listed shares	-	(8)	-	(8)
Impairment of unlisted shares	-	(239)	-	(239)
Impairment of preference shares	-	(2 260)	-	(2 260)
Shares at fair value	60 320	57 516	36 296	35 941
Specific allowance for impairment				
Listed equities				
Balance at 1 April	-	236	-	236
Impairment charge/(reversal) for the year	-	(228)	-	(228)
	-	8	-	8
Unlisted equities				
Balance at 1 April	-	-	-	-
Impairment charge/(reversal) for the year	-	239	-	239
	-	239	-	239
Preference shares				
Balance at 1 April	-	2 192	-	2 192
Impairment charge/(reversal) for the year	-	68	-	68
	-	2 260	-	2 260
Comprises				
Impairment of listed shares	-	8	-	8
Impairment of unlisted shares	-	239	-	239
Impairment of preference shares	-	2 260	-	2 260
Shares at fair value	-	2 507	-	2 507

14. Inventories

Figures in Rand million	Group 2019	Group 2018	Company 2019	Company 2018
Raw materials, components	268	270	-	-
Work in progress	90	99	-	-
Finished goods	631	614	-	-
Consumable stores	820	570	1	4
Phosphate rock	242	195	-	-
	2 051	1 748	1	4

Group inventory to the value of R4.14m was written down as a net realisable value adustment at 31 March 2019 (2018:3.45m).

15. Trade and other receivables

Figures in Rand million	Group		Company	
Financial instruments:	2019	2018	2019	2018
Trade receivables	3 336	1 800	1 912	1 254
Other receivable	549	1 505	165	3
Expected credit losses	(61)	-	(3)	-
Trade receivables at amortised cost	3 824	3 305	2 074	1 257
Non-financial instruments:				
Prepayments (if immaterial)	41	46	10	-
Total trade and other receivables	3 865	3 351	2 084	1 257

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

	Group		Company	
	2019	2018	2019	2018
At amortised cost	3 824	3 305	2 074	1 257

Trade and other receivables pledged as security

Prilla, a subsidiary, entered into an invoice discounting agreement with Nedbank Limited whereby it has discounted all of its debtors and has given first cession of all receivables as security for a R130 million (2018: R115 million) finance facility advanced to it.

Fair value of trade and other receivables

Fair value of trade and other receivables approximates their carrying amount.

16. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
Cash and balances with bank	2 762	3 265	1 466	2 682
Negotiable securities	7 047	2 891	7 767	3 044
Bank overdraft	(49)	(19)	-	-
	9 760	6 137	9 233	5 726
Current assets	9 809	6 156	9 233	5 726
Current liabilities	(49)	(19)	-	-
	9 760	6 137	9 233	5 726

17. Nature and Purpose of reserves

Foreign currency translation reserve

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

Revaluation reserve

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

Associated entities reserve

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

Common control reserve

The common control reserve relates the the transfer of Small Enterprise Finance Agency from the Economic Development Department to the IDC.

Share-based payment reserve

The share-based payment reserve relates to the equity-settled portion share-based portion of the Foskor BEE transaction, entered into on 7 July 2009. Please refer to Note 30 for further detail.

Other Reserves

Other reserves relate to the group's net defined benefit plan.

18. Share capital

Figures in Rand million	Group		Company	
Issued	2019	2018	2019	2018
Authorised				
A shares of R1 each - 1 000 000	1	1	1	1
B shares of R1 each - 1 499 000 000	1 499	1 499	1 499	1 499
	1 500	1 500	1 500	1 500
Issued				
Ordinary Type A	1	1	1	1
Ordinary Type B	1 392	1 392	1 392	1 392
	1 393	1 393	1 393	1 393

A shares are not transferable otherwise than by an Act of Parliament, however the B shares may be sold with the authorisation of the President of the Republic of South Africa.

The A shares held by the State shall entitle it to a majority vote.

19. Borrowings

Cash and cash equivalents consist of:

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
Foreign loans	9 840	8 570	9 841	8 570
Domestic loans	29 646	24 647	44 284	38 153
	39 486	33 217	54 125	46 723

Split between non-current and current portions

Non-current liabilities	31 865	24 193	28 507	23 496
Current liabilities	7 621	9 024	25 618	23 227
	39 486	33 217	54 125	46 723

Foreign loans				
US dollar	8 195	7 078	8 195	7 078
Euro	1 145	1 492	1 145	1 492
SA Rand	500	-	500	-
Total	9 840	8 570	9 840	8 570

Maturity of foreign loans				
- Due within one year	2 673	2 295	2 673	2 295
- Due after one year but within five years	6 134	5 181	6 134	5 181
- Due after five years	1 033	1 094	1 033	1 094
	9 840	8 570	9 840	8 570

Maturity of domestic loans				
- No date for repayments	-	-	18 131	16 541
- Due within one year	4 948	6 729	4 814	4 391
- Due after one year but within five years	10 847	9 753	10 438	9 051
- Due after five years	13 851	8 165	10 901	8 170
Total	29 646	24 647	44 284	38 153

Domestic loans Secured loans*				
Nedbank Limited	-	665	-	-
Unsecured loans				
Rand-denominated loans	6 400	10 198	6 400	11 386
Public Investment Corporation GreenBond	4 624	7 112	4 624	4 767
Public Bond	13 032	4 555	13 032	5 822
Unemployment Insurance Fund Bond	2 097	1 286	2 097	1 514
Loans with no fixed terms of repayment	3 493	831	3 669	1 620
Loans from subsidiaries with no fixed terms of repayment: interest free	-	-	13 927	12 509
Loans with no fixed terms of repayment: Money market related interest	-	-	535	535
Total	29 646	24 647	44 284	38 153

* Secured by assets of subsidiaries.

