Annual Financial Statements 2020

IDC

Industrial Development Corporation

Your partner in development finance

CONTENTS

Icons denoting assurance

RA Denotes Reasonable Assurance

CONFIRMATION OF ACCURACY AND FAIR PRESENTATION

INTEGRATED REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE 2020 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) have been submitted to the Auditor-General for auditing in terms of 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 2020. 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 2020.

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 former Chief Financial Officer.

TP Nchocho
Chief Executive Officer
28 September 2020

BA Mabuza
Chairperson of the Board
28 September 2020

ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 2020.

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 2020 have been audited by the external auditors and their report is presented on page 18 to 24. The annual financial statements of the IDC set out on page 25 to page 119 have been approved.

TP Nchocho
Chief Executive Officer
28 September 2020

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-Grant Thornton and Nexia SAB&T, 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; and
- 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; and
- 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 Auditors, both in fact and appearance. Each year, the Committee evaluates the qualifications, performance and independence of the Corporation's Independent Auditors and determines whether to re-engage the current Independent Auditors. 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. During the year, Nexia SAB&T were appointed as joint external auditors, replacing Ngubane & Co who rotated off the engagement. SNG-Grant Thornton have remained in office as joint auditor.

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 2020.

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; and
- Approved the Non-audit Services Policy that specifies that the external auditors are precluded from engaging in non-audit related services.

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.

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 and Sustainability Committee meetings as a 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; and
- The skills, independence, audit plan, reporting and overall performance of the external auditors were acceptable.

Following our review of the financial statements for the year ended 31 March 2020, 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 2020. 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.

NP Mnxasana
Chairperson of the Board Audit Committee
28 September 2020

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 purpose is to:

- Grow sustainable industries
- Support entrepreneurs
- Improve lives.

Its vision is to create globally competitive industries that realises Africa's potential. IDC's priorities are aligned with government's policy direction as set out in the National Development Plan (NDP), Industrial Policy Action Plan (IPAP) and Industry Masterplans. Our mandate is to maximise our development impact through job-rich industrialisation, while contributing to an inclusive economy by, among others, funding black-owned and -empowered companies, black industrialists, women and youth-owned and -empowered enterprises. At the same time, the IDC must ensure its long-term sustainability through prudent financial and human resource management, safeguard the natural environment and increasingly position itself as a Centre of Excellence for development finance.

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 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 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.

The IDC as an organ of state and its subsidiaries are subject to the PFMA and in turn the Preferential Procurement Policy Framework Act (PPPFA), (Act No. 5 of 2000). The IDC from time-to-time applies for and receives exemptions from the PFMA for subsidiaries involved in manufacturing and other business enterprises on the basis that these companies operate in a competitive environment and are governed by other legislation such as the Companies Act (Act No. 71 of 2008).

At the time of the corporatisation of Scaw South Africa (Pty) Ltd ('SCAW'), SCAW was operating under such an exemption. This exemption expires in October 2020. The corporatisation resulted in the formation of two new companies – Cast Products South Africa (Pty) Ltd ('CPSA') and Grinding Media South Africa (Pty) Ltd ('GMSA'). During the CPSA and GMSA audit in 2018/19, it was deemed that the exemption that was granted to SCAW did not apply to CPSA and GMSA.

The IDC met with National Treasury and the dtic (then EDD) late in August 2019 in order to find a solution for both GSMA and CPSA. As advised, the IDC made an application to the National Treasury to have the exemption extended to cover CPSA and GMSA. In April 2020, the IDC received communication from National Treasury that this request was not granted. Given the serious negative implications that full compliance with the PFMA would have on the CPSA and GMSA's ability to operate as well as on the IDC's ability to fulfil its mandate, the IDC restarted the process to reapply for exemptions from National Treasury. A formal decision on this application is still outstanding. As a result, procurement undertaken by CPSA and GMSA which, although governed by policies suitable to private business enterprises, are not aligned to the PPPFA. As such, this procurement is viewed as irregular expenditure. The total amount involved for 2018/19 and 2019/20 is R5.5 billion and is disclosed in note 40 in the financial statements. In addition to the application for exemption from the relevant sections of the PFMA, the IDC has applied for condonation of these irregular expenditures.

PERFORMANCE MANAGEMENT

The IDC's performance indicators reflect the Corporation's goals as set out in our strategic objectives.

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.

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.

PERFORMANCE INDICATORS

The IDC adopted a balanced approach in its corporate scorecard and adapted the principles of the balanced scorecard to support its own objectives and operations. 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.

We measure indicators in the following five areas:

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

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 and possible, corrected. Detailed performance against predetermined indicators for both short- and long-term targets for the 2020 financial year are shown below.

PERFORMANCE OVERVIEW

The IDC's performance over the past financial year is reflective of its operating environment. The domestic economy has been under considerable pressure for an extended period. Despite hopes for a recovery, this lacklustre performance continued with GDP declining in three of the four quarters corresponding to the IDC's financial year. Businesses in various sectors of the economy were negatively affected by depressed domestic demand conditions, rising input costs, operational challenges as well as interruptions in energy supply with business confidence continuing its downward trend.

Given its countercyclical role, the IDC has over the past few years been focussing on increasing its impact by growing levels of investment approvals and disbursements and supporting companies in distress with the prospect that economic conditions would improve. While the Corporation has had notable successes, many businesses have not proven to be sustainable, impacting the quality of our portfolio negatively. During the last year, the IDC has been focussing on improving the quality of transactions that it provides funding for and has been reducing its new funding approved for high-risk businesses.

In terms of objectives, the Corporation has been set more challenging objectives over the past number of years with many funding targets increasing at levels significantly higher than inflation.

The performance of its investee companies also impacted on its financial performance with its balance sheet severely impacted by the crash of listed share prices at the end of the year fuelled by the Covid-19 epidemic and challenges at Sasol.

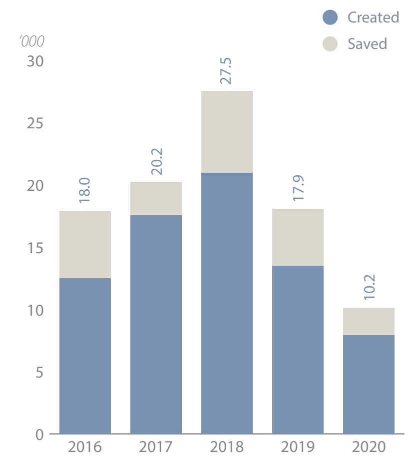
All these factors resulted in the Corporation recording poor performance results against most of its 2020 performance objectives, continuing the downward trend that started in 2019 after several years of increasing funding activity.

Despite weaker performance, the IDC continued to play a meaningful and notable contribution to the SA economy and transformation, especially investing in transactions/projects aimed at expanding manufacturing capacity in the prevailing depressed environment.

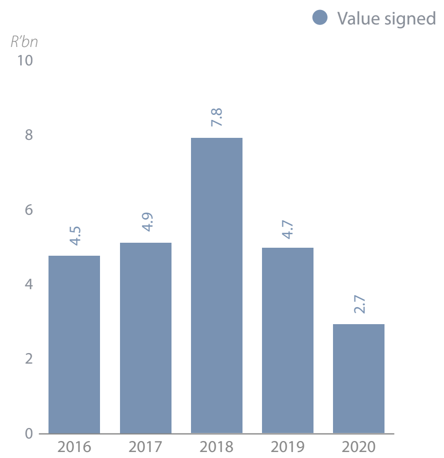
DEVELOPMENT OUTCOMES

The IDC approved funding of R11.8 billion during 2019/20, a 9.6% decline over the R13.1 billion approved in 2018/19. The level of disbursements was not affected to the same extent as some of the funding approved in previous years continued to be disbursed. This amount reduced to R11.7 billion compared to R11.8 billion in the previous year. In addition to direct disbursements, an additional R402 million worth of new financial guarantees were issued. This funding will effectively be made available to businesses by commercial funders on the back of the IDC's support to the business. Despite the decline in new funding in 2020, the IDC has over the past five years made a significant contribution to investment in the country with R71.4 billion in funding approved and R61.2 billion disbursed. The share of funding to distressed businesses decreased from 19% in 2018/19 to 13% in 2019/20. The largest portion of funding approved (74%) is still aimed at expansions and new projects although this is slightly lower than the 78% recorded in 2018/19.

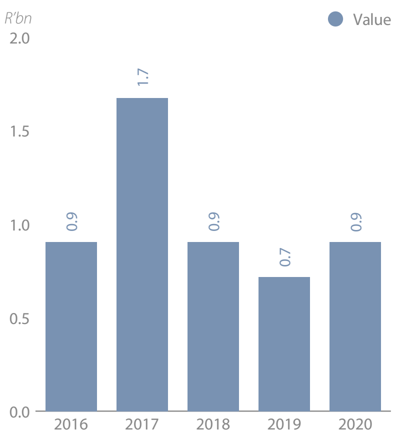
Number of jobs expected to be created / saved
(Deals signed; net after cancellations)



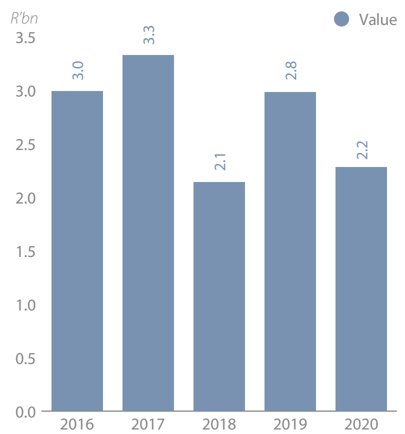
Funding for Black Industrialists
(Deals signed; net after cancellations)



Funding signed for Youth-empowered Businesses
(Deals signed; net after cancellations)



Funding for Women-Empowered Businesses
(Deals signed; net after cancellations)



In line with the overall reduction in funding approved, performance for most development indicators declined. The total number of jobs expected to be created and saved from IDC's funding approvals that were signed during the year decreased by 43% to 10 205 which is significantly lower than the base target of 32 501. Of the total number of jobs, 8 952 are expected to be created and 1 253 saved. Over the last five years, the IDC's funding approvals were. expected to create c.a. 98 000 direct jobs.

Funding for Black Industrialists, and women entrepreneurs also declined, with only funding for youth entrepreneurs exceeding the base target. Five-year targets for funding for all three of these transformation indicators have however been exceeded, with R24.5 billion, R11.7 billion, and R6.0 billion approved for Black Industrialists, women entrepreneurs and youth entrepreneurs respectively.

Performance against long-term targets also reflect below par performance. Growth in funding disbursed for expansions in South Africa grew at 2.6%, compared to the 8.4% growth in manufacturing fixed investment. More positively, IDC clients reported increased levels of employment, with a 7.1% increase in the overall employment impact compared to a 1.0% increase in formal non-government employment in the country. The value of funding to black-owned companies reduced by 34%, also as a result of lower overall funding approvals.

FINANCIAL PERFORMANCE

The IDC continues to be a going concern and remains financially sustainable. The Corporation has sufficient liquidity to meet current obligations and remains confident that, for the foreseeable future, it will be able to raise funds and leverage its balance sheet for new advances into the economy.

The IDC (Company) performance was impacted by a number of economic setbacks during the period. These included the sovereign downgrade by Moody's in March 2020, the confirmation of the South African economy being in official recession, substantial market volatility as evidenced by the JSE All Share Index declining sharply as well as the early impact of the Covid-19 epidemic and the resultant stall of economic activity.

An oil price war as well as complications with its Lake Charles project resulted in the collapse of the Sasol Share price – which negatively impacted the IDC balance sheet. This resulted in the value of reserves on 31 March 2020 decreasing by 41.9% compared to a year ago.

There has since been a recovery in the Sasol share price post year-end, resulting in a healthier gearing position. The subdued economic conditions were also felt by the wider IDC Group. The IDC and its financing subsidiaries (mini-group) recorded a loss of R3.1 billion in 2020 compared to a profit of R226 million in the previous financial year. A large contributor to the loss was an increase in impairments. Impairments as a percentage of the portfolio at cost increased to 36.8%.

IDC measures the performance of significant subsidiaries as part of its targets to ensure that it gives enough attention to these. Foskor recorded a loss of R1.6 billion with revenues declining due to production interruptions of a 46 day strike and plant breakdowns after operations resumed. Lower than budgeted commodity prices also put pressure on the company's revenue. Following the unbundling of Scaw in 2019, Grinding Media South Africa posted a profit of R51 million. Cast Products South Africa however continued to face headwinds and recorded a loss of R442 million.

OTHER PERFORMANCE AREAS

The results from the customer satisfaction survey reduced with clients citing slow turnaround times as one of their major concerns. As part of its Long-Term Sustainability Plan, the Corporation aims to improve processes and build closer relationships with clients.

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	Industrial capacity development	Funding disbursed	Total value of funding disbursed by IDC plus amount for payment guarantees issued	20%	R19.7 billion	R21.7 billion	R12.1 billion	Not achieved
		Funding leveraged	Amount of outside total funding attracted for each rand of IDC funding. Guarantees considered as fully leveraged funding.	Moderator	1.5:1		43:1	Achieved
	Jobs	Expected jobs created / saved	Expected direct jobs created/saved for funding approvals with agreements signed	20%	32 501	40 015	10 205	Not achieved
		Expected direct jobs created	Expected direct jobs created for funding approvals with agreements signed as a percentage of total jobs created/saved	Moderator	80%		88%	Achieved
	Economic empowerment and transformation	Value of funding to black industrialists	Value of funding approvals with agreements signed for transactions benefiting black industrialists	5%	R6 106 million	R8 879 million	R2 692 million	Not achieved
			Value of funding approvals with agreements signed for transactions benefiting black woman industrialists	Moderator	R896 million		R1 048 million	Achieved
		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 980 million	R2 475 million	R2 158 million	Base exceeded
		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%	R1 000 million	R1 500 million	R854 million	Not achieved

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement
Development impact (continued)	Localisation	Funding for localisation initiatives	Value of funding agreements signed for transactions that contributes to the capacity of a business increasing that will manufacture goods for infrastructure development, designated products, other government procurement or components for motor vehicles	5%	R6 064 million	R7 029 million	R2 924 million	Not achieved
Financial Sustainability	Impairments	Level of impairments	Impairments as a percentage of the portfolio at cost (IFRS9)	10%	24.6%	21.6%	36.8%	Not achieved
	Income and profitability	Revenue generation from assets	(Net interest, dividends, fees and money market income)/(Total assets)	5%	4.8%	5.3%	6.8%	Stretch exceeded
	Subsidiary performance	Foskor financial performance	Foskor's net profits/(losses)	5%	(R263 million)	(R234 million)	(R1 628 million)	Not achieved
		Effectiveness of Scaw Group restructuring	Operating profit/loss (EBITDA) (R'm)	2.5%	Grinding Media: R100 million	Grinding Media: R264 million	R65 million	Not achieved
				2.5%	Cast products: (R200 million)	Cast products: (R180 million)	(R442 million)	Not achieved
		sefa performance	sefa performance rating	5%	sefa's performance rating		3.0	Not achieved
Customer/ Stakeholders	Customers	Customer Satisfaction Index	Overall customer satisfaction rating (1-10)	5%	7.8	8.5	7.6	Not achieved
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%	38.2%	28.2%	39.6%	Not achieved

PERFORMANCE AGAINST LONG-TERM TARGETS

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement
Development impact	Industrial capacity development	Growth in funding disbursed to investments in SA	Value of IDC funding in SA (excluding funding in the rest of Africa)	20%	Growth in gross fixed capital formation in manufacturing (8.4%)	Growth in gross fixed capital formation in manufacturing + 10% (18.4%)	2.6%	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 (11.9%)	7.5% increase in the percentage of disbursement into RoA (12.2%)	-71.3%	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 in the economy (excl. govt. employment) (0.96%)	Growth in levels of employment in the economy (excl. govt. employment) + 7% (7.96%)	7.1%	Base exceeded
				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)		Net job increases	Achieved
		Increased number of jobs created per unit of funding by IDC (reduce cost per job)	Number of jobs expected to be created, including calculated indirect jobs divided by the value of IDC's SA funding approvals (excluding funding in the rest of Africa, and jobs saved)	10%	Change in the labour/capital ratio of the economy + 5% (1.1%)	Change in the labour/capital ratio of the economy + 12.5% (8.6%)	-28.7%	Not achieved
				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)		-	Not achieved

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement
Development impact (continued)	Economic empower-ment	Increase in levels of empower-ment 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%)	-25.0%	Not achieved
				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)		-	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%)	-41.9%	Not achieved
Human Capital	HC sustainability	People Sustainability Index	Composite index measuring sustainability of IDC's human capital	10%	5% increase in PSI score per annum (70.2%)	10% increase in PSI score per annum (73.5%)	64.4%	Not achieved

FUNDING

The IDC sources loan funding mainly from international development agencies, facilities from commercial banks and bond issuances. The general 2020 funding requirements for the IDC Mini Group to fund, inter alia, finance advances of R11.7 billion and borrowing redemptions of R7.9 billion, amounted to R20.0 billion (2019: R18.5 billion). These requirements were met partly out of R9.5 billion of internally generated funds, namely repayments received and profits. New borrowings amounted to R7.7 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

Dividends were neither paid nor declared during the financial year.

POST REPORTING DATE EVENTS

LISTED SHARES

The value of the Group's portfolio of listed shares increased by R17 billion to R40.5 billion between financial year-end and approval of the financial statements on 28 September 2020. The main driver of the increase was the growth in Kumba's share price, which was attributed to higher iron ore prices, as well as the recovery in the Sasol share price.

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 currently consists of the following non-executive directors:

- NP Mnxasana (Chairperson)
- RM Godsell
- Dr SM Magwentshu-Rensburg.

In addition, R Pitot and BP Mathidi are co-opted members of the committee.

DIRECTORS' REPORT

GOING CONCERN

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

DIRECTORS AND SECRETARY

The current directors of the IDC are listed below:

Executive
- TP Nchocho (CEO)

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

P Makwane is the company secretary.

The IDC's registered office is at 19 Fredman Drive, Sandown, 2196.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

1. We have audited the consolidated and separate financial statements of the Industrial Development Corporation of South Africa Limited and its subsidiaries (the Group) set out on pages 25 to 119, which comprise the consolidated and separate statements of financial position as at 31 March 2020, consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in equity and 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.

2. 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 2020, and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), 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

3. 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 this auditor's report.

4. 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.

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

KEY AUDIT MATTERS

6. 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 notes 1.4.4, 9, 10, 12 and 25 of the consolidated and separate financial statements. This key audit matter is applicable to both the consolidated and separate financial statements. SPPI investments represent 36% and 31% 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. 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, the wider regional economic market, and the impact of COVID-19. 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.	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. • 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 the accounting authority are in accordance with the Group's and 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.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Valuation of unlisted investments and non-solely payments of principle and interest loans (non SSPI)</td></tr>
<tr><td>Refer to note 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 at fair value through other comprehensive income 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.

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 on the stake held in investee companies;
• Debt weighting – this is the target interest-bearing debt level;
• Realisable value of assets; and
• Probabilities of failure in using the Net Asset Value-model.

Due to the significant judgment applied by the Group 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.</td><td>Our audit procedures included the following:

• We assessed the models used by the Group and discount rates applied at year-end, and reperformed a sample of the valuations by agreeing valuation inputs to independently sourced data;
• We benchmarked inputs used for valuations to current market best practices in assessing the appropriateness of the methodologies applied;
• We assessed and challenged the reasonability of cash flows and discount rates used in valuing unlisted investments by comparing them to similar instruments;
• We independently recalculated the expected fair values to evaluate if the Group'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 Group.</td></tr>
</table>

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 5 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 Property, plant and equipment 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; and • 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 standard; and • 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

7. 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, 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.

8. 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

9. 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.

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT*

INTRODUCTION AND SCOPE

11. In accordance with the Public Audit Act of South Africa, 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

12. Our procedures address the usefulness and reliability of 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 do not examine whether the actions taken by the public entity enabled service delivery. 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.

13. 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 objective presented in the annual performance report of the public entity for the year ended 31 March 2020:

Objective	Pages in the annual performance report
Objective 1: Development impact	13 - 16

14. 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.

15. We did not identify any material findings on the usefulness and reliability of the reported performance information for Objective 1: Development impact.

OTHER MATTER

16. We draw attention to the matter below.

Achievement of planned targets

17. Refer to the annual performance report on pages 13 to 16 for information on the achievement of planned targets for the year.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

18. 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.

19. 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 in the consolidated and separate financial statements identified by the auditors in the submitted financial statements were corrected, resulting in the consolidated and separate financial statements receiving an unqualified audit opinion.

OTHER INFORMATION

20. 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

**As reported in the directors' report*

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

21. 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.

22. 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.

23. 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

24. 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. The matters reported below are limited to the significant internal control deficiency that resulted in the finding on compliance with legislation included in this report.

Financial and performance management

Management did not implement adequate controls over the review of financial statements submitted for auditing to ensure that they were fully compliant with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. The material misstatements were corrected, resulting in the consolidated and separate financial statements receiving an unqualified audit opinion.

AUDIT TENURE

25. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T and SizweNtsalubaGobodo Grant Thornton Inc. have been the auditors of the Industrial Development Corporation of South Africa Limited for 1 year and 13 years respectively.

Nexia SAB&T

Nexia SAB&T
Registered Auditor

Per Aneel Damalingham
Director
Chartered Accountant (SA)
Registered Auditor

30 September 2020

Nexia SAB&T
119 Witch-Hazel Avenue
Centurion Techno Park
Centurion
0169

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Registered Auditor

Per Nhlanhla Sigasa
Director
Chartered Accountant (SA)
Registered Auditor

30 September 2020

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

ANNEXURE: AUDITORS RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

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

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

3. 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.

4. 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, actions taken to eliminate threats or safeguards applied.

5. 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 2020

		Group		Company	
Figures in Rand million	Note(s)	2020	2019*	2020	2019*
Assets					
Cash and cash equivalents	16	8 776	9 809	7 043	9 233
Derivative financial instruments	11	171	1	162	-
Trade and other receivables*	15	1 994	1 854	438	73
Inventories	14	2 251	2 051	1	1
Current tax receivable		222	273	200	252
Loans and advances*	12	29 099	27 162	28 199	29 094
Investments	13	27 401	60 320	25 391	36 296
Non-current assets held for sale and assets of disposal groups	28	36	36	-	-
Investments in subsidiaries*	9	-	-	23 955	47 552
Investments in associates*	10	30 555	33 481	26 257	32 858
Deferred tax	33	1 253	1 885	360	-
Investment property	6	232	290	37	37
Property, plant and equipment	5	7 084	7 343	53	58
Right of use assets	34	326	-	414	-
Biological assets	7	14	93	-	-
Intangible assets	8	217	9	-	-
Total Assets		**109 631**	**144 607**	**112 510**	**155 454**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital	18	1 393	1 393	1 393	1 393
Reserves		19 545	50 869	32 280	68 410
Retained income		39 766	43 340	20 178	23 294
		60 704	95 602	53 851	93 097
Non-controlling interest		(514)	(299)	-	-
Total Equity		**60 190**	**95 303**	**53 851**	**93 097**
Liabilities					
Bank overdraft	16	82	49	-	-
Derivatives	11	28	39	-	17
Trade and other payables	36	3 920	3 042	840	1 078
Lease liabilities	34	387	-	438	-
Current tax payable		-	5	-	-
Retirement benefit obligation	37	341	375	158	183
Borrowings	19	41 236	39 486	56 038	54 125
Deferred tax	33	1 715	5 747	-	6 719
Financial Guarantees	25	1 144	194	1 144	194
Provisions	29	587	366	41	41
Share-based payment liability	30	1	1	-	-
Total Liabilities		**49 441**	**49 304**	**58 659**	**62 357**
Total Equity and Liabilities		**109 631**	**144 607**	**112 510**	**155 454**

*Interest receivable has been reclassified from trade and other receivables to loans and advances. Comparative information has been reclassified to this effect. Refer to Note 43 for further detail.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand million	Note(s)	Group 2020	Group 2019*	Company 2020	Company 2019*
Continuing operations					
Revenue	20	12 240	13 445	4 697	3 693
Interest revenue*	21	4 038	4 465	4 130	4 486
Cost of sales		(7 919)	(8 307)	-	-
Gross profit		8 359	9 603	8 827	8 179
Other income		568	234	356	28
Profit (loss) on sale of financial assets	23	(66)	68	(66)	(7)
Loss on financial assets classified as FVTPL		(702)	(607)	(1 557)	(1 168)
Expected credit losses		(4 359)	(611)	(5 625)	(1 313)
Financial assets written off		(2 616)	(2 430)	(2 407)	(2 300)
Operating expenses		(4 948)	(3 930)	(1 386)	(1 670)
Operating profit/(loss)	31	(3 764)	2 327	(1 858)	1 749
Finance costs	22	(2 747)	(2 825)	(2 563)	(2 573)
Income from equity accounted investments		1 005	644	-	-
Profit (loss) before taxation		(5 506)	146	(4 421)	(824)
Taxation	32	1 717	574	1 305	354
Profit (loss) for the year		(3 789)	720	(3 116)	(470)
Other comprehensive income/(loss):					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		48	21	44	24
Fair value movements on equity instruments		(40 236)	10 581	(41 879)	15 463
Income tax relating to items that will not be reclassified		6 588	(1 556)	5 704	(2 169)
Total items that will not be reclassified to profit or loss		(33 600)	9 046	(36 131)	13 318
Items that may be reclassified to profit or loss:					
Share of associates comprehensive income		1 900	-	1	-
Exchange differences on translating foreign operations		375	728	-	-
Total items that may be reclassified to profit or loss		2 275	728	1	-
Other comprehensive income for the year net of taxation	39	(31 325)	9 774	(36 130)	13 318
Total comprehensive income/(loss) for the year		(35 114)	10 494	(39 246)	12 848
Profit/(loss) for the year attributable to:					
Owners of the Parent		(3 574)	712	(3 116)	(470)
Non-controlling interest		(215)	8	-	-
		(3 789)	720	(3 116)	(470)
Total comprehensive income/(loss) for the year attributable to:					
Owners of the parent		(34 899)	10 885	(39 246)	12 848
Non-controlling interest		(215)	(391)	0	-
		(35 114)	10 494	(39 246)	12 848

* Interest revenue is separately presented from revenue. Refer to note 43 for more information.

STATEMENT OF CHANGES IN EQUITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 2018	1 393	1 198	914	41 028	1 657	(4)	304	45 533	84	92 107
Profit for the year	-	-	-	-	-	-	-	712	8	720
Other comprehensive Income	-	728	-	9 025	-	21	-	-	-	9 774
Total comprehensive income for the year	-	728	-	9 025	-	21	-	712	8	10 494
IFRS 9 transitional	-	-	-	(1 713)	-	-	-	(5 377)	-	(7 090)
Transactions with other shareholders	-	-	-	-	-	-	-	-	(391)	(391)
Day 1 gain on liabilities	-	-	-	-	-	-	-	378	-	378
Dividends	-	-	-	-	-	-	-	(50)	-	(50)
Realisation of reserve#	-	-	-	(2 289)	-	-	-	2 289	-	-
Amortised gain on bonds	-	-	-	-	-	-	-	(145)	-	(145)
Day 1 gains/(losses) on bonds	-	-	-	(4 002)	-	-	-	(2 905)	(391)	(7 298)
Balance at 01 April 2019	1 393	1 926	914	46 051	1 657	17	304	43 340	(299)	95 303
Profit for the year	-	-	-	-	-	-	-	(3 574)	(215)	(3 789)
Other comprehensive income	-	375	1 900	(33 648)	-	48	-	-	-	(31 325)
Total comprehensive income for the year	-	375	1 900	(33 648)	-	48	-	(3 574)	(215)	(35 114)
Balance at 31 March 2020	1 393	2 301	2 814	12 404	1 657	65	304	39 766	(514)	60 190
Note(s)	18									

*Other reserves includes movements in net defined benefit assets and liabilities.

#This amount relates to realized gains on the sale of financial assets where gains were carried through other comprehensive income.

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 2018	1 393	-	25	57 817	1 222	30	-	27 298	-	87 785
Profit for the year	-	-	-	-	-	-	-	(470)	-	(470)
Other comprehensive Income	-	-	-	13 294	-	24	-	-	-	13 318
Total comprehensive income for the year	-	-	-	13 294	-	24	-	(470)	-	12 848
IFRS 9 transition impact	-	-	-	(1 713)	-	-	-	(5 891)	-	(7 604)
Day 1 gain on bonds	-	-	-	-	-	-	-	263	-	263
Dividends	-	-	-	-	-	-	-	(50)	-	(50)
Reclassification adjustment#	-	-	-	(2 289)	-	-	-	2 289	-	-
Day 1 gains/(losses) on bonds	-	-	-	-	-	-	-	(145)	-	(145)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	(4 002)	-	-	-	(3 534)	-	(7 536)
Balance at 01 April 2019	1 393	-	25	67 109	1 222	54	-	23 294	-	93 097
Profit for the year	-	-	-	-	-	-	-	(3 116)	-	(3 116)
Other comprehensive income	-	-	1	(36 175)	-	44	-	-	-	(36 130)
Total comprehensive income for the year	-	-	1	(36 175)	-	44	-	(3 116)	-	(39 246)
Balance at 31 March 2020	1 393	-	26	30 934	1 222	98	-	20 178	-	53 851
Note(s)	18									

The accounting policies on page 33 and the notes on pages 50 to 119 form an integral part of the financial statements.
**Other reserves includes movements in net defined benefit assets and liabilities
#This amount relates to realized gains on the sale of financial assets where gains were carried through other comprehensive income.