19. Borrowings (continued)

Interest and non-interest bearing loans				
- Non-current interest bearing loans	28 840	24 125	28 506	23 497
- Current interest free loans	10 572	9 025	11 158	9 501
	39 412	33 150	39 664	32 998

Interest-free loans				
- Non-current interest bearing loans	74	67	-	-
- Current interest free loans	-	-	14 461	13 725
	74	67	14 461	13 725

20. Revenue

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
Revenue from contracts with customers				
Sale of goods	9 630	7 540	-	-
Fee income	432	454	387	361
	10 062	7 994	387	361
Revenue other than from contracts with customers				
Interest received (trading)	4 465	3 374	4 486	3 445
Dividends received (trading)	3 383	2 855	3 306	2 832
	7 848	6 229	7 792	6 277
	17 910	14 223	8 179	6 638

21. Interest income

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
Interest received 1 - Cash and cash equivalents	585	482	526	308
Interest received 2 - Loans and advances	3 880	2 723	3 960	2 984
Interest received 3 - Other	-	169	-	153
	4 465	3 374	4 486	3 445

22. Finance costs

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
Net foreign exchange (gains) losses on foreign	(78)	115	(205)	243
Trade and other payables	1	2	-	-
Current borrowings	2 930	2 263	2 627	2 228
Other interest paid	(28)	53	151	21
Total finance costs	2 825	2 433	2 573	2 492

23. Profit (loss) on sale of financial assets

	Group		Company	
	2019	2018	2019	2018
Profit (loss) on disposal of financial assets	68	2 383	(7)	2 383

24. Cash used in operations

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
Profit (loss) before taxation	146	3 381	(824)	1 892
Adjustments for:				
Depreciation of property, plant and equipment	623	517	24	21
Project Feasibility and Research & Development costs	-	-	-	-
Impairment of property, plant and equipment	-	232	-	-
Surplus of revaluation of investment property	9	-	7	(17)
Loss/(profit) on sale of asset	-	1	-	-
Income from equity accounted investments	(644)	(419)	-	-
Dividend income	(3 383)	(2 651)	(3 306)	(2 628)
Interest income	(4 465)	(3 374)	(4 486)	(3 445)
Finance costs	2 825	2 433	2 573	2 492
ECL Impairments and write offs	3 041	-	3 613	-
Specific and collective impairments	-	2 653	-	4 930
Dividend received - preference share options	-	(204)	-	(204)
Fair value adjustment on share based payment	1	-	-	(27)
Movements in retirement benefit assets and liabilities	(9)	(204)	(5)	8
Losses on FVTPL financial assets	607	-	1 168	-
Amortisation of Intangible assets	3	20	-	-
(Increase)/Decrease in Non-current asset held for sale	-	2 832	-	67
Income statement effect of provisions	16	(249)	-	13
Net capital gains	(68)	(2 383)	7	(2 383)
Goodwill Impairment	-	(1 707)	-	-
Other non-cash items	303	-	(160)	-
Changes in working capital:				
Inventories	(303)	1 023	3	-
Trade and other receivables	(514)	(1 127)	(827)	(648)
Derivatives assets	141	(66)	107	(38)
Derivative liabilities	(100)	-	(109)	-
Trade and other payables	(335)	(672)	(18)	(392)
	(2 106)	36	(2 233)	(359)

25. Financial guarantees

Figures in Rand million	Group		Company	
	2019	2018	2019	2018
Guarantees issued in favour of third parties in respect of finance provided to industrialists	1 547	3 624	1 177	3 449
Sundry guarantees issued by subsidiaries	568	333	-	-
Guarantees issued by equity-accounted investments	25	467	-	-
Guarantees	2 140	4 424	1 177	3 449
Financial guarantees				
Expected credit losses	194	-	194	-

Foskor (Pty) Limited

The Group had mine rehabilitation guarantees amounting to R499 million (2018: 499 million) at year-end. In line with the requirements set out by the Department of Mineral Resources (DMR), this guarantee amount was in place at 31 March 2019.

These guarantees and the agreement reached with the Department of Mineral and Resources were based on the environmental rehabilitation and closure costs assessment that was performed during the 2019 financial year. The assessments are performed on a three-year rolling basis, with the next assessment due in 2020. Estimated scheduled closure costs for the mine are R546 million.

For unscheduled or premature closure, the DMR, in accordance with the Minerals and Petroleum Resources Development Act, requires Foskor (Pty) Ltd to provide for the liability of R693 million in the form of guarantees and cash. The premature closure cost of R693 million is covered by guarantees totalling R445 million and investment assets totalling R242 million. Foskor has, therefore, over provided for early closure costs by R6 million.

26. Directors' emoluments

Non-executive: Fees for services as directors:

Figures in Rand thousand		2019	2018
Director			
Ms BA Mabuza	Chairperson	1 895	930
Ms LJ Bethlehem[1]		523	262
Mr BA Dames		613	427
Mr RM Godsell		547	384
Dr SM Magwentshu-Rensburg		791	498
Ms MP Mthethwa		460	378
Ms N Mnxasana		807	541
Ms NDB Orleyn		634	421
Ms M More		396	282
Mr A Kriel		470	422
Mr NE Zalk[2]		-	-
		7 136	4 545

1. Ms L Bethlehem does not derive any financial benefit for services rendered to the IDC. Her fees are paid directly to HCI Limited
2. Mr NE Zalk is employed by the DTI and does not earn director's fees for services rendered to the IDC
3. Ms M More is employed by the PIC and her directors fees are paid directly to the PIC.

Executive

2019 Figures in Rand thousand	Emoluments	Short-term incentive*	Contributions to medical aid, retirement benefits and other	Total R'000
IDC	37 316	3 024	9 639	49 979
TP Nchocho **	1 149	-	151	1 300
MG Qhena ***	5 191	323	2 973	8 487
GS Gouws ****	4 786	134	743	5 663
SAU Meer	2 955	134	431	3 520
AP Malinga *****	1 723	42	707	2 472
PB Makwane	2 786	558	464	3 808
RJ Gaveni	1 966	21	645	2 632
DA Jarvis	2 328	406	414	3 148
PM Mainganya	2 862	388	424	3 674
Z Luthuli	2 509	209	366	3 084
NS Dlamini	3 101	167	415	3 683
VL Matshekga	2 344	180	533	3 057
WH Smith	2 189	462	567	3 218
TL Khumalo ******	1 427	-	806	2 233
	37 316	3 024	9 639	49 979

The short term incentives approved in the financial year under review relate to prior financial years.

Changes to the executive

**Mr Nchocho the CEO, assumed the role on 1 January 2019.
***Mr Qhena, the former CEO, resigned on 31 December 2018.
****Mr Gouws resigned on 31 March 2019.
*****Mr AP Malinga resigned on 31 December 2018.
******Ms. TL Khumalo was appointed on 1 September 2018.

26. Directors' emoluments (continued)

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

* 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.

27. Related parties

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

Directors' interests			Financing balance					
R'm	Company	Financing approved	2019	2018	Interest/ funding rate	Type of financing/ repayment terms	Director's interest	Year of approval
Ms LJ Bethlehem	Cape Town Film Studio (Pty) Ltd	84	22	34	Prime + 1%	Normal loan	The controlling shareholders of Cape Town Studio is Sabido Investments (Pty) Ltd(Sabido).Sabido is a part of HCI. Ms Bethlehem is a senior manager at HCI	2010
	Ilangalethu (Pty) Ltd	1 504	1 473	60	R186 + (3.2% to 3.4%)	Senior Debt Loan	Hosken Consolidated Investments Limited (HCI) has a 10% stake in Ilangalethu (Pty) Ltd. Ms Bethlehem is a senior manager at HCI	2013
	Kai Garib Solar SPV	778	800	609	RATIRR of 10%	Normal loan	HCI holds 12.5% stake in Kai Garib Solar SPV. Ms Bethlehem is a senior manager at HCI	2015
Mr Andre Kriel	Trade Call Investments Apparel(Pty) Ltd	18	-	-		Grant funding	Mr Andre Kriel is a director of Southern African Clothing and Textile Workers' Union (SACTWU), which has a 32.8% Shareholding in HCI.	2010
	Cape Town Film Studios (Pty) Ltd	84	24	34	Prime + 1%	Normal loan	The controlling shareholders of Cape Town Studio are Sabido Investments (Pty) Ltd (Sabido) and Videovision Dreamworld. Sabido is part of the JSE-listed group Hosken Consolidated investments Limited (HCI). Mr Andre Kriel is a director of SACTWU which has a 32.8% shareholding in HCI.	2017
Ms Patience Nomavuso Mnxasana	Noma Namhuhla Trading and Projects(Pty) Ltd	3	-	-		Quasi-Equity Loan	Ms Patience Nomavuso Mnxasana owns 100% in Noma Namuhla Trading and Projects (Pty) Ltd	2017
Ms Thandi Orleyn	Le Sel Research (Pty) Ltd	282	269	165	Prime + 1%	Normal Loan	Ms Orleyn is a shareholder in Peotona Group Holdings via the Mamaswa Family Trust. Peotona Private Equity is a subsidiary of Peotona Group Holdings. Indirect shareholder in Le-Sel via Trinitas Fund General Partner (Trinitas). Trinitas has a 37.5% equity interest in Le-Sel.	2015

27. Related parties (continued)

Directors' interests

R'm	Company	Financing approved	Financing balance 2019	Financing balance 2018	Interest/ funding rate	Type of financing/ repayment terms	Director's interest	Year of approval
National sphere of government								
The Land & Agricultural Development bank of SA Ltd		250	65	86	0%	Loan repayable on 31 March 2022		
The Land & Agricultural Development bank of SA Ltd		400	254	317	0%	Loan repayable on 31 March 2025		

Figures in Rand million	Group 2019	Group 2018	Company 2019	Company 2018
Related party transactions				
Non-financing transactions - Rendering of services				
Eskom Limited	9 40	798	-	-
Transnet Limited	2 005	1 065	-	-
South African Airways (Pty) Limited	12	11	11	4
Telkom Limited	2	6	-	2
National Ports Authority	28	63	-	-
	2 987	1 943	11	6

28. Non-current assets held for sale and assets of disposal groups

SEFA

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

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

SCAW SOUTH AFRICA

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

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

The remaining Scaw will constitute Rolled, Wire Rod Products and the main property assets of Scaw.