STATEMENT OF CASH FLOWS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

		Group		Company	
Figures in Rand million	Note(s)	2020	2019	2020	2019
Cash flows from operating activities					
Cash (used in)/generated from operations	24	(1 437)	(2 063)	(1 072)	(2 233)
Interest received		2 539	4 465	2 496	4 486
Dividend income		3 445	3 383	4 318	3 306
Finance costs		(2 433)	(2 825)	(2 356)	(2 573)
Tax (paid) refunded	35	(29)	(31)	(19)	16
Increase on operating assets	24	(3 432)	(3 781)	(4 820)	(5 492)
Increase in operating liabilities	24	1 915	6 264	1 915	7 400
Net cash from operating activities		**568**	**5 412**	**462**	**4 910**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(697)	(1 440)	(95)	(170)
Proceeds on sale of property , plant and equipment	5	-	274	-	142
Purchase of investment property	6	-	(1)	-	-
Sale of investment property	6	-	87	-	-
Purchase of intangible assets	8	(9)	(2)	-	-
Acquisition of investments		(2 852)	(3 322)	(3 002)	(4 069)
Sale of other financial assets		51	-	-	-
Purchase of biological assets	7	-	(72)	-	-
Sale of biological assets	7	-	37	-	-
Proceeds on realisation of investments		465	2 744	465	2 744
Net cash from investing activities		**(3 042)**	**(1 694)**	**(2 632)**	**(1 353)**
Cash flows from financing activities					
Grant income received/funding raised		1 462	-	-	-
Dividends paid		-	(50)	-	(50)
Repayments of lease liabilities		(27)	-	(20)	-
Net cash from financing activities		**1 435**	**(50)**	**(20)**	**(50)**
Total cash movement for the year		**(1 039)**	**3 667**	**(2 190)**	**3 507**
Cash at the beginning of the year		9 760	6 137	9 233	5 726
Effect of foreign exchange rate movements on cash and cash equivalents		(27)	(44)	-	-
Total cash at end of the year	16	**8 694**	**9 760**	**7 043**	**9 233**

	Industrial Development Corporation		SEFA, Konoil, Findevco and Impofin		Foskor (Pty) Limited	
Figures in Rand million	2020	2019	2020	2019	2020	2019
Income						
Interest received	4 130	4 486	113	111	40	33
Dividends received	4 268	3 306	-	737	-	-
Fee income	429	387	52	43	-	-
Farming, manufacturing and mining income	-	-	-	-	3 997	5 429
Revenue	8 827	8 179	165	891	4 037	5 462
Share of profits of equity-accounted investments	-	-	14	-	-	-
Other income	356	28	33	16	118	91
Net capital gains	(66)	(7)	-	-	-	-
Expenses						-
Financing costs	(2 668)	(2 573)	(51)	(41)	(243)	(259)
Operating expenses	(1 248)	(1 546)	(410)	(274)	(5 216)	(5 317)
Share of losses of equity-accounted investments	-	-	-	(6)	-	-
Taxation	1 305	354	(5)	3	636	288
Depreciation	(24)	(24)	(3)	(36)	(361)	(353)
Project feasibility expenses	(9)	(100)	-	-	-	-
Net movement in impairments	(9 589)	(4 781)	(159)	(151)	-	-
Impairment of property, plant and equipment	-	-	-	-	(599)	-
Profit/(Loss) from discontinued operations	-	-	-	-	-	-
Profit for the year	**(3 116)**	**(470)**	**(416)**	**402**	**(1 628)**	**(88)**
Total assets	112 510	155 454	19 048	39 647	8 285	7 736
Interest in equity-accounted investments	26 230	32 129	874	914	25	25
Total liabilities	58 582	62 357	1 855	2 880	4 621	2 810
Capital expenditure	31	170	9	3	284	468
Capital expenditure commitments	-	-	-	-	49	238

*All revenue is from external customers.

Scaw South Africa, Grinding Media and Cast Products		Other		Total	
2020	2019	2020	2019	2020	2019
1	-	(264)	(165)	4 038	4 465
-	-	(873)	(660)	3 395	3 383
-	-	(16)	2	465	432
3 223	3 211	1 160	990	8 380	9 630
3 224	3 211	25	167	16 278	17 910
-	-	991	650	1 005	650
10	-	51	99	568	234
-	-	-	75	(66)	68
(46)	(19)	261	67	(2 747)	(2 825)
(3 534)	(3 499)	(1 283)	(875)	(11 691)	(11 514)
-	-	-	-	-	(6)
(14)	(28)	(205)	(43)	1 717	574
(87)	(28)	(93)	(210)	(568)	(623)
-	-	-	-	(9)	(100)
-	-	2 071	1 284	(7 677)	(3 648)
-	-	-	-	(599)	-
-	-	-	-	-	-
-	-	-	-	-	-
(447)	(335)	1 818	1 214	(3 789)	720
2 592	(1 633)	(32 804)	(56 597)	109 631	144 607
-	-	3 426	337	30 555	33 405
1 242	784	(16 936)	(19 527)	49 441	49 304
194	319	(18)	480	500	1 440
-	-	92	235	141	473
-	-	-	-	-	-

GEOGRAPHICAL SEGMENTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	South Africa		Rest of Africa		Other*		Total	
Figures in Rand million	2020	2019	2020	2019	2020	2019	2020	2019
Income								
Interest received	3 204	3 645	834	820	-	-	4 038	4 465
Dividends received	2 775	2 544	576	776	44	63	3 395	3 383
Fee income	465	432	-	-	-	-	465	432
Farming, manufacturing and mining income	8 287	9 585	-	45	93	-	8 380	9 630
Revenue	14 731	16 206	1 410	1 641	137	63	16 278	17 910
Share of profits of equity-accounted investments	1 005	650	-	-	-	-	1 005	644
Other income	568	232	-	-	-	2	568	234
Net capital gains	(66)	68	-	-	-	-	(66)	68
Expenses	-	-	-	-	-	-	-	-
Financing expenses	(2 747)	(2 824)	-	(1)	-	-	(2 747)	(2 825)
Operating expenses	(11 578)	(11 470)	-	(44)	(113)	-	(11 691)	(11 514)
Taxation	1 723	574	-	-	(6)	-	1 717	574
Depreciation	(568)	(623)	-	-	-	-	(568)	(623)
Impairment of property, plant and equipment	(599)	-	-	-	-	-	(599)	-
Net movement in impairments	(6 924)	(2 971)	(753)	(677)	-	-	(7 677)	(3 648)
Project feasibility expenses	(9)	(100)	-	-	-	-	(9)	(100)
Profit for the year	**(4 464)**	**(264)**	**657**	**919**	**18**	**65**	**(3 789)**	**720**
Total assets	109 104	127 723	465	15 392	62	1 492	109 631	144 607
Interest in equity-accounted investments	26 251	33 405	4 304	-	-	-	30 555	33 405
Total liabilities	49 408	49 291	-	13	33	-	49 441	49 304
Capital expenditure	585	1 440	-	-		-	585	1 440
Capital expenditure commitments	141	473	-	-	-	-	141	473

*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 2020 comprise the IDC, its subsidiaries and the Group's interest in associates and jointly controlled entities (referred to as the Group).

The financial statements were authorised for issue by the directors on 28 September 2020.

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 on the going concern basis and 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 2019

a) IFRS 16: Leases

IFRS 16 replaces IAS 17 'Leases' and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Under IAS 17 operating lease payments were expensed by the lessee when incurred with no recognition on the statement of financial position.

Under IFRS 16 leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. The right-of-use asset will be depreciated over the remaining lease term and the lease liability will be amortised over the remaining lease term at the Group's incremental borrowing rate There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

The Group has applied IFRS 16 for the first time during the reporting period. The modified retrospective approach has been adopted with no retrospective application or adjustments to comparative information. A weighted average incremental borrowing rate of 8,6% has been applied to discount the lease liability. The application of the new standard has not had a material impact on the Group or Company financial statements. The use of practical expedient is made to not separate lease and non-lease components.

The application on 1 April 2019 had the following impact:

	2020	
	Group R'm	Company R'm
Increase in Right of Use Assets	411	456
Increase in Lease Liabilities	411	456

Further to this, the change in accounting Policy resulted in the following changes to Profit and Loss:

	2020	
	Group R'm	Company R'm
Decrease in Operating Lease Payments	67	55
Increase in Depreciation	(87)	(43)
Increase in Finance Costs	(40)	(35)

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) **IAS 1: Presentation of Financial Statements**

Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Effective Date is for periods beginning on or after 1 January 2020.

b) **IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors**

Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Effective Date is for periods beginning on or after 1 January 2020.

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 (interest income included in revenue other than from contracts with customers) or other financial items (fee income included in revenue from contracts with customers). The impairment for trade receivables is presented under expected credit losses on the Statement of Profit or loss and Other Comprehensive income.

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 Business Advisory and Turnaround 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 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 Business Advisory and Turnaround 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;

- 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.

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

1.4.5 Classification and measurement of financial liabilities

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. 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 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
Biological assets	
Bearer plants	30 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) 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. The Group recognises a right-of-use asset and a lease liability at commencement of the lease.

b) Right-of-Use Asset

Right-of-use assets are initially measured at cost. Cost comprises the present value of the lease liability at commencement date of the lease, plus any payments already made.

The right-of-use assets are subsequently depreciated using the straight-line basis from commencement of the lease to the end of the lease term.

c) Lease Liability

Lease Liabilities are initially measured at the present value of the remaining lease payments at commencement date, discounted at the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the remaining lease payments are discounted at the lessee's incremental rate of borrowing.

Measurement of the lease liability considers those fixed lease payments stipulated in the lease including annual lease increases.

The lease liability is subsequently measured at amortised cost using the effective interest rate method.

d) Leases of low-value assets ad short term leases

The Group has elected to use the relief provided by the IASB to expense lease payments made relating to low-value assets and short-term leases.

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.

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 not from contracts with customers comprises dividend income.

Revenue from contracts with customers comprises sales to customers, 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 being the granting of credit and managing of funds, and 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.

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 (continued)				
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.

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 NON-CURRENT ASSETS HELD-FOR-SALE

a) 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.

b) 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.

c) 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 2020.

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 explicit repayments terms. When assessed under IFRS 9 whether these meet the criteria for SPPI judgement was applied by management. Based on common law principles in South Africa, loans with no repayment terms are deemed to be repayable on demand. As such shareholder loans are seen to meet the definition of SPPI under IFRS 9 and are thus classified at amortised cost.

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.e.

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 former Chief Financial Officer.

1. COVID-19 AND ITS IMPACT ON THE FINANCIAL STATEMENTS

On 23 March 2020, President Cyril Ramaphosa announced a new measure to combat the spread of the COVID-19 coronavirus in South Africa – a three-week nationwide lockdown with severe restrictions on travel, movement and business activities – from midnight on Thursday, 26 March, to midnight on Thursday, 16 April. The lockdown was extended until the end of April. The impact of COVID-19 has led to widespread panic in global markets and the economic forecast were revised down to reflect the crisis. From 1 May 2020 the government started relaxing some of the travel restrictions in a bid to reopen the economy. This has led to recovery in some industries, while other industries remained closed as at the time of preparation of this report.

Listed portfolio

Some significant listed business partners who could not export their products under lockdown, saw a decline in share prices. This resulted in the IDC listed portfolio declining accordingly. These shares have since registered significant recoveries.

Unlisted portfolio

The economic assumptions and inputs used in the valuation of the unlisted book include the risk free rate and benchmark interest rates and discount rates. Historical practice at the IDC is the use of a February dataset which is rolled forward by one month to March, the end of the financial year. This approach allows for the organisation to meet tight audit and reporting timelines while providing valuations that fairly represent the fair value of the unlisted book at year end. An independent assessment by the auditors has historically confirmed the validity of the inputs used and resulting valuations.

While the impact of COVID-19 was considered in the detailed cash flow forecasts underpinning the DCF valuation models, a significant movement in macro-economic indicators between February and March, specifically the beta and risk free rate resulted in the weighted average cost of capital (WACC) increasing by between 2-4%. The overall impact was a significant downward fair value adjustment of the unlisted book of R4.9 billion.

The impact on the macro indicators by COVID-19 has proven to be temporary, as evidenced by the macro indicators recovering by the end of June 2020 to levels seen previously.

Loan Book

A sharp increase in ECL was experienced between December 2019 and March 2020, suggesting an impact from the initial lockdown period, which fell into the financial year end under review. The close of the financial year saw a sizeable migration of clients from both stage 1 and 2 into stage 3. Stage 3 facilities, which made up 41.7% of the loan book at the end of December 2019, increased to 48% by 31 March 2020. An overall increase in ECL of R2 billion was registered during this period.

Revenue

The SARB reduced the repo rate by 175 basis points from 19 March 2020 (5.25%) to 3.5% on 23 July 2020 in an attempt to ease the impact of COVID-19. This will negatively affect IDC interest income in the 2021 financial period. While the impact cannot be quantified at this point, it is expected to be minimal. The IDC's significant manufacturing subsidiaries were also affected by the lockdown as operation were halted in April, resulting in lost sales and delayed production.

Defined Benefit Obligations/Assets

COVID-19 had no impact on the actuarial assumptions underlying the defined benefit assets and defined benefit obligations.

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 - 2020						
Cash and cash equivalents	16	-	-	8 776	8 776	8 776
Loans and advances to clients	12 & 13	692	-	24 211	24 904	24 904
Investments - listed equities	13	-	23 114	-	23 114	23 114
Investments - unlisted equities	13	-	3 258	-	3 258	3 258
Investments - preference shares	13	1 029	-	4 195	5 224	5 224
Derivative assets	11	171	-	-	171	171
Trade and other receivables	15	-	-	1 939	1 939	1 939
Borrowings	19	-	-	41 236	41 236	41 236
Derivative liabilities	11	28	-	-	28	28
Bank overdrafts	16	-	-	82	82	82
Trade and other payables	36	-	-	3 920	3 920	3 920
Lease liability	34	-	-	387	387	387
Total		1 920	26 372	84 746	113 039	113 039

Figures in Rand million	Note(s)	FVTPL	FVOCI	Amortised cost	Total	Fair value
Company - 2020						
Cash and cash equivalents	16	-	-	7 043	7 043	7 043
Loans and advances to clients	12 & 13	692	-	23 312	24 004	24 004
Investments - listed equities	13	-	21 147	-	21 147	21 147
Investments - unlisted equities	13	-	3 215	-	3 215	3 215
Investments - preference shares	13	1 029	-	4 195	5 224	5 224
Derivative assets	11	162	-	-	162	162
Trade and other receivables	15	-	-	420	420	420
Borrowings	19	-	-	56 038	56 038	56 038
Trade and other payables	36	-	-	840	840	840
Lease liability	34	-	-	438	438	438
Total		1 883	24 362	92 286	118 531	118 531

		Group		Company	
Figures in Rand million	Note(s)	2020	2019	2020	2019
Loans and Advances comprises:					
Loans at FVTPL	12	692	4 447	692	4 448
Loans at Amortised cost	12	24 211	17 766	23 312	19 697
Investments – Preference shares	13	4 195	4 949	4 195	4 949
		29 099	27 162	28 199	29 094

		Group		Company	
Figures in Rand million	Note(s)	2020	2019	2020	2019
Investments comprises:					
Investments – listed equities	13	23 114	54 860	21 147	30 890
Investments – unlisted equities	13	3 258	4 114	3 215	4 042
Investments – Preference shares	13	1 029	1 346	1 029	1 364
		27 401	60 320	25 391	36 296

2. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 & 13	4 447	-	17 766	22 213	22 213
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	6 295
Derivative assets	11	1	-	-	1	1
Trade and other receivables*	15	-	-	1 813	1 813	1 813
Borrowings	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	76 533	141 340	141 340

Figures in Rand million	Note(s)	FVTPL	FVOCI	Amortised cost	Total	Fair value
Company - 2019 Assets						
Cash and cash equivalents	16	-	-	9 233	9 233	9 233
Loans and advances to clients*	12	4 448	-	19 697	24 145	24 145
Investments - listed equities	13	-	30 890	-	30 890	30 890
Investments - unlisted equities	13	-	4 042	-	4 042	4 042
Investments - preference shares	13	1 364	-	4 949	6 313	6 313
Trade and other receivables*	15	-	-	63	63	63
Borrowings	19	-	-	54 125	54 125	54 125
Derivative liabilities	11	17	-	-	17	17
Trade and other payables	36	-	-	797	797	797
Total		5 829	34 932	88 864	129 625	129 625

*Interest receivable has been reclassified from trade and other receivables to loans and advances. Comparative information has been reclassified to this effect. Refer to Note 43 for further detail.

3. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK

This risk category encompasses losses that may occur as a result of the way the IDC is financed and its own financing or investment activities. Financial risk includes credit and settlement risk related to the potential for counterparty default, market risk related to volatility in interest rates, exchange rates, commodity and equity prices, liquidity / funding risk related to the cost of maintaining various financial positions as well as financial compliance risk.

Other financial risks faced by the Corporation include the risk of concentration of investments in certain economic sectors, regions and/or counterparties as well as the risk of over-dependency in relation to income on a limited number of counterparties and/or financial products and the risk of margin erosion due to inappropriate pricing relative to the cost of funding. The management of these risk areas is therefore critical for the IDC.

RISK MANAGEMENT PLAN

Risk management, like any business activity should be continuously improved. This means that the Corporation will always continue to improve governance, risk identification, risk assessment, risk monitoring and risk optimisation and as such a Risk Management Plan detailing proposed activities and improvements to IDC's Enterprise Risk Management activities is prepared on an annual basis.

RISK MANAGEMENT POLICY STATEMENT

The Risk Management Policy statement communicates the Corporation's stance with regards to risk management. It is a brief statement about the Corporation's commitment to risk management and is informed by inter alia the Corporation's risk profile, appetite for loss, loss tolerance levels and sustainability management.

FINANCIAL: CREDIT RISK

This refers to the risk that a counterparty to a financial transaction will fail to meet its obligations in accordance with the agreed terms and conditions of the contract, thereby causing the asset holder to suffer a financial loss. Credit risk, as defined by the IDC, comprises the potential loss on loans, advances, guarantees, quasi- equity and equity investments due to counterparty default as the potential loss due to cash investing activities.

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

APPROACH TO MANAGING CREDIT RISK

The IDC endeavours to maintain credit risk exposure within acceptable parameters, managing the credit risk inherent in the entire portfolio as well as the risk associated with individual clients or transactions. The effective management of credit risk is a critical component of a comprehensive approach to risk management and is essential to the long-term success of the Corporation. This is the dominant risk within the IDC as the provision of loans, advances, quasi equity, equity investments and guarantees represents 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

There is recognition in the Basel Accords 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.

Investment or credit concentrations are considered to be a large group of exposures that respond similarly to the same stresses.

These stresses include:
- 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 or counterparty
- A group of related parties
- Geographical locations; and
- Economic sectors.

The concentration limits and thresholds are reviewed on a regular basis. The status of the IDC's investment book including credit concentrations, is reported to IDC Executive Management, the Board Risk and Sustainability Committee and the IDC Board on a quarterly basis.

COUNTERPARTY AND RELATED PARTY (GROUP) LIMITS

The Basel principles for the management of credit risk indicate in particular, that an important element of credit risk management is the establishment of exposure limits on single counterparties and groups of connected counterparties. In determining the recommended Counterparty limit for the IDC, its strategic objectives are taken into account. The objective of setting Counterparty and related party limits is and protect the IDC's Statement of Financial Position and Statement of Comprehensive Income from significant losses/volatility which would threaten financial sustainability, should a counterparty default or experience material loss in value. A Counterparty is defined as a single IDC client whereas a group of related parties refers to an 'economic group' of related entities, meeting any of the following criteria:
- Shareholding of more than 50%,
- Management control,
- Revenue or expenses reliance of 51% or more, and/or
- Provision of security for 51% or more of IDC's exposure.

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

AFRICA PORTFOLIO AND REGIONAL LIMITS AND COUNTRY THRESHOLDS

Country risk refers to risk(s) associated with investing or lending in a country, arising from possible changes in the business environment that may adversely affect operating profits or the value of assets in the host country. These risks include political risk, exchange rate risk, economic risk, sovereign risk and transfer risk, and an investment's returns could suffer as result of political changes or instability in a country. The focus of the IDC's activities in the Rest of the African continent is determined by its mandate and is managed through the Corporation's investment criteria and regional investment limits, including country thresholds.

Country thresholds, enable effective risk management of country concentration risk. The IDC's objectives are to contribute to the economic integration and industrial development in SADC and the Rest of Africa. The IDC views Africa in terms of South Africa, the Southern African region and the Rest of Africa. This distinction is evident from the importance that the South African Government places on Southern Africa relative to the rest of the Continent. 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 growth.

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.

Should approval of a transaction result in breach of this 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. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

Concentration by location of financial assets	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
Figures in Rand million	2020	2019*	2020	2019	2020	2019*	2020	2019
Carrying amount as per Note 12 and 13	29 099	27 162	27 678	60 320	28 199	29 094	25 391	36 296
Concentration by location:								
South Africa	19 896	18 334	26 136	58 199	18 996	20 360	23 849	34 175
SADC	3 399	2 447	465	856	3 399	2 453	465	856
Rest of Africa	5 803	6 381	-	1 265	5 803	6 281	-	1 265
Outside Africa	1	-	1 077	-	1	-	1 077	-
	29 099	27 162	27 678	60 320	28 199	29 094	25 391	36 296

*Interest receivable has been reclassified from trade and other receivables to loans receivable from associates. Refer to Note 43 for further detail

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).

Concentration by industry of financial assets	Group				Company			
	Loans and advances to clients		Investment Securities		Loans and advances to clients		Investment Securities	
Figures in Rand million	2020	2019*	2020	2019	2020	2019*	2020	2019
Carrying amount as per Note 12 and 13	29 099	27 162	27 678	60 320	28 199	29 094	25 391	36 296
Concentration by industry:								
Agriculture and Food	2 951	2 756	13	18	2 923	2 743	13	18
Chemicals and Petrolium	1 750	2 260	1 995	24 268	1 740	2 256	28	298
Finance & Insurance	1 682	1 604	43	54	1 522	1 519	4	1
Metals & Machinery	4 956	5 934	7 609	9 843	4 936	5 764	7 609	9 843
Mining	2 272	2 820	15 553	22 963	2 267	2 823	15 549	22 963
Other Manufacturing	1 263	1 530	315	130	1 155	1 529	38	130
Other Services	1 399	1 244	1 712	2 585	1 356	1 278	1 712	2 585
Trade, Catering & Accomodation	3 730	3 406	7	104	3 244	3 338	7	104
Transport, Communication & Utilities	9 096	5 608	431	355	9 056	7 844	431	354
	29 099	27 162	27 678	60 320	28 199	29 094	25 391	36 296

*Interest receivable has been reclassified from trade and other receivables to loans receivable from associates. Refer to Note 43 for further detail

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 2018 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
- 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

- 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 Business Advisory and Turnaround 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 Business Advisory and Turnaround and Legal, the curing 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

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 Loans & Advances:

Group - 2020

Loans & Advances (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	14 562	2 133	1 326	18 021
Medium risk	4 663	2 256	9 110	16 029
High risk	686	102	7 100	7 889
Subtotal	19 912	4 493	17 536	41 941
Expected credit losses	(3 170)	(1 687)	(7 985)	(12 842)
Amortised cost	16 742	2 806	9 552	29 099
ECL coverage ratio (%)	16%	38%	46%	31%

Group - 2019

Loans & Advances (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	9 663	665	501	10 829
Medium risk	5 151	471	2 772	8 394
High risk	8 400	983	9 322	18 705
Subtotal	23 214	2 119	12 594	37 928
Expected credit losses	(3 345)	(440)	(6 981)	(10 766)
Amortised cost*	19 870	1 679	5 613	27 162
ECL coverage ratio (%)	14%	21%	55%	28%

*Interest receivable has been reclassified from trade and other receivables to loans receivable from associates. Refer to Note 43 for further detail

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

Group - 2020

Guarantees (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	30	24	353	407
Medium risk	7	3	721	731
High risk	-	6	-	6
Total	37	33	1 074	1 144

Group - 2019

Guarantees (R'm)	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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The tables below reflect the amortised cost and staging of the Company's Loans & Advances:

Company - 2020

Loans & Advances (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	14 061	2 133	1 326	17 520
Medium risk	4 663	2 194	8 659	15 516
High risk	687	102	6 507	7 297
Subtotal	19 411	4 429	16 492	40 333
Expected credit losses	(3 037)	(1 645)	(7 452)	(12 134)
Amortised cost	16 374	2 786	9 039	28 199
ECL coverage ratio (%)	15%	37%	45%	30%

Company - 2019

Loans & Advances (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	9 661	665	497	10 823
Medium risk	5 118	461	2 765	8 344
High risk	8 400	984	10 539	19 924
Subtotal	23 179	2 110	13 802	39 091
Expected credit losses	(3 015)	(426)	(6 556)	(9 997)
Amortised cost	20 165	1 684	7 246	29 094
ECL coverage ratio (%)	13%	20%	48%	26%

The tables below reflect the amortised cost and staging of the Company's Guarantees:

Company - 2020

Guarantees (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	30	24	353	407
Medium risk	7	3	721	731
High risk	-	6	-	6
Total	37	33	1 074	1 144

Company - 2019

Guarantees (R'm)	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

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Group		Company	
Collateral held against stage 3 loans (R'm):	2020	2019	2020	2019
General notarial bond	5 400	4 213	5 400	4 213
Special notarial bonds	11 975	3 399	11 975	3 399
Mortgage bond	14 537	7 590	14 537	7 590
Other	149	72	149	72
	32 061	15 274	32 061	15 274
Gross value of impaired loans	17 536	12 594	16 492	13 802

	Group		Company	
Collateral held against stage 1 & 2 loans (R'm):	2020	2019	2020	2019
General notarial bond	5 804	5 412	5 804	5 412
Mortgage bond	21 142	10 371	21 142	10 371
Special notarial bonds	8 994	22 301	8 994	22 301
Other	364	190	364	190
	36 305	38 274	36 305	38 274
Gross value of impaired loans	24 405	25 333	23 840	25 289

Group and Company numbers are the same since only IDC takes collateral.

LIQUIDITY RISK

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

Sources of liquidity risk include:

- Unpredicted and accelerated drawdowns on approved financing or call-ups of guaranteed obligations;
- Inability to roll and/or access new funding;
- Unforeseen inability to collect what is contractually due to the Corporation;
- Liquidity stress at subsidiaries;
- A recall without due notice of on-balance sheet funds managed by the Corporation on behalf of third parties;
- An unintended 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.

Corporate Treasury performs day-to-day liquidity management within Board approved treasury limits, such that:

- There is always sufficient readily-available liquidity to meet probable operational cash flow requirements for a rolling three months' period; and
- Excess liquidity is minimised to limit the consequential drag on profitability.

Liquidity coverage ratio aims 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.

Figures in Rand million	3-months Scenario 1	12-months Scenario 2
2020		
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
2019		
Approved high-quality liquid assets	11823,1	11,823.1
Net stressed outflows	(11,161.4)	(11,068.7)
Liquidity coverage ratios (%)	105.9	106.8

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).

Figures in Rand million Consolidated local and foreign currency structural liquidity mismatch (SLM)	0-18 months	18-24 months	24-36 months
2020			
Cumulative liquidity positive variance	6,477.6	5,909.8	1,712.8
Funding related liabilities	30,714.6	26,004.8	21,106.3
SLM (%)	21.1	22.7	8.1
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

THE GROUP AND COMPANY'S UNDISCOUNTED MATURITY PROFILE OF LIABILITIES

Figures in Rand million Group - 2020	Due within 1 year	Due after one year but within five years	Due after five years	Total
Leases	71	274	187	532
Borrowings	13 448	27 680	11 004	52 132
Total	**13 519**	**27 954**	**11 191**	**52 664**

Company - 2020	Due within 1 year	Due after one year but within five years	Due after five years	Total
Leases	58	225	419	702
Borrowings	27 097	27 565	11 004	65 666
Total	**27 155**	**27 790**	**11 423**	**66 368**

Group - 2019	Due within 1 year	Due after one year but within five years	Due after five years	Total
Borrowings	7 763	26 529	13 460	47 752
Total	**7 763**	**26 529**	**13 460**	**47 752**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Figures in Rand million Company - 2019	Due within 1 year	Due after one year but within five years	Due after five years	Total
Borrowings	21 474	26 528	13 460	61 462
Total	21 474	26 528	13 460	61 462

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 interest rate risk, exchange rate risk and equity price risk. Market risk is governed by the Asset and Liability Management policy and ALCO provides the objective oversight and makes delegated decisions related to market risk exposures.

INTEREST RATE RISK MANAGEMENT

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. This also 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.

Figures in Rand million	0-3 months	4-6 months	7-12 months
Interest rate sensitivity mismatch - March 2020			
Cumulative liquidity positive variance			
SA Rand	5 823.4	4 754.6	4 857.8
US Dollar	(164,1)	(272,2)	(273,2)
Euro	(3,0)	21,5	18,8
Interest rate sensitivity mismatch - March 2019			
SA Rand	7 154,5	7 479,1	6701
US Dollar	(203,7)	(306,4)	(298,3)
Euro	(2,4)	27,4	24,7

Furthermore, interest rate risk management is monitored through the sensitivity analysis done to the financial assets and liabilities. A 200 basis points (bps) increase/(decrease) in market interest rates resulted in the following sensitivities:

Figures in Rand million	Rand	US Dollar	Euro
2020			
+ 200 bps rate shock	126,42	(4,2)	0,20
- 200 bps rate shock	(126,4)	4,2	(0,20)
2019			
+ 200 bps rate shock	157	(4,6)	0,26
- 200 bps rate shock	(157)	4,6	(0,26)

Effect of a 200 basis point increase/(decrease) in market rates.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

EXCHANGE RATE RISK

Exchange rate 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 course of business, the Corporation is exposed to exchange rate risk through its trade finance book and exposure to investments in and outside of Africa. The risk is 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; and
- 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 Corporation does not hedge its exchange rate risk on foreign currency denominated shareholder loans, equity and quasi equity investments.