Scaw was sold after the financial year-end on the 1st of May and the IDC shareholding decreased from 100% to 26%. Scaw has been classified as a Non-current Asset held-for-sale.

Assets and liabilities of disposal groups held for sale: On 30 November 2016 the Scaw net assets were classified as held for sale and comprised the following assets and liabilities:

Profit and loss

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
Revenue	-	3 330	-	-
Expenses	-	(3 868)	-	-
Net loss before tax	-	(538)	-	-
Tax	-	-	-	-
	-	(538)	-	-

Assets and liabilities

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
Non-current assets held for sale				
- IDC (aircraft)	-	-	-	-
Property, plant and equipment	-	2 436	-	-
Inventories	-	844	-	-
Trade and other receivables	-	1 056	-	-
Cash and cash equivalents	-	128	-	-
- SEFA (Investment property)	36	14	-	-
Other assets	-	30	-	-
	36	4 508	-	-

29. Provisions

Provisions - Group - 2019

Figures in Rand million	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	1 088	28	(524)	16	608
Trust fund	(200)	-	(42)	-	(242)
	888	28	(566)	16	366

Reconciliation of provisions - Group - 2018

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	1 197	(59)	(15)	(64)	29	1 088
Trust fund	(185)	-	(15)	-	-	(200)
Other provisions	-	-	-	(125)	-	-
	1 012	(59)	(30)	(189)	29	888

Reconciliation of provisions - Company - 2019

Figures in Rand million	Opening balance	Total
Environmental rehabilitation	41	41

Reconciliation of provisions - Company - 2018

Figures in Rand million	Opening balance	Additions	Utilised during the year	Total
Provision 1	28	21	(8)	41

The warranty provision represents management's best estimate of the group's liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

There is no expected reimbursement (from the manufacturer) in respect of this provision.

The restructuring provision relates to redundancy costs incurred on the disposal of. At , approximately -% of the staff had been retrenched. The remainder departed in.

The group moved from its previous leased premises. The lease is non-cancellable and the lease continue for the next - years. The company cannot find a lessee to occupy the premises.

FOSKOR (PTY) LTD

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

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

Foskor, the Department of Water and Environmental Affairs (DWEA) and the Local Authority are in discussions on the rehabilitation of the Gypsum Dam area. The liability of the rehabilitation and/or closure is the responsibility of Foskor once all the Gypsum is removed. Foskor management have made a high level estimate of anticipated costs for the closure of the Gypsum waste facility in Richards Bay. Management estimated, in consultation with external experts, who have done similar projects, that the closure costs for the conventional capping will vary from R350/m2 to R750/m2 excluding all the approvals and design related costs. At 31 March 2019 a provision for rehabilitation of R304 million for the closure costs has been made.

The Group had mine rehabilitation guarantees amounting to R499 million at year-end. In line with the requirements set out by the Department of Mineral Resources, the guarantee amount was in place at 31 March 2019. These guarantees and the agreement reached with the Department of Mineral Resources were based on the environmental rehabilitation and closure costs assessment that was performed during the 2019 financial year. The assessments are performed on a three-year rolling basis, with the next assessment due in 2020. Estimated scheduled closure costs for the mine are R546 million. For unscheduled or premature closure, the Department of Mineral Resources, in accordance with the Minerals and Petroleum Resources Development Act, requires Foskor (Pty) Ltd to provide for the liability of R693 million in the form of guarantees and cash. The premature closure cost of R693 million is covered by guarantees totalling R445 million and investment assets totalling R242 million. The Group has, therefore, underprovided for early closure costs by R6 million.

The premature closure costs of R642 million is covered by guarantees totalling R496 million and investment assets totalling R201 million. The Group has, therefore, over provided for early closure costs of R11 million.

AFRICAN CHROME (PTY) LTD

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 the 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 as security for the entire environmental provision until the land is fully rehabilitated.

The rehabilitation process initially comprised of two phases namely Phase 1 and Phase 2. The entire process was expected to take a period of 3 years; with Phase 1 having commenced on the 1st of March 2012 and was completed during the 2013/14 financial year. Phase 2 activities commenced during 2013/14 financial year after Phase 1 was completed. An amount of 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.

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.

29. Provisions (continued)

In-situ Chromium Reduction Technology

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

The approach is as follows:

Conduct laboratory and field trials to determine the most suitable reagent. Review all existing boreholes and site infrastructures to determine the suitability use for the remediation trials. Design an 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.

The Interest rate relating to the ZAR186 government bond rate was used as the discount rate for calculating the present value of future cashflows for the current monthly groundwater site monitoring payments to Interwaste Environmental Solutions and Golder Associates over the next five years.