	US Dollar	Euro
Net open foreign currency positions - 2020		
Foreign currency lending and borrowing		
- Loans (assets)	453,7	47,2
- Derivative hedges (FEC's)	45,3	12,0
- Borrowings (liabilities)	(522,8)	(59,3)
Other net (payables) / receivables	16,4	1,4
	(7,4)	**1,3**
Net open foreign currency positions - 2019		
Foreign currency lending and borrowing		
- Loans (assets)	485	47,5
- Derivative hedges (FEC's)	67,2	20,2
- Borrowings (liabilities)	(566,2)	(70,6)
Other net (payables) / receivables	(8,0)	(1,3)
Net open foreign currency positions	(22)	(4,2)

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 shareholder's equity.

Sources of equity price risk include:

- Systematic risk or volatility in relation to the market; 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. Considering the long-term nature of the Group'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 R7 200 million increase in the equity values as at 31 March 2020 (2019: R9 483 million) and a 10% decrease will lead to a R7 200 million decrease in the equity values (2019: R9 483 million).

	10% increase	10% decrease
31 March 2020	R 7 200m	R7 200m
31 March 2019	R 9 483m	R 9 483m

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;

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

- 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

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2020				
Derivative assets	-	171	-	171
Biological assets	-	-	14	14
Investment property	-	-	232	232
Land and buildings	-	-	2 120	2 120
Listed shares	23 114	-	-	23 114
Unlisted shares	-	-	3 258	3 258
Preference shares	-	-	1 029	1 029
	23 114	171	6 653	29 938
Derivative liabilities	-	28	-	28
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 equities	-	-	4 114	4 114
Preference shares	-	-	1 346	1 346
	54 860	1	7 693	62 554
Derivative liabilities	-	39	-	39
Company 2020				
Derivative assets	-	162	-	162
Investment property	-	-	37	37
Listed shares	21 147	-	-	21 147
Unlisted shares	-	-	3 215	3 215
Preference shares	-	-	1 029	1 029
Investments in subsidiaries	-	-	23 955	23 955
Investments in associates	345	-	14 629	14 974
	21 492	162	42 865	64 519
Derivative liabilities	-	-	-	-
Company 2019				
Derivative assets	-	-	-	-
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	-	-	47 432	47 432
Investments in associates	1 374	-	18 389	19 763
	32 264	-	71 264	103 528
Derivative liabilities	-	17	-	17

4. FAIR VALUE INFORMATION (CONTINUED)

Reconciliation of assets and liabilities measured at level 3

Figures in Rand million	Note(s)	Opening balance	Gains/ losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Reclass- ifications	Closing balance
Group - 2020								
Assets								
Biological assets	7	93	(7)	-	-	(72)	-	14
Land and buildings	5	1 850	(49)	-	404	(85)	-	2 120
Unlisted shares	13	5 676	-	(2 549)	159	(28)	-	3 258
Preference shares	13	1 346	(569)	-	741	(489)	-	1 029
Investment Property	6	290	-	-	-	-	(58)	232
		9 255	(625)	(2 549)	1 304	(674)	(58)	6 653
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)	-	5 676
Preference shares	13	6 895	99	-	679	-	(6 327)	1 346
Investment property	6	403	-	(9)	1	(105)	-	290
		14 688	52	775	811	(744)	(6 327)	9 255

Figures in Rand million	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 - 2020								
Assets								
Unlisted shares	13	4 060	-	(976)	159	(28)	-	3 215
Preference shares	13	1 346	(569)	-	741	(489)	-	1 029
Investments in subsidiaries	9	47 432	-	(24 748)	1 437	(166)	-	23 955
Investments in associates	10	18 389	-	(3 960)	1 071	(871)	-	14 629
Investment property	6	37	-	-	-	-	-	37
		71 264	(569)	(29 684)	3 408	(1 554)	-	42 865
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	46 395	61	(229)	747	-	-	47 432
Investments in associates	10	21 975	(4 597)	(631)	1 632	19	-	18 389
Investment property	6	32	5	-	-	-		37
		80 201	(4 933)	(1 219)	2 487	(323)	(4 949)	71 264

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	8.26%
		Expected long term growth	4.5%
Agro-processing	Discounted cash flow	Cost of Debt	7.6% - 13%
		Discount factor	5% - 18.9%
		Sector beta	0.69-1.1
	Price-earning valuation	Industry/sector PE ratio	11.04%-23.21%
		Risk Adjusted PE ratio	5.73%-13.93%
		Expected long term growth	4.5%
Basic Metals and Mining	Discounted cash flow	Cost of Debt	8%-15%
		Discount factor	11.73%-21.02%
		Sector beta	0.76-1.01
Basic and Speciality Chemicals	Discounted cash flow	Cost of Debt	6%-14.3%
		Discount factor	12.4%-19.1%
		Sector beta	0.75-1.04
Automotive	Discounted cash flow	Cost of Debt	8.8%-17.8%
		Discount factor	14.8%-19.4%
		Sector beta	0.79-1.05
Light Manufacturing & Tourism	Discounted cash flow	Cost of Debt	7.55%-9.8%
		Discount factor	12.8%-14.9%
		Sector beta	0.87
Heavy Manufacturing	Discounted cash flow	Cost of Debt	7%-13.2%
		Discount factor	12.5%-14.6%
		Sector beta	0.89-0.9
Chemical Products	Discounted cash flow	Cost of Debt	8.8%-10.3%
		Discount factor	14.9%-15.7%
		Sector beta	0.9-0.91
New Industries	Discounted cash flow	Cost of Debt	10%-14.8%
		Discount factor	14.4%-27%
		Sector beta	1.1

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

Figures in Rand million	2020			2019		
Group	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	2 639	(519)	2 120	2 485	(635)	1 850
Plant and machinery	10 037	(6 302)	3 735	9 298	(5 443)	3 855
Furniture and fixtures	265	(206)	59	343	(247)	96
Motor vehicles	21	(18)	3	20	(14)	6
Bearer plants	145	(13)	132	206	(3)	203
Asset under construction	1 035	-	1 035	1 333	-	1 333
Total	14 142	(7 058)	7 084	13 685	(6 342)	7 343

Figures in Rand million	2020			2019		
Company	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	136	(131)	5	131	(126)	5
Furniture and fittings	144	(99)	45	136	(88)	48
Motor vehicles	10	(8)	2	10	(7)	3
Asset under construction	1	-	1	2	-	2
Total	291	(238)	53	279	(221)	58

Reconciliation of property, plant and equipment - Group - 2020

Figures in Rand million	Opening balance	Additions	Disposals	Transfers	Foreign Exchange Movements	Revaluations	Depreciation	Total
Land and buildings	1 850	404	-	(85)	-	-	(49)	2 120
Plant and machinery	3 855	439	(78)	424	181	-	(1 086)	3 735
Furniture and fixtures	96	33	-	(42)	-	-	(28)	59
Motor vehicles	6	-	-	(2)	-	-	(1)	3
Bearer plants	203	14	(11)	(70)	-	-	(4)	132
Asset Under Construction	1 333	291	(186)	(403)	-	-	-	1 035
	7 343	1 181	(275)	(178)	181	-	(1 168)	7 084

Reconciliation of property, plant and equipment - Group - 2019

Figures in Rand million	Opening balance	Additions	Disposals	Transfers	Foreign Exchange Movements	Revaluations	Depreciation & Impairment	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 - Company - 2020

Figures in Rand million	Opening balance	Additions	Disposals	Transfer	Depreciation	Total
Plant and machinery	5	77	(77)	4	(4)	5
Furniture and fixtures	48	19	-	(3)	(19)	45
Motor vehicles	3	-	-	-	(1)	2
Asset Under Construction	2	-	-	(1)	-	1
	58	96	(77)	-	(24)	53

Reconciliation of property, plant and equipment - Company - 2019

Figures in Rand million	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

6. INVESTMENT PROPERTY

Figures in Rand million

Figures in Rand million	2020			2019		
Group	Cost / Valuation	Movements	Fair value	Cost / Valuation	Movements	Fair value
Land and buildings leased to industrialists	34	1	35	36	(2)	34
Land held for development	24	8	32	343	(110)	232
Farming land and buildings	232	(67)	165	24	-	24
Total	290	(58)	232	403	(112)	290

Figures in Rand million	2020			2019		
Company	Cost / Valuation	Fair value adjustment	Carrying value	Cost / Valuation	Fair value adjustment	Carrying value
Land and buildings leased to industrialists	37	-	37	32	5	37

6. INVESTMENT PROPERTY (CONTINUED)

Reconciliation of investment property - Group - 2020

Figures in Rand million	Opening balance	Additions	Reclassification to property, plant & equipment	Fair value adjustment	Total
Land and buildings leased to industrialists	34	-	-	1	35
Land held for development	232	-	(58)	(9)	165
Farming land and buildings	24	-	-	8	32
	290	-	(58)	-	232

Reconciliation of investment property - Group - 2019

Figures in Rand million	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 - Company - 2020

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

Reconciliation of investment property - Company - 2019

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

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

Figures in Rand million	2020			2019		
Group	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Planted pecan nut trees	14	-	14	18	-	18
Maize	-	-	-	75	-	75
Blueberry plants	-	-	-	-	-	-
Total	14	-	14	93	-	93

Reconciliation of biological assets - Group - 2020

Figures in Rand million	Opening balance	Additions	Disposals	Gains (losses) arising from changes in fair value	Total
Planted pecan nut trees	38	-	(17)	(7)	14
Maize	55	-	(55)	-	-
Blueberry plants	-	-	-	-	-
	93	-	(72)	(7)	14

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

Nature of biological assets

The Biological Assets are according to IAS 41 the produce of the Bearer Plants at the point of harvest, which for the company is the unharvested pecan nuts on the trees at year end.

The calculation of the unharvested produce on the trees at year-end are based on the Lopez valuation model that the company use after corrections for the specific circumstances identified for the farm. The produce that were harvested before year-end are deducted from the expected crop estimate.

The calculation of the fair value less cost to sell is based on the actual sales contracts that the company have agreed to, as well as assumptions of prices based on international prices, the exchange rate, etc and prices that the management are negotiating with possible buyers.

The fair value less cost to sell is based on the ex factory selling price less selling cost on a dry/in-shell basis.

The quantity and value of agricultural produce harvested measured at fair value less costs to sell during the year were as follows:

	2020		2019	
	Quantity (kg)	Value (R)	Quantity (kg)	Value (R)
Pecan nuts	274 695	7 196 752	204 730	6 171 392

8. INTANGIBLE ASSETS

Figures in Rand million	2020			2019		
Group	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Goodwill	882	(882)	-	882	(882)	-
Intellectual Property	230	(30)	200	2	(1)	1
Computer software, other	101	(84)	17	86	(78)	8
Total	1 213	(996)	217	970	(961)	9

Reconciliation of intangible assets - Group - 2020

Figures in Rand million	Opening balance	Additions	Amortisation	Total
Intellectual Property, Water rights	1	199	(1)	199
Computer software, other	8	15	(5)	18
	9	214	(6)	217

Reconciliation of intangible assets - Group - 2019

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

9. INVESTMENTS IN SUBSIDIARIES

Figures in Rand million	Company	
	2020	2019
Fair value of investments	17 742	41 930
Loans receivable*	8 721	6 978
Impairment of loans	(2 508)	(1 356)
	23 955	47 552

*Interest receivable has been reclassified from trade and other receivables to loans receivable from subsidiaries. Refer to Note 43 for further detail.

IDC subsidiaries	Share class	% interest	Shares at cost and fair value (R'm)		IDC net indebtedness to the holding company (R'm)		IDC net indebtedness by the holding company (R'm)	
			2020	2019	2020	2019	2020	2019
Findevco	Ordinary	100 %	-	-	-	-	-	(374)
Foskor	Ordinary	59 %	955	805	2 464	1 172	-	-
Foskor	Preference		3 177	3 177	-	-	-	-
Konoil	Ordinary	100 %	-	-	-	-	(13 455)	(13 455)
Prilla	Ordinary	100 %	14	14	319	308	-	-
Sefa	Ordinary	100%	-	-	-	150	-	-
Grinding Media SA	Ordinary	59 %	-	-	1 957	1 957	-	-
Cast Products SA	Ordinary	85 %	-	-	384	1 304	-	-
Sheraton Textiles	Ordinary	80 %	-	3	53	56	-	-
Thelo Rolling Stock	Ordinary	50 %	-	-	542	976	-	-
Other subsidiaries	Various	-	1 411	321	3 002	1 055	(664)	(131)
			5 557	4 320	8 721	6 978	(14 119)	(13 960)
Fair value adjustment			12 185	37 610	-	-	-	-
Impairment adjustment			-	-	(2 508)	(1 356)	-	-
Fair value			17 742	41 930	6 213	5 622	(14 119)	(13 960)

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	2020	2020
Profits	126	130
Losses	(2 237)	(530)
	(2 111)	(400)

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	2020	2019	2020	2019
Foskor Limited - At cost	-	-	955	805
Sasol Limited - At cost	131	131	-	-
	131	131	955	805

9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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	
		2020	2019
Foskor	RSA	15%	15%

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% (2019: 41%).