The government bond was selected based on the approximate maturity date as at 29 March 2019. The rate was 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 rates forecasted for the relevant years by the IDC Research and Information Department.

Per the latest assessment report, it is not possible to provide a reliable estimate of the rehabilitation completion time as only two of the six parameters required for the ascertainment have been quantified to a reasonable extent.

COLUMBUS

Columbus Joint Venture was a partnership between IDC, Samancor Limited and Highveld Steel. The provision is for the rehabilitation of dumps of different waste streams estimated at 4.3 million tonnes, which were not included in the sale of Middleburg Stainless Steel in January 2002, and accordingly each partner was liable for its share of the rehabilitation. Information still relates to the last report in December 2017 by the service provider as assessments are performed every 2 years. Therefore, by early 2020, will be able to determine by when the rehabilitation is expected to be completed.

30. Share based payments

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
Equity-settled share-based payment reserve				
At beginning of the year	304	304	-	-
Cash-settled share-based payment liability				
At the beginning of the year	2	26	-	27
Fair value adjustment through profit or loss	(1)	(24)	-	(27)
	1	2	-	-

In the 2011 financial year, Foskor and the Industrial Development Corporation Limited (IDC) entered into a Black Economic Empowerment Transaction (BEE Transaction). In terms of the transaction the IDC sold 15% interest in Foskor to Strategic Business Partners (SBPs) and Special Black Groups (SBGs) (collectively, the Manyoro Consortium), 5% to the communities where Foskor operates and a 6% interest in Foskor to the Foskor Employee Share Ownership Plan Trust (ESOP).The transaction with the Manyoro Consortium and communities constitutes an equity-settled share-based plan and the transaction with the employees constitutes a cash-settled share-based plan (refer to not 17.2). Under the equity-settled share-based plan, the shares vest immediately at grant date. In determining the fair value of services received as consideration for equity instruments granted,measurement is referenced to the fair value of the equity instruments granted.

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 Black Scholes Option pricing model.

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

- Grant date — 31 December 2009
- Initial company value (exercise price) (R'm) — 3 500
- Average share price at grant date — 382.19
- Annualised expected volatility (%) — 15.48
- Risk-free interest rate (%) — 7.28
- Dividend yield (%) — 0.00
- Strike price (R) — 394.07

The holders of the equity instruments were required to hold the instruments to maintain the BEE status until 31 March 2019, however, due to the underperformance of the scheme, the participants have not exercised their options. The schemes funder has not called an event of default but neither has it made a commitment to extend the scheme, in the absence of the aforementioned, Foskor continues to recognise the Share-Based Payment Reserve. The volatility indicator used in the calculation was based on the market prices of globally listed proxy companies that are in the same industry as Foskor.

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

The Company entered into a cash-settled share-based payment plan with its employees. A total liability of R1.3 million (2018: R2.1 million) is carried. The share-based payment adjustment for the current year of R0.791 million was recognised in profit or loss (refer to note 17.3).

30. Share based payments (continued)

The fair values were determined by reference to the fair value of the equity instruments granted using the Black Scholes Option Pricing model. This model has been modified to take into account early exercise opportunities and expected employee exercise behaviour.

The Employees Share Option Trust was due to end on 30 March 2019. However, due to the under performance of the scheme no exercising of options have taken place. The scheme's funder has not called an event of default, which results in the scheme being extended. Changes to the scheme are being considered for the future. The volatility indicator used in the calculation was based on market prices of globally listed proxy companies that are in the same industry as Foskor.The following weighted average assumptions were inputs into the model:

	Group		Company	
	2019	2018	2019	2018
Exercise price (R)	3 500	3 500	3 500	3 500
Average share price at grant date (R)	382	382	382	382
Annualised expected volatility (%)	14	41	33	33
1 year expected option lifetime%	7	8	7	8
2 year expected option lifetime%	8	7	8	7
Dividend yield (%)	-	-	2	2
Strike price (R) - 1 year expected option lifetime	717	629	717	629
Strike price (R) - 2 year expected option lifetime	818	717	818	717

31. Non-administrative expenses/(income)

	Group		Company	
	2019	2018	2019	2018
Current liabilities	-	(378)	-	(378)
	-	(378)	-	(378)

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

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

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

The shareholders' agreement further provides that:

1. Exxaro will repurchase sufficient shares from MS333 to enable the latter to settle its obligations.

2. Any remaining Exxaro shares in MS333 will be distributed to the shareholders in proportion to their shareholdings

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

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

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

32. Operating profit (loss)

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

	Group		Company	
Auditor's remuneration - external	**2019**	**2018**	**2019**	**2018**
Audit fees	16	18	9	8
Employee costs				
Salaries, wages, bonuses and other benefits	2 325	2 377	1 022	1 032
Depreciation and amortisation				
Depreciation of property, plant and equipment	623	517	24	21
Amortisation of intangible assets	4	20	-	-
Total depreciation and amortisation	627	537	24	21
Impairment losses				
Property, plant and equipment	93	232	-	-
Other				
Research and development costs	10	13	10	17
Project feasibility expenses	147	129	147	129
Operating lease rentals	16	45	4	1
Expected credit losses on trade and other receivables	-	79	-	-
Revaluation on investment property	24	37	17	(17)
Repairs and maintanance	552	601	7	4
Impairments and write-offs on other financial assets	-	2 653	-	4 930
Loss on financial assets classified as FVTPL	607	-	1 168	-
Expected credit losses	611	-	1 313	-
Financial assets written off	2 430	-	2 300	-
Profit on sale of property, plant and equipment	274	1	-	-
Profit on sale of investment property	26	-	-	-

33. Taxation

Major components of the tax income

	Group		Company	
Current	2019	2018	2019	2018
Local income tax - current period	25	(242)	-	(61)

	Group		Company	
Deferred	2019	2018	2019	2018
Deferred tax - Current year	(599)	(139)	(354)	(140)
	(574)	(381)	(354)	(201)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	Group		Company	
	2019	2018	2019	2018
Applicable tax rate	28.00 %	28.00 %	(28.00)%	28.00 %
Dividend Income	(648.80)%	(25.00)%	(112.30)%	(20.00)%
Capital gains and losses	(2.60)%	(26.00)%	(0.10)%	(21.00)%
Capital losses and write offs	- %	12.00 %	78.10 %	25.00 %
Donations and grants	- %	(1.00)%	13.30 %	(24.00)%
Non deductible project and insurance expenses	- %	- %	6.10 %	- %
Disallowable charges	- %	- %	- %	- %
Net movements in impairments	440.50 %	- %	- %	- %
Other	(210.30)%	- %	- %	- %
	(393.20)%	(12.00)%	(42.90)%	(12.00)%

34. 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	
Land and buildings	2019	2018	2019	2018
– due within one year	3	5	-	-
– due after one year but within five years	6	11	-	-
– due after five years	1	1	-	-
Total minimum lease payments	10	17	-	-
Amount representing finance charges	(3)	(5)	-	-
Present value of minimum lease payments	7	12	-	-
Current portion	2	3	-	-
Long-term portion	5	9	-	-
	7	12	-	-

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 7 years remaining as at 31 March 2019. 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.

IDC Company

The IDC leases land and buildings from Dymson Nominess (Pty) Ltd and Kindoc Sandton (Pty) Ltd, its 100% owned subsidiaries. There are no lease agreements that govern this arrangement and hence, there is no lease smoothing asset or liability.

Operating leases – Group as lessee

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

	Group		Company	
Commitments for future minimum rentals payable under non-cancellable leases are as follows:	2019	2018	2019	2018
– due within one year	41	16	4	4
– due after one year but within five years	140	12	-	4
– due after five years	371	-	-	-
Present value of minimum lease payments	552	28	4	8

35. Tax (paid) refunded

	Group		Company	
	2019	2018	2019	2018
Balance at beginning of the year	262	473	268	471
Current tax for the year recognised in profit or loss	(25)	242	-	61
Balance at end of the year	(268)	(262)	(252)	(268)
	(31)	453	16	264

36. Trade and other payables

Amounts in Rands	Group 2019	Group 2018	Company 2019	Company 2018
Financial instruments:				
Trade payables	2 661	2 875	797	714
Accrued leave pay	196	141	116	83
Accrued bonus	185	363	165	300
	3 042	3 379	1 078	1 097

37. Retirement benefits

Pension and provident schemes

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

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

Defined contribution schemes

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

Defined benefit scheme

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

The fund is valued every three years using the projected unit credit method. The actuarial valuation for purposes of IAS 19 was performed on 31 March 2019.

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

Defined benefit scheme

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

The fund is valued every three years using the projected unit credit method. The actuarial valuation for purposes of IAS 19 was performed on 31 March 2019.

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

The amounts recognised in the statement of financial position are as follows:

Amounts in Rands	Group	
	2019	2018
Present value of funded obligations	310	332
Fair value of plan assets	(357)	(384)
Other	47	52
Liability recognised	-	-

The movement in the defined benefit obligation:		
Opening balance	332	354
Current-service cost	1	1
Interest-cost	36	33
Actuarial (gains)/losses	(23)	(20)
Benefit paid	(36)	(36)
Closing balance	310	332

Movement in asset plan		
Fair value of plan assets at beginning of the year	384	383
Expected return on asset	37	36
Actuarial (loss)/gain recognised during the year	(28)	3
Benefits paid	(36)	(38)
Fair value of plan assets at the end of the year	357	384

The amounts recognised in profit or loss are as follows:		
Current-service cost	1	1
Interest cost	36	33
Expected return on assets	(37)	(36)
Net actuarial loss recognised during the year	5	(16)
Total included in operating expenses	5	(18)

The amounts recognised in other comprehensive income in 2019 is a loss of R5m.

The actual return on plan assets was:		
Expected return on plan assets	37	36
Actuarial gains/(losses) on plan assets	(28)	3
Actual return on plan assets	9	39

37. Retirement benefits (continued)

Plan assets are comprised as follows	Group	
	2019	2018
Equity instruments	55%	49%
Cash	8%	22%
Debt instruments	28%	20%
Other	9%	9%
	100%	100%

The principal actuarial assumptions for accounting purposes were:		
Discount rate %	9.95	9.87
Expected return on plan assets %	9.95	9.87
Future salary increases %	7.40	8.10
Future pension increases %	6.94	8.70
Normal retirement age	60	60

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

	Impact on overall liability	
	2019	2018
Inflation rate (increase of 1%)	9.3	9.5
Inflation rate (decrease of 1%)	8.1	8.4

The expected contributions to the post-employment pension scheme for the year ending 31 March 2019 are R0.53 million.