Summarised statement of financial position

	Foskor	
Figures in Rand million	2020	2019
Assets		
Non-current assets	5 679	5 686
Current assets	2 606	2 503
Total assets	8 285	8 189
Liabilities		
Non-current liabilities	3 319	1 842
Current liabilities	1302	1 421
Total liabilities	4 621	3 263
Total net assets (liabilities)	3 664	4 926
Carrying amount of non-controlling interest	-	739

Summarised statement of profit or loss and other comprehensive income

	Foskor	
Figures in Rand million	2020	2019
Revenue	3 997	5 429
Other income and expenses	(6 262)	(5 805)
Profit/(loss)before tax	(2 265)	(376)
Tax expense	636	287
Profit (loss)	(1 628)	(89)
Other comprehensive income/(loss)	5	3
Total comprehensive income	(1 623)	(86)
Profit (loss) allocated to non-controlling interest	-	(13)

Summarised statement of cash flows

	Foskor	
Figures in Rand million	2020	2019
Cash flows from operating activities	(920)	(45)
Cash flows from investing activities	(324)	(495)
Cash flows from financing activities	1 277	590
Net increase(decrease) in cash and cash equivalents	**33**	**50**

10. INVESTMENTS IN ASSOCIATES

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Associated companies	**30 416**	**33 294**	**26 235**	**32 836**
Fair value of investments – listed shares in associates	-	-	345	1 374
Fair value of investments – unlisted shares in associates	-	-	14 629	18 389
Impairment of shares	-	-	-	-
Net asset value at acquisition	10 445	9 470	-	-
Accumulated equity-accounted income	24 934	23 168	-	-
Accumulated equity-accounted losses and impairments	(16 638)	(12 446)	-	-
Loans receivable*	18 006	17 665	17 592	17 636
Impairment of loans	(6 331)	(4 563)	(6 331)	(4 563)
Partnerships and joint ventures	**139**	**187**	**22**	**22**
Partners' capital	225	222	41	41
Accumulated profits/(losses)	(86)	(35)	(19)	(19)
	30 555	**33 481**	**26 257**	**32 858**

*Interest receivable has been reclassified from trade and other receivables to loans receivable from associates. Refer to Note 43 for further detail

10. INVESTMENTS IN ASSOCIATES (CONTINUED)

Material associates

Companies		Financial year-ends*	Country of incorporation	% holding	Total exposure (R'm) 2020	Total exposure (R'm) 2019
BAIC Automobile SA (Pty) Ltd		31/12/2019	RSA	35.00%	5 721	406
Eyesizwe		31/12/2019	RSA	23.00%	3 086	3 075
Broadband Infraco	Provides telecommunication infrastructure	31/12/2019	RSA	26.00%	130	229
Columbus Stainless Steel	Steel manufacturer	31/12/2019	RSA	24.00%	821	924
Duferco Steel Processing	Processes steel coil		RSA	50.00%	322	653
Eastern Produce Malawi	Farms tea, coffee and macadamia nuts	31/12/2019	Malawi	27.00%	182	209
Hans Merensky	Holds investments in timber and agricultural industries	31/12/2019	RSA	30.00%	1 693	1 150
Hulamin Limited	Asset-leasing company	31/12/2019	RSA	30.00%	771	1 141
Incwala Resources	Platinum mining	31/12/2019	RSA	23.00%	645	645
Kalagadi Manganese	Exploration of manganese	31/12/2019	RSA	20.00%	3 365	4 398
Karoshoek Solar 1	Parabolic through solar energy farm	31/12/2019	RSA	20.00%	1 348	930
Karsten Boerdery	Farms table grapes and dates	31/12/2019	RSA	42.00%	852	717
KaXu Solar One	Parabolic through solar energy farm	31/12/2019	RSA	29.00%	1 223	491
KHI Solar One	Parabolic through solar energy farm	31/12/2019	RSA	29.00%	743	846
Merafe Ltd	Operates chrome and alloys plant	31/12/2019	RSA	22.00%	737	1 067
Mozal S.A.R.L.	Produces primary aluminium metal	31/12/2019	Mozambique	24.00%	4 122	3 685
Palabora Mining Co	Mining of various minerals	31/12/2019	RSA	20.00%	2 148	1 844
ScawSA	Steel manufacturer	31/12/2019	RSA	26.00%	1 900	1 604
Umicore Catalyst	Manufactures automotive catalysts	31/12/2019	RSA	35.00%	278	237
Xina Solar One	Parabolic through solar energy farm	31/12/2019		20.00%	1 031	1 060
York Timber Ltd	Sawmilling	31/12/2019	RSA	29.00%	873	881
Other associates	Various		RSA	various	4 178	7 102
					30 416	33 294

* 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.

Summarised financial information of material associates

2020

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	469	(125)	-	(125)	0
Columbus Stainless	2 328	(168)	-	(168)	0
Duferco Steel Processing	1 320	(7)	-	(7)	0
Eastern Produce Malawi	566	(47)	-	(47)	99
Hans Merensky Holdings	18 434	660	-	660	175
Hulamin Limited	10 709	(1 205)	47	(1 158)	-
Kalagadi Manganese	1 585	(1 161)	-	(1 161)	14
Karoshoek Solar 1	932	(275)	(82)	(357)	29
Karsten Group Holdings	1 130	106	-	106	0
KaXu Solar One	1 358	6	-	6	0
KHI Solar One	438	(199)	-	(199)	0
Merafe Ltd	5 379	(1 362)	-	(1 362)	173
Mozal S.A.R.L.	12 229	(641)	-	(641)	0
ScawSA	3 212	(71)	-	(71)	-
Umicore Catalyst	3 228	296	-	296	243
Xina Solar One	1 460	(86)	-	(86)	141
York Timber Ltd	868	(59)	-	(59)	0

Summarised statement of financial position	Non current assets	Current assets	Non current liabilities	Current liabilities	Total net assets
Broadband Infraco	1 109	151	373	389	498
Columbus Stainless	2 171	6 058	231	4 576	3 422
Duferco Steel Processing	1 198	1 378	1 589	702	285
Eastern Produce Malawi	718	287	221	102	682
Hans Merensky Holdings	7 920	4 220	2 525	3 916	5 699
Hulamin Limited	1 033	3 228	276	1 413	2 572
Kalagadi Manganese	11 931	228	9 018	1 469	1 672
Karoshoek Solar 1	10 050	406	8 545	78	1 833
Karsten Group Holdings	2 622	1 257	1 222	643	2 014
KaXu Solar One	5 717	1 023	5 647	764	329
KHI Solar One	3 420	270	784	2 290	616
Merafe Ltd	1 502	3 057	585	594	3 380
Mozal S.A.R.L.	15 857	5 597	2 328	1 977	17 149
ScawSA	2 025	2 032	1 332	1 288	1 437
Umicore Catalyst	122	1 086	36	378	794
Xina Solar One	8 372	1 836	7 530	423	2 255
York Timber Ltd	3 847	1 082	1 419	471	3 039

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
Kalagadi Manganese	402	(1 325)	-	(1 325)	-
Karoshoek Solar 1	2	(70)	175	105	-
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
ScawSA	4 387	(113)	-	(113)	-
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
Kalagadi Manganese	10 805	290	8 325	1 202	1 564
Karoshoek Solar 1	10 100	838	7 965	653	2 320
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
ScawSA	1 729	2 039	999	1 552	1 218
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

Aggregated associates accounted for using the equity method

	Group	
Figures in Rand million	2020	2019
The aggregate amounts were as follows:		
Non-current assets	98 481	111 363
Current assets	44 550	41 090
	143 031	152 453
Equity	60 287	75 312
Non-current liabilities	55 900	54 288
Current liabilities	26 844	22 853
	143 031	152 453
Statement of Comprehensive Income		
Revenue	78 350	73 871
Profits	2 751	8 035
Losses	(6 799)	(3 539)

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 2020	Total exposure 2019
The Vantage Capital Fund Trust	100	2	40
Profits		-	2

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
The aggregate amounts were as follows:				
Non-current assets	133	133	-	25
Current assets	6	268	-	-
Equity	139	361		25
Statement of Comprehensive Income				
Profits	-	-	-	-
Losses	-	6	-	-

11. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Derivative assets	171	1	162	-
Foreign exchange contract assets				
Derivative liabilities	28	39	-	17
Foreign exchange contract liability				

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 asset position of R162m (2019: net liability position of R17m)

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

12. LOANS AND ADVANCES

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Loans and advances to clients	41 941	37 928	40 333	39 091
Expected credit losses*	(12 842)	(10 766)	(12 134)	(9 997)
	29 099	**27 162**	**28 199**	**29 094**
Interest rates range between 0% (Mainly shareholder loans) and 22.85%				
Reconciliation of provision for impairment of loans and receivables				
Specific impairment of loans and advances				
Opening balance	10 766	4 168	9 997	3 504
IFRS 9 transition	-	4 467	-	4 467
Impairment loss for the year				
– Charge for the year	4 741	4 606	4 593	4 371
– Recoveries	-	-	-	-
– Effect of foreign currency movements	(49)	(45)	(49)	(45)
– Write-offs	(2 616)	(2 430)	(2 407)	(2 300)
	12 842	**10 766**	**12 134**	**9 997**
Maturity of loans and advances				
– due within three months	2 029	1 952	2 028	1 952
– due after three months but within one year	7 125	4 993	6 283	4 187
– due after one year but within two years	5 781	5 687	5 602	5 532
– due after two years but within three years	6 027	5 066	5 971	4 980
– due after three years but within four years	4 966	5 238	4 927	5 138
– due after four years but within five years	5 084	4 063	5 059	4 053
– due after five years	10 929	10 929	10 463	13 249
– impairment of loans and advances	(12 842)	(10 766)	(12 134)	(9 997)
	29 099	**27 162**	**28 199**	**29 094**

*Interest receivable has been reclassified from trade and other receivables to loans and advances. Refer to Note 43 for further detail.

13. INVESTMENTS

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Listed equities	23 114	54 860	21 147	30 890
Unlisted equities	3 258	4 114	3 215	4 060
Preference shares	1 029	1 346	1 029	1 346
Shares at fair value	27 401	60 320	25 391	36 296

14. INVENTORIES

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Raw materials, components	376	268	-	-
Work in progress	115	90	-	-
Finished goods	1 010	631	-	-
Consumable stores	580	820	1	1
Phosphate rock	170	242	-	-
	2 251	2 051	1	1

Group inventory to the value of R29.5m was written down as a net realisable value adustment at 31 March 2020 (2019: R 4.1m).

15. TRADE AND OTHER RECEIVABLES

Figures in Rand million	Group		Company	
Financial instruments:	2020	2019	2020	2019
Trade receivables*	1 624	1 325	425	66
Other receivable	430	549	-	-
Expected credit losses	(115)	(61)	(5)	(3)
Trade receivables at amortised cost	1 939	1 813	420	63
Non-financial instruments:				
Prepayments (if immaterial)	55	41	18	10
Total trade and other receivables	1 994	1 854	438	73

*Interest receivable has been reclassified from trade and other receivables to loans and advances. Refer to Note 43 for further detail.

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Categorisation of trade and other receivables

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

	Group		Company	
	2020	2019	2020	2019
At amortised cost	1 939	1 813	420	63

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 (2019: R130 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	2020	2019	2020	2019
Cash and balances with bank	3 828	2 762	1 393	1 466
Negotiable securities	5 114	7 047	5 816	7 767
Bank overdraft	(82)	(49)	-	-
Expected credit losses	(166)	-	(166)	-
	8 694	9 760	7 043	9 233
Current assets	8 776	9 809	7 043	9 233
Current liabilities	(82)	(49)	-	-
	8 694	9 760	7 043	9 233

The IDC manages cash balances on behalf of other entities such as SEFA and various government funds. This cash is included in the above balances and amounts to R4,752m at the end of 2020. This amount is also disclosed under note 19 – borrowings.

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	2020	2019	2020	2019
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

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Foreign loans	10 370	9 840	10 370	9 841
Domestic loans	30 866	29 646	45 668	44 284
	41 236	39 486	56 038	54 125
Split between non-current and current portions				
Non-current liabilities	30 137	31 865	29 992	28 507
Current liabilities	11 099	7 621	26 046	25 618
	41 236	39 486	56 038	54 125
Foreign loans				
US dollar	9 209	8 195	9 209	8 195
Euro	1 161	1 145	1 161	1 145
SA Rand		500		500
Total	10 370	9 840	10 370	9 840
Maturity of foreign loans				
- Due within one year	5 668	2 673	5 668	2 673
- Due after one year but within five years	4 157	6 134	4 157	6 134
- Due after five years	545	1 033	545	1 033
	10 370	9 840	10 370	9 840

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Maturity of domestic loans				
- No date for repayments	-	-	18 679	18 131
- Due within one year	5 431	4 948	1 699	4 814
- Due after one year but within five years	14 290	10 847	14 149	10 438
- Due after five years	11 145	13 851	11 141	10 901
Total	30 866	29 646	45 668	44 284
Domestic loans Secured loans*				
Nedbank Limited				
Unsecured loans				
Rand-denominated loans	5 000	6 400	5 000	6 400
Public Investment Corporation GreenBond	4 651	4 624	4 651	4 624
Public Bond	15 681	13 032	15 681	13 032
Unemployment Insurance Fund Bond	1 657	2 097	1 657	2 097
Loans with no fixed terms of repayment	3 877	3 493	4 752	3 669
Loans from subsidiaries with no fixed terms of repayment: interest free	-	-	13 927	13 927
Loans with no fixed terms of repayment: Money market related interest	-	-	-	535
Total	30 866	29 646	45 668	44 284

* Secured by assets of subsidiaries.

Interest bearing loans				
- Non-current interest bearing loans	30 137	28 840	29 992	28 506
- Current interest bearing loans	11 099	10 572	7 367	11 158
	41 236	39 412	37 359	39 664

Interest-free loans				
- Non-current interest free loans	-	74	-	-
- Current interest free loans	-	-	18 679	14 461
		74	18 679	14 461

The IDC manages cash balances on behalf of other institutions such as SEFA & the DTI, which results in loans that are included in the above borrowings to the value of R4,752m. This amount is also disclosed under Note 16 - Cash and cash equivalents

During the current financial year, the IDC experienced breached covenants on some of its loans as follows:

Kreditanstalt für Wiederaufbau (KfW)

Two loan agreements are in place which require a debt to equity ratio level of below 65% and 70% respectively. The IDC exceeded both these levels at year end due to the sudden decline in the value of the listed portfolio and impacts of COVID-19. The carrying value of these loans combined is R965m. A waiver for the breaches was negotiated by the IDC and approved by the lender until 30 November 2020. The IDC is, at the date of approval of the financial statements, no longer in contravention of the covenants.

China Development Bank (CDB)

This loan states that whenever the credit rating of the borrower drops below investment grade the loan will be immediately repayable. The carrying value of the loan was R501m as at 31 March 2020. However, the lender has waived this condition until the maturity date.

20. REVENUE

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Revenue from contracts with customers				
Sale of goods	8 380	9 630	-	-
Fee income	465	432	429	387
	8 845	10 062	429	387
Revenue other than from contracts with customers				
Dividends received (trading)	3 395	3 383	4 268	3 306
	12 240	13 445	4 697	3 693

21. INTEREST INCOME

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Interest received 1 - Cash and cash equivalents	627	585	542	526
Interest received 2 - Loans and advances	3 404	3 880	3 586	3 960
Interest received 3 - Other	7		2	
	4 038	4 465	4 130	4 486

22. FINANCE COSTS

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Net foreign exchange (gains) losses on foreign	(540)	(78)	(527)	(205)
Trade and other payables	4	1		-
Current borrowings	2 750	2 930	2 979	2 627
Other interest paid	533	(28)	111	151
Total finance costs	2 747	2 825	2 563	2 573

23. PROFIT (LOSS) ON SALE OF FINANCIAL ASSETS

	Group		Company	
	2020	2019	2020	2019
Profit (loss) on disposal of financial assets	(66)	68	(66)	(7)

24. CASH USED IN OPERATIONS

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Profit (loss) before taxation	(5 506)	146	(4 421)	(824)
Adjustments for:		-	-	-
Depreciation of property, plant and equipment	655	623	67	24
Impairment of property, plant and equipment	599	-	-	-
Surplus of revaluation of investment property	-	9	-	7
Income from equity accounted investments	(1 005)	(644)	-	-
Dividend income	(3 395)	(3 383)	(4 268)	(3 306)
Interest income	(4 038)	(4 465)	(4 130)	(4 486)
Finance costs	2 747	2 825	2 563	2 573
ECL Impairments and write offs	7 049	3 041	8 131	3 613
Losses on FVTPL assets	628	607	1 458	1 168
Amortisation of intangible assets	-	3	-	-
Insurance claim	-	1	-	-
Foreign exchange gain on losses	-	1	-	-
Movements in retirement benefit assets and liabilities	34	(9)	19	(5)
Income statement effect of provisions	221	16	-	-
Net capital gains	66	(68)	66	7
Other non-cash items	77	346	172	(160)
Changes in working capital:				
Inventories	(200)	(303)	-	3
Trade and other receivables	(67)	(514)	(312)	(827)
Derivatives assets	(170)	141	(162)	107
Derivative liabilities	(10)	(100)	(17)	(109)
Trade and other payables	878	(335)	(238)	(18)
	(1 437)	(2 063)	(1 072)	(2 233)

Increase in Operating Assets

The mandate of the IDC is to contribute to the creation of balanced, sustainable economic growth in South Africa and on the rest of the continent. We promote entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

In order to carry out the mandate the IDC invests in different assets classes. The assets of the IDC moved as follows:

Figures in Rand million	Group	Company
Export finance	2073	2 000
General loans given	858	2 048
Shareholder loans given	131	640
Quasi Equity loans given	(259)	(304)
Debentures loans given	500	500
Other	129	(64)
	3 432	4 820

24. CASH USED IN OPERATIONS (CONTINUED)

Increase in Operating Liabilities

In order to carry out its mandate, the IDC raises funds from capital markets. This fundraising during the year is listed below:

Figures in Rand million	Group	Company
Bonds issued	2 149	2 149
Foreign loans taken	539	539
Other loans taken	(1 320)	(1 320)
Short term and call loans taken	547	547
	1 915	1 915

25. FINANCIAL GUARANTEES

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Guarantees issued in favour of third parties in respect of finance provided to industrialists	2 969	1 547	2 879	1 177
Sundry guarantees issued by subsidiaries	591	568	-	-
Guarantees issued by equity-accounted investments	-	25	-	-
Guarantees	3 560	2 140	2 879	1 177

Financial guarantees

	2020	2019	2020	2019
Expected credit losses	1 144	194	1 144	194

Maturity analysis of financial guarantees

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
- due within one year	2 828	1 759	2 170	887
- due after one year but within five years	610	318	591	242
- due after five years	122	63	118	48
	3 560	2 140	2 879	1 177

Foskor (Pty) Limited

The Group had mine rehabilitation guarantees amounting to R499 million (2019: 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 2020.

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 2020 financial year. The assessments are performed on a three-year rolling basis, with the next assessment due in 2023. 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 AND EXECUTIVE REMUNERATION

Non-executive: Fees for services as directors:

Figures in Rand thousand		2020	2019
Director			
BA Mabuza	Chairperson	1 298	1 895
LI Bethlehem[1]		427	523
BA Dames		671	613
RM Godsell		457	547
Dr SM Magwentshu-Rensburg		620	791
MP Mthethwa		459	460
N Mnxasana		627	807
Adv NDB Orleyn		533	634
M More	Retired 3 February 2020	-	396
A Kriel		316	470
Dr NE Zalk[2]		-	-
		5 408	7 136

[1]LI Bethlehem does not derive any financial benefit for services rendered to the IDC. Her fees are paid directly to HCI Limited.
[2]Dr NE Zalk is employed by the DTIC and does not earn director's fees for services rendered to the IDC

Executive

2020 *Figures in Rand thousand*	Emoluments	Contributions to medical aid, retirement benefits and other	Total R'000
TP Nchocho	4 710	627	5 337
Z Luthuli - resigned 31 December 2019	1 940	2 974	4 914
PM Mainganya - resigned 29 February 2020	2 743	1 353	4 096
NS Dlamini	3 245	445	3 690
SAU Meer	2 996	523	3 519
PB Makwane	2 886	431	3 317
DA Jarvis	2 419	517	2 936
TL Khumalo	2 502	372	2 874
WH Smith	2 328	517	2 845
VL Matshekga - resigned 5 August 2019	826	1 529	2 355
PT Arran - appointed 1 September 2019	1 536	272	1 808
RJ Gaveni - resigned 31 May 2019	334	1 330	1 664
TP Mushungwa - appointed 1 September 2019	1 403	231	1 634
JK Bate - appointed 1 February 2020	570	97	667
	30 438	11 218	41 646

26. DIRECTORS' EMOLUMENTS AND EXECUTIVE REMUNERATION (CONTINUED)

2019 *Figures in Rand thousand*	Emoluments	Long-term incentive bonus*	Contributions to medical aid, retirement benefits and other	Total R'000
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

*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	2020	2019	Interest/ funding rate	Type of financing/ repayment terms	Director's interest	Year of approval
Lael Bethlehem	Cape Town Film Studio (Pty) Ltd	84	-	22	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	1 475	1 473	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	790	800	RATIRR of 10%	Normal loan	HCI holds 12.5% stake in Kai Garib Solar SPV. Ms Bethlehem is a senior manager at HCI	2015
Andre Kriel	Cape Town Film Studios (Pty) Ltd	84	-	24	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 Kriel is a director of SACTWU which has a 32.8% shareholding in HCI.	2017
Patience Nomavuso Mnxasana	Noma Namuhla Trading and Projects(Pty) Ltd	4.6	1	-		Quasi-Equity Loan	Ms Mnxasana owns 100% in Noma Namuhla Trading and Projects (Pty) Ltd	2017
Adv Thandi Orleyn	Le Sel Research (Pty) Ltd	282	-	269	Prime + 1%	Normal Loan	Adv 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. This loan was subsequently written off in the current financial year.	2015

R'm Company	Financing approved	2020 balance	2019 balance	Interest/ funding rate	Type of financing/ repayment terms
National sphere of government					
The Land & Agricultural Development Bank of SA Ltd	250	65	65	0%	Loan repayable on 31 March 2022
The Land & Agricultural Development Bank of SA Ltd	400	223	254	0%	Loan repayable on 31 March 2025

27. RELATED PARTIES (CONTINUED)

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Related party transactions				
Non-financing transactions - Rendering of services				
Eskom Limited	504	940	6	-
Transnet Limited	1 083	2 005	-	-
South African Airways (Pty) Limited	188	12	10	11
Telkom Limited	10	2	-	-
National Ports Authority	25	28	-	-
	1 810	2 987	16	11

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.

Assets and liabilities of disposal groups held for sale:

Assets and Liabilities

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Sefa (investment property)	36	36	-	-

29. PROVISIONS

Provisions - Group 2020

Figures in Rand million	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	608	9	75	20	712
Trust fund	(242)	-	(23)	-	(265)
Other provisions	-	140	-	-	140
	366	149	52	20	587

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)
Other provisions	-	-	-	-	-
	888	28	(566)	16	366

Provisions - Company - 2020

Figures in Rand million	Opening balance	Total
Environmental rehabilitation	41	41

Reconciliation of provisions - Company - 2020

Figures in Rand million	Opening balance	Additions	Utilised during the year	Total
Environmental rehabilitation	41	6	(6)	41

Provisions - Company - 2019

Figures in Rand million	Opening balance	Total
Environmental rehabilitation	41	41

Reconciliation of provisions - Company - 2019

Figures in Rand million	Opening balance	Additions	Utilised during the year	Total
Environmental rehabilitation	41	14	(14)	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.

29. PROVISIONS (CONTINUED)

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 2020 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 2020. 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 2020 financial year. The assessments are performed on a three-year rolling basis, with the next assessment due in 2023. 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.

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 2020. 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 2018 by the service provider as assessments are performed every 2 years. Therefore, by early 2021, the directors will be able to determine by when the rehabilitation is expected to be completed.

30. SHARE BASED PAYMENTS

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
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	1	2	-	-
Fair value adjustment through profit or loss	-	(1)	-	-
	1	1	-	-

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 (%)	10.19
Risk-free interest rate (%)	6.15
Dividend yield (%)	0.00
Strike price (R)	512.14

The holders of the equity instruments were required to hold the instruments to maintain the BEE status until 31 March 2020, 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

Foskor entered into a cash-settled share-based payment plan with its employees. A total liability of R0.88 million (2019: R1.3 million) is carried. The share-based payment adjustment for the current year of R0.442 million was recognised in profit or loss .

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 2020. 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	
	2020	2019
Exercise price (R)	3 500	3 500
Average share price at grant date (R)	382	382
Annualised expected volatility (%)	10	14
1 year expected option lifetime%	8	7
2 year expected option lifetime%	6	8
Dividend yield (%)	-	-
Strike price (R) - 1 year expected option lifetime	818	717
Strike price (R) - 2 year expected option lifetime	932	818

31. OPERATING PROFIT (LOSS)

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

Figures in Rand million	Group		Company	
Auditor's remuneration - external	2020	2019	2020	2019
Audit fees	15	16	8	9
Employee costs				
Salaries, wages, bonuses and other benefits	2 939	2 325	866	1 022
Depreciation and amortisation				
Depreciation of property, plant and equipment	568	623	24	24
Amortisation of intangible assets	8	4	-	-
Depreciation of right of use assets	87	-	43	-
Total depreciation and amortisation	663	627	67	24
Impairment losses				
Property, plant and equipment	599	93	-	-

31. OPERATING PROFIT (LOSS) (CONTINUED)

Figures in Rand million	Group		Company	
Other	2020	2019	2020	2019
Research and development costs	11	10	11	10
Project feasibility expenses	9	147	9	147
Operating lease rentals	33	16	-	4
Expected credit losses on trade and other receivables	156	-	-	-
Revaluation on investment property	9	24	-	17
Repairs and maintanance	596	552	12	7
Interest on lease liabilities	40	-	35	-
Loss on financial assets classified as FVTPL	702	607	1 557	1 168
Expected credit losses	4 359	611	5 625	1 313
Financial assets written off	2 616	2 430	2 407	2 300
Profit on sale of property, plant and equipment	-	274	-	-
Profit on sale of investment property	-	26	-	-

32. TAXATION

Major components of the tax income

Figures in Rand million	Group		Company	
Current	2020	2019	2020	2019
Local income tax - current period	74	25	71	-

	Group		Company	
Deferred	2020	2019	2020	2019
Deferred tax - Current year	(1 791)	(599)	(1 376)	(354)
	(1 717)	(574)	(1 305)	(354)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	Group		Company	
	2020	2019	2020	2019
Applicable tax rate	(28.00%)	28.00 %	(28.00%)	(28.00%)
Dividend Income	(21.70%)	(648.80%)	(27.03%)	(112.30%)
Capital loss, Impairment & write off	29.69%	(2.60%)	36.98%	78.00%
Donations and grants	-	-	-	13.30 %
Non deductible project and insurance expenses	-	-	-	6.10 %
Non-taxable insurance claim	(1.81%)	440.50 %	(2.25%)	-
Increase in assessed loss	(9.30%)	-	(11.58%)	
Other	(0.09%)	(210.30%)	2.37%	-
	(31.21%)	(393.20%)	(29.51%)	(42.90%)

33. DEFERRED TAX

Deferred tax

Figures in Rand million	Group		Company	
	2020	2019	2020	2019
Deferred tax assets	1 252	1 885	5 752	4 001
Deferred tax liabilities	(1 715)	(5 747)	(5 392)	(10 720)
Net deferred tax	(463)	(3 862)	360	(6 719)

	Group		Company	
	2020	2019	2020	2019
Deferred tax assets:				
Provisions	196	72	103	138
Financial instruments		1 215	3 696	2 986
PPE	(752)	(793)	1	1
Losses	1 889	1 388	1 952	769
Debtor allowances (SEFA)	(97)	-	-	-
Other deferred tax assets*	18	3	-	107
	1 253	1 885	5 752	4 001

* Other deferred tax assets include Income received in advance, cash settled share based payments & lease liabilities

33. DEFERRED TAX (CONTINUED)

Figures in Rand million	Group		Company	
	2020	2019	2020	2019
Deferred tax liabilities:				
Provisions	103	138		
Financial instruments	(3 490)	(6 479)	(5 188)	(10 493)
PPE	(95)	(59)	(10)	(9)
Losses	1 985	769		
Bonds from IDC's	(194)	-	(194)	-
Other deferred tax liabilities**	(24)	(116)	-	(218)
	(1 715)	(5 747)	(5 392)	(10 720)

** Other deferred tax liabilities include those arising from business combinations & investment property

Deferred tax movements for the year

Figures in Rand million	Group		Company	
	2020	2019	2020	2019
Movements of deferred tax				
Opening balance	(3 862)	(4 220)	(6 719)	(6 012)
Charge for the current year (I/S)	1 791	574	1 376	354
Charge for the current year (OCI)	1 607	(216)	5 704	(1 061)
Closing balance	(463)	(3 862)	360	(6 719)
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(3 862)	(4 220)	(6 719)	6 012
Temporary differences				
Provisions	(51)	(103)	(75)	22
Property, Plant and Equipment	521	(151)	(1)	3
Financial instruments	1 924	748	6 022	748
Tax loss utilised	988	(233)	1 109	(233)
Other	17	97	24	167
	(463)	(3 862)	360	6 719

34. LEASES

Group as lessee

Figures in Rand million Right-of-use assets - Group	Buildings	Plant and Machinery	Office Equipment	Total
At 1 April 2019				
Initial Recognition	362	48	1	411
Additions	2	-	-	2
Depreciation charge for the year	(52)	(35)	-	(87)
At 31 March 2020	312	13	1	326

Right-of-use assets - Company	Buildings	Plant and Machinery	Office Equipment	Total
At 1 April 2019				
Initial Recognition	456	-	-	456
Additions	1	-	-	1
Depreciation charge for the year	(43)	-	-	(43)
At 31 March 2020	414	-	-	414

Lease liabilities - Group	Buildings	Plant and Machinery	Office Equipment	Total
At 1 April 2019				
Initial Recognition	402	4	1	407
Increase in lease liabilities	3	4	-	7
Interest expense	38	2	-	40
Lease payments	(66)	(1)	-	(67)
At 31 March 2020	377	9	1	387

Lease liabilities - Company	Buildings	Plant and Machinery	Office Equipment	Total
At 1 April 2019				
Initial Recognition	456	-	-	456
Increase in lease liabilities	2	-	-	2
Interest expense	35	-	-	35
Lease payments	(55)	-	-	(55)
At 31 March 2020	438	-	-	438

Foskor

The 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 2020. 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.

34. LEASES (CONTINUED)

IDC Company

Certain items of computer and office equipment are leased by the Group to which the low value asset recognition exemption is applied.

Figures in Rand million	Group		Company	
Commitments for future minimum rentals payable under non-cancellable leases are as follows:	2020	2019	2020	2019
– due within one year	27	-	21	-
– due after one year but within five years	135	-	134	-
– due after five years	225	-	283	-
Present value of minimum lease payments	**387**	**-**	**438**	**-**

Other lease related disclosures (amounts recognised in profit and loss)	Group	Company
Expenses relating to short term leases	(19)	(2)
Expenses relating to leases of low-value assets	(6)	(2)

The following table reconciles the Group and Company's operating lease obligations at 31 March 2019, as previously disclosed in the Group's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at 01 April 2019.