Post-retirement medical benefits

Some Group companies have obligations to provide post-retirement medical benefits to their pensioners.

The accumulated post-retirement medical aid obligation and the annual cost of those benefits were determined by independent actuaries. Any surplus or shortfall between the actuarially determined liability and the aggregate amounts provided is charged to profit or loss.

The amounts recognised in the statement of financial position are as follows:

	Group		Company	
	2019	2018	2019	2018
Present value of unfunded obligation:				
Discovery Health members	375	384	183	188

	Group		Company	
	2019	2018	2019	2018
Movement in the liability recognised in the statement of financial position:				
At the beginning of the year	384	588	188	180
Acquired in business combination	-	57	-	-
Contributions paid	(19)	(18)	(10)	(9)
Current-service costs	7	3	3	2
Interest cost	31	29	16	17
Non current medical obligation classified as held for sale	-	(236)	-	-
Deficit/surplus	(28)	(39)	(15)	(2)
Balance at the end of the year	**375**	**384**	**183**	**188**

	Group		Company	
	2019	2018	2019	2018
The principal actuarial assumptions used for accounting purposes were:				
– Discount rate (%)	9.70	9.00	-	
– General inflation rate (%)	6.00	5.80	-	
– Medical inflation rate (%)	8.00	8.10	-	
– Normal retirement age	59/63	59/63		

	Change in past-service liability		Change in service cost plus asset	
Present value of unfunded obligation history				
Inflation rate (increase of 1%)	12.4% increase	13.5% increase	13.4% increase	14.8% increase
Inflation rate (decrease of 1%)	10.3% decrease	11.2% decrease	11.2% decrease	12.1% decrease

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

38. Commitments

	Group		Company	
Figures in Rand million	2019	2018	2019	2018
In respect of:				
Undrawn financing facilities approved	12 639	28 002	12 269	27 707
Undrawn guarantee facilities approved	65	2 527	-	2 527
Capital expenditure approved by subsidiaries	473	16	-	-
– Contracted	473	16	-	-
Capital expenditure approved by equity-accounted investments	361	177	-	-
– Contracted	154	145	-	-
– Not contracted	207	32	-	-
Total commitments	13 538	30 722	12 269	30 234
Less: counter-guarantees obtained from partners in respect of financing and guarantees to be provided to major projects	-	(182)	-	(182)
Commitments net of counter-guarantees	13 538	30 540	12 269	30 052

Commitments will be financed by loans and internally generated funds.

39. Other comprehensive income

Components of other comprehensive income - Group - 2019

Figures in Rand million	Gross	Tax	Share of other comprehensive income of equity accounted investments	Net
Items that will not be reclassified to profit or loss				
Movements on valuation of equity investments	10 581	1 556	-	9 025
Remeasurements on net defined benefit liability/asset				
Remeasurements on net defined benefit liability/asset	21	-	-	21
Items that may be reclassified to profit (loss)	10 602	1 556	-	9046
Exchange differences on translating foreign operations				
Exchange differences arising during the year	(728)	-	-	(728)
Available-for-sale financial assets adjustments				
Gains (losses) arising during the year	-	-	-	-
Total items that may be reclassified to profit (loss)	728	-	-	728
Total	11 330	1 556	-	9 774

Components of other comprehensive income - Group - 2018

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

39. Other comprehensive income (continued)

Components of other comprehensive income - Company - 2019

Figures in Rand million	Gross	Tax	Share of other compre-hensive income of equity accounted investments	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	24	-	-	24
Movements on valuations of equity investments				
Gains (losses) on valuation	15 463	2 169	-	13 294
Effect on tax rate changes	-	-	-	-
Total items that will not be reclassified to profit (loss)	15 487	2 169	-	13 318

Components of other comprehensive income - Company - 2018

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

40. Irregular, fruitless and wasteful expenditure

	Group		Company	
Amounts in Rands	2019	2018	2019	2018
Fruitless and wasteful expenditure	443 768	2 585 551	443 768	2 585 551
Write-off	(438 194)	(2 585 551)	(438 194)	(2 585 551)
	5 574	-	5 574	-
Irregular expenditure	5 691 237	1 193 392	5 691 237	1 193 392
Condonements	(200 000)	(1 193 392)	(200 000)	(1 193 392)
	5 491 237	-	5 491 237	-
Details of fruitless and wasteful expenditure				
Top Ten Security	196 000	-	196 000	-
Travel - cancellations and rechedulings	160 284	33 369	160 284	33 369
Travel - penalties on booking	29 754	-	29 754	-
Training - cancellations	-	9 177	-	9 177
Interest payment to SARS	-	1 923 727	-	1 923 727
Interest on late rental payment	775	-	775	-
Payment erroneously paid to ex employee	52 155	-	52 155	-
Late registration penalty to trainee accountants	4 800	-	4 800	-
Fictitious payments	-	448 000	-	448 000
Duplicate payments	-	54 532	-	54 532
ADM's	-	116 746	-	116 746
	443 768	2 585 551	443 768	2 585 551
Details of irregular expenditure				
Business support	5 491 237	-	5 491 237	-
Sponsorship	200 000	1 193 392	200 000	1 193 392
	5 691 237	1 193 392	5 691 237	1 193 392

41. Events after the reporting period

In April 2019, after year end but before the approval of the IDC Group financial statements, the IDC disposed of a 15% stake in CAST Products (Pty) Ltd, a fully controlled subsidiary that was carved out of the SCAW Group, as part of the IDC's plan to introduce strategic equity partners (SEP) into the business who possess the technical and commercial expertise necessary to grow the business and provide access to growth markets. The IDC shareholding decreased from 100% to 85%

42. Deferred tax

Deferred tax

Deferred tax movements for the year

	Group		Company	
Amounts in Rands	2019	2018	2019	2018
Movements of deferred tax				
Opening balance	(4 220)	(4 705)	(6 012)	(5 820)
Charge for the current year (I/S)	574	381	354	201
Charge for the current year (OCI)	(216)	104	(1 061)	(393)
Closing balance	(3 862)	(4 220)	(6 719)	(6 012)
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(4 220)	(4 705)	6 012	5 820
Increases (decrease) in tax loss	-	29	-	-
Temporary differences	-	456	-	-
Provisions	(103)	-	22	(7)
Property, Plant and Equipment	(151)	-	3	(28)
Financial instruments	748	-	748	399
Tax loss utilised	(233)	-	(233)	(173)
Other	97	-	167	1
	(3 862)	(4 220)	6 719	6 012

43. Reportable irregularity

A matter of conflict of interest in relation to an executive was identified during the financial year ending 31 March 2019 through the Corporation's post investment reviews. The Board has taken steps to address the matter in line with the Corporation's internal policies. The external auditors then raised a reportable irregularity, in terms of section 45 of the Auditing Profession Act, 2005 (Act 26 of 2005) (Auditing Profession Act), for the annual financial period ending 31 March 2019. The Board is in the process of closing out the reportable irregularity. The finalisation of the irregularity depends on the recommended sanctions from the chairperson of the disciplinary enquiry. Below is the summary of the reportable irregularity raised by the external auditors.

Description	Action	Status
There were allegations that an executive of the IDC had a potential conflict of interest due to the executive's failure to declare a conflict of interest with regards to close family relationships in one of the IDC funded business partners.	• Disciplinary enquiry has been instituted against the implicated executive; • The implicated executive has been found guilty on all the allegations; and • Appropriate action will be taken against the implicated executive once the recommended sanctions have been received from the chairperson of the disciplinary enquiry.	Open, pending the recommended sanctions from the outcome of the disciplinary enquiry.

NOTES

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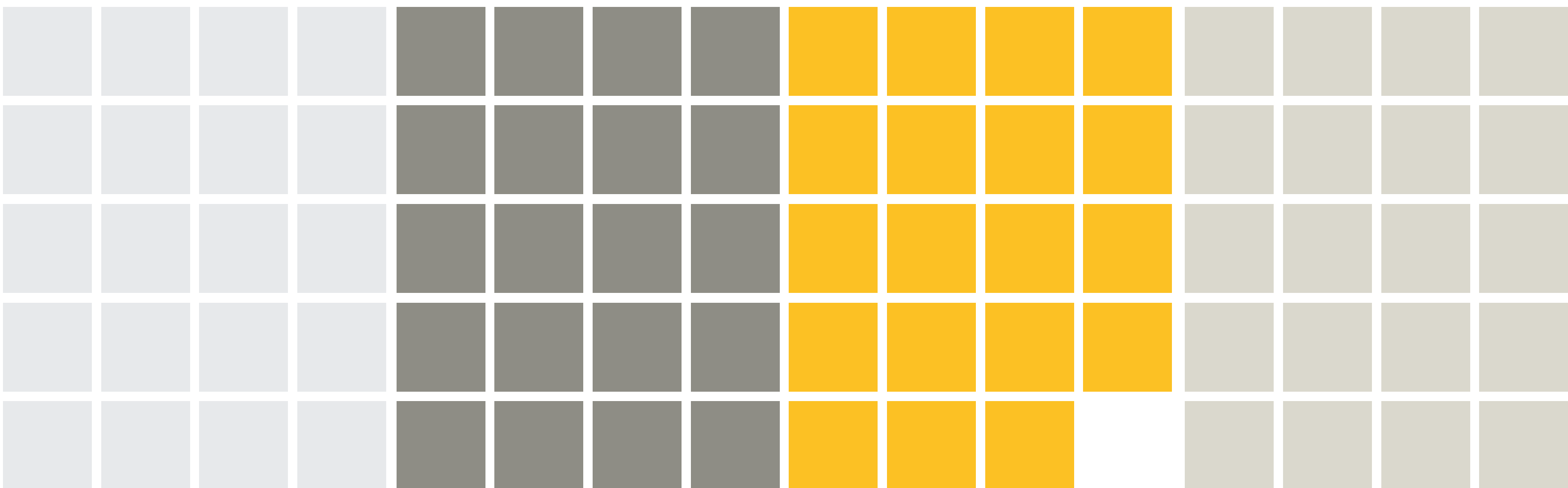

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