	Group R'm	Company R'm
Operating lease commitments disclosed as at 31 March 2019	552	4
Adjustment to lease commitments as disclosed as at 31 March 2019*	22	758
Adjusted opening balance	**574**	**762**
Recognition exemptions:		
(Less): - Leases with remaining lease term of less than 12 months	(2)	(2)
(Less): - Leases of low value assets	(4)	(4)
Operating lease liabilities before discounting	**568**	**756**
Discounted using the incremental borrowing rate at the date of initial application (effect of discounting)	(168)	(300)
Operating lease liabililty as at 1 April 2019	**400**	**456**
Add: Finance lease liabilities recognised as at 31 March 2019	7	-
Total lease liabilities recognised under IFRS 16 as at 1 April 2019	**407**	**456**

* On adoption of IFRS 16, management undertook an extensive data clean-up process which sought to validate and align IAS 17 data to the requirements of IFRS 16, and it was discovered that in the prior period, operating lease commitments amounting to R758 million were erroneously not disclosed in the notes to the financial statements as required by of IAS 17. The error had no impact on the statement of profit or loss and other comprehensive income or the statement of financial position.

In applying IFRS 16 retrospectively, the Group exercised the following practical expedients in IFRS 16:

- C10(a) - Applying a single rate to a portfolio of leases with reasonably similar characteristics;
- C10(c) - Leases for which the lease term ends within 12 month is accounted for in the same way as short term leases and includes the cost associated with those leases within the disclosure of short-term lease expense in the annual reporting period that includes the date of initial application;
- C10(d) - Excluding initial direct costs from the measurement of the right-of use-asset at the date of initial application.

When measuring lease liabilities, the Group and Company discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted-average rate applied to discount lease payments on transition is in a range between 8% and 12%.

The Group exercised the practical expedients in IFRS 16 C10(a),(c) and (d) in applying IFRS

35. TAX (PAID) REFUNDED

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Balance at beginning of the year	268	262	252	268
Current tax for the year recognised in profit or loss	(74)	(25)	(71)	0
Balance at end of the year	(222)	(268)	(200)	(252)
	(29)	(31)	(19)	16

36. TRADE AND OTHER PAYABLES

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Financial instruments:				
Trade payables	3 659	2 661	714	797
Accrued leave pay	213	196	126	116
Accrued bonus	48	185	-	165
	3 920	3 042	840	1 078

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 2020.

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.

37. RETIREMENT BENEFITS (CONTINUED)

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

	Group	
Figures in Rand million	2020	2019
Present value of funded obligations	275	310
Fair value of plan assets	(300)	(357)
Impact of asset ceiling	25	47
Liability recognised	-	-

	Group	
Figures in Rand million	2020	2019
The movement in the defined benefit obligation:		
Opening balance	310	332
Current-service cost	1	1
Interest-cost	31	36
Actuarial (gains)/losses	(38)	(23)
Benefit paid	(29)	(36)
Closing balance	275	310
Movement in plan asset		
Fair value of plan assets at beginning of the year	357	384
Expected return on asset	34	37
Actuarial (loss)/gain recognised during the year	(62)	(28)
Benefits paid	(29)	(36)
Fair value of plan assets at the end of the year	300	357
The amounts recognised in profit or loss are as follows:		
Current-service cost	1	1
Interest cost	31	36
Expected return on assets	(34)	(37)
Net actuarial loss recognised during the year	22	5
Total included in operating expenses	20	5

The amounts recognised in other comprehensive income in 2020 is a loss of R5m.

The actual return on plan assets was:		
Expected return on plan assets	34	37
Actuarial gains/(losses) on plan assets	(61)	(28)
Actual return on plan assets	(27)	9

Plan assets are comprised as follows	Group	
	2020	2019
Equity instruments	47%	55%
Cash	8%	8%
Debt instruments	37%	28%
Other	8%	9%
	100%	100%

The principal actuarial assumptions for accounting purposes were:		
Discount rate %	12.81	9.95
Expected return on plan assets %	7.41	9.95
Future salary increases %	8.41	7.40
Future pension increases %	8.04	6.94
Normal retirement age	60	60

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

	Impact on overall liability	
	2020	2019
Inflation rate (increase of 1%)	8.1	9.3
Inflation rate (decrease of 1%)	7.1	8.1

The expected contributions to the post-employment pension scheme for the year ending 31 March 2020 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	
Figures in Rand million	2020	2019	2020	2019
Present value of unfunded obligation:				
Discovery Health members	341	375	158	183

	Group		Company	
	2020	2019	2020	2019
Movement in the liability recognised in the statement of financial position:				
At the beginning of the year	375	384	183	188
Contributions paid	(21)	(19)	(11)	(10)
Current-service costs	8	7	2	3
Interest cost	31	31	17	16
Deficit/surplus	(52)	(28)	(33)	(15)
Balance at the end of the year	341	375	158	183

37. RETIREMENT BENEFITS (CONTINUED)

	Group		Company	
	2020	2019	2020	2019
The principal actuarial assumptions used for accounting purposes were:				
– Discount rate (%)	13.00	9.70	-	-
– General inflation rate (%)	7.10	6.00	-	-
– Medical inflation rate (%)	9.10	8.00	-	-
– 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%)	10.1% increase	12.4% increase	10.8% increase	13.4% increase
Inflation rate (decrease of 1%)	8.7% decrease	10.3% decrease	9.3% decrease	11.2% decrease

The expected contributions to post-employment medical plans for the year ending 31 March 2020 are R0.512 million.

38. COMMITMENTS

Figures in Rand million	Group 2020	Group 2019	Company 2020	Company 2019
In respect of:				
Undrawn financing facilities approved	11 454	12 639	11 454	12 269
Undrawn guarantee facilities approved	533	65	-	-
Capital expenditure approved by subsidiaries	141	473	-	-
– Contracted	141	473	-	-
Capital expenditure approved by equity-accounted investments	4	361	-	-
– Contracted	1	154	-	-
– Not contracted	3	207	-	-
Total commitments	12 132	13 538	11 454	12 269
Less: counter-guarantees obtained from partners in respect of financing and guarantees to be provided to major projects	-	-	-	-
Commitments net of counter-guarantees	**12 132**	**13 538**	**11 454**	**12 269**

Commitments will be financed by loans and internally generated funds.

39. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income - Group - 2020

Figures in Rand million	Gross	Tax	Net
Items that will not be reclassified to profit or loss			
Movements on valuation of equity investments	(40 236)	6 588	(33 648)
Remeasurements on net defined benefit liability/asset			
Remeasurements on net defined benefit liability/asset	48	-	48
Items that may be reclassified to profit (loss)	(40 188)	6 588	(33 600)
Exchange differences on translating foreign operations			
Share of associates comprehensive income	1 900	-	1 900
Exchange differences arising during the year	375	-	375
Total items that may be reclassified to profit (loss)	**2 275**	**-**	**2 275**
Total	**(37 913)**	**6 588**	**(31 325)**

Components of other comprehensive income - Group - 2019

Figures in Rand million	Gross	Tax	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	9 046
Exchange differences on translating foreign operations			
Exchange differences arising during the year	728	-	728
Total items that may be reclassified to profit (loss)	**728**	**-**	**728**
Total	**11 330**	**1 556**	**9 774**

Components of other comprehensive income - Company - 2020

Figures in Rand million	Gross	Tax	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	44	-	44
Movements on valuations of equity investments			
Gains (losses) on valuation	(41 879)	5 704	(36 175)
Share of associates comprehensive income	1	-	1
Total items that will not be reclassified to profit (loss)	**(41 834)**	**5 704**	**(36 130)**

Components of other comprehensive income - Company - 2019

Figures in Rand million	Gross	Tax	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
Total items that will not be reclassified to profit (loss)	**15 487**	**2 169**	**13 318**

40. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

	Group		Company	
Figures in Rands	2020	2019	2020	2019
Fruitless and wasteful expenditure				
Fruitless and wasteful expenditure relating to the current year	3 195 201	443 768	2 256 800	443 768
Condonements	(32 124)	(438 194)	(32 124)	(438 194)
	3 163 077	5 574	2 224 676	5 574
Irregular expenditure reconciliation				
Opening balance	5 491 237	-	5 491 237	-
Irregular expenditure – relating to prior year	2 814 767 922	-	1 021 626	-
Irregular expenditure – relating to current year	2 674 947 614	5 691 237	1 319 731	5 691 237
Prior year amounts condoned	-	-	-	-
Current year amounts condoned	(22 170)	(200 000)	(22 170)	(200 000)
Closing balance	5 495 184 603	5 491 237	7 810 424	5 491 237
Details of fruitless and wasteful expenditure				
Security - payment for services not rendered	-	196 000	-	196 000
Travel - cancellations and rescheduling	54 002	160 284	54 002	160 284
Travel - penalties on booking	28 228	29 754	28 228	29 754
Interest & penalty payments to SARS	3 064 638	-	2 126 237,00	-
Interest on late rental payment	-	775	-	775
Payment erroneously paid to ex-employee	-	52 155	-	52 155
Late registration penalty for trainee accountants	-	4 800	-	4 800
Duplicate payments - Fixed assets valuations	37 570	-	37 570	-
Bursaries - Late university payments	10 763	-	10 763	-
Condonements	(32 124)	(438 194)	(32 124)	438 194
	3 163 077	5 574	2 224 676	5 574
Details of irregular expenditure				
Relating to current year				
Appointment of business support experts not in line with PFMA requirements	-	5 491 237	-	5 491 237
Sponsorship	-	200 000	-	200 000
Travel	22 170	-	22 170	-
Development of a Financial and Sustainability Model	109 909	-	-	-
PFMA Exemption not received iro procurement at Grinding Media SA and Cast Products SA	2 666 098 640	-	-	-
Properties supplier payment	7 419 334	-	-	-
Contract extentions	1 297 561	-	1 297 561	-
Relating to prior year		-	-	-
Contract extentions	1 021 626	-	1 021 626	-
PFMA Exemption not received iro procurement at Grinding Media SA and Cast Products SA	2 813 746 296	-	-	-
Condonements	(22 170)	(200 000)	(22 170)	(200 000)
	5 489 693 366	5 491 237	2 319 187	5 491 237

41. EVENTS AFTER THE REPORTING PERIOD

Recovery in listed share portfolio

Since the reporting date but before the signing of these financial statements, the IDC listed portfolio has experienced a strong recovery from the challenges experienced towards the conclusion of the financial year. Sasol Ltd's (Sasol) share price, one of the IDC's significant investments, plummeted by 92% from the prior year end to a carrying amount of R37 per share on 31 March 2020 (2019: R450 per share). This decrease negatively impacted the IDC's debt/equity ratio which consequently resulted in the breach of certain funding covenants at 31 March 2020. Sasol's management is implementing turn-around strategies to manage the cost overruns from the Lake Charles Chemicals Project and to improve liquidity after an oil price war that took place in the early months of 2020.

This has improved investor confidence and the share price increased to R135.25 on the date of signing these financial statements. Kumba Iron Ore Ltd, another significant IDC investment, also experienced turbulence in its share price from the instability caused by the COVID-19 global pandemic, as its primary markets were under lockdown. The Kumba share price recovered from the R280.06 reported at year end to R500 on 28 September 2020, the date on which the financial statements were approved. Overall, the listed portfolio value increased by R17 billion to R40.5 billion during this time. Post year end, and in line with the recovery of the IDC's listed book, waivers are in place for the covenant breaches and at the date of publication, the debt/equity ratio is lower than the requirements as per funding covenants.

COVID-19 Pandemic

It was only towards the end of the financial year when the early impact of COVID-19 began to show. The president announced the nationwide lockdown which resulted in a major economic downturn. This lockdown announcement was made before year end and as such – where practically possible and where amounts could be reasonably estimated – the financial effects of the pandemic were adjusted for in the financial statements as the pandemic existed at reporting date. The unlisted book saw a significant reduction in value of R4.9 billion. Further to this, the increase in expected credit losses amounted to R2 billion owing to migration of staging of loans in line with IFRS 9.

The continued spread of the COVID-19 pandemic is affecting global economies and it is expected that a large number of the IDC's clients will be impacted in some way. The ultimate financial impact of COVID-19 on the Group's financial performance and position cannot be determined and is subject to change. Certain interlinking events occurred as a result of the economic impact of COVID-19 and are discussed briefly:

- The IDC provides financial guarantees in the normal course of business. Following the outbreak of COVID-19 and the impact on IDC clients, there was an increase in the number of guarantees being called and subsequently converted to loans. The total guarantees at year end amounted to R2.87 billion. The guarantees that were called upon are considered non-adjusting events and have been treated as such.
- In June 2020, the IDC credit rating was downgraded by Moody's by one notch to Ba2. The downgrade decision was attributed to uncertainty around the government's ability to support State Owned Entities amid the competition for resources that the pandemic had brought about. The downgrade, an unadjusting event, resulted in the breach of certain funding covenants which were subsequently condoned by respective lenders, with the necessary waivers being issued.

42. GOING CONCERN

In the current financial year under review, the South African economy has had many challenges. These challenges include an economic recession, a sovereign downgrade, a weakened exchange rate against major currencies and a softened demand for locally manufactured goods.

The significant impact of the COVID-19 pandemic is likely to have a lasting and detrimental effect on the economy and has had a significant impact on the functions and operations of the IDC and its subsidiaries. The pandemic has put severe pressure on the

42. GOING CONCERN (CONTINUED)

liquidity of many of the subsidiaries and associates of the IDC, this has resulted in lower collections from our loan book and lower dividend income. This however sets the background for a Development funding institution like the IDC to take a lead in stimulating sustainable growth.

IDC has established a good relationship with its lenders such that the Corporation has an option to renew their loans when they mature. The Corporation however intends reducing borrowings in line with the intent to reduce gearing. The IDC is currently solvent i.e. Assets are more than Liabilities. Stressed scenarios have been performed and they indicate that the IDC will remain solvent even if they do not recover the subordinated loans to its subsidiaries.

The IDC continues to be a going concern and remains financially sustainable. The Corporation has sufficient liquidity to meet current obligations and remains confident that, for the foreseeable future, it will be able to meet its obligations and leverage its balance sheet for new advances into the economy.

43. RECLASSIFICATION ADJUSTMENT & CHANGE IN PRESENTATION

Reclassification of interest receivable

Interest receivable has been appropriately accounted for as detailed in the accounting policies. While these balances have historically been presented and disclosed as part of trade and other receivables in the statement of financial position and related note, they have been reclassified and are now being presented and disclosed as part of loans and advances. The comparative period has been reclassified to this effect. This reclassification results in improved disclosures as the interest receivable is now reflected in the same asset class from which it was earned. The reclassification resulted in an increase in loans and advances, investments in associates and investments in subsidiaries (where applicable) and a decrease in trade and other receivables as follows:

Reclassification of interest receivable

Group

Figures in Rand million	2019	2019 Reclassified	Reclassification Changes
Trade and other receivables	3 865	1 854	(2 011)
Loans and advances	25 880	27 238	1 358
Gross	35 583	38 004	2 421
Expected credit losses	(9 703)	(10 766)	(1 063)
Investment in associates	32 752	33 405	653

Company

Figures in Rand million	2019	2019 Reclassified	Reclassification Changes
Trade and other receivables	2 084	73	(2 011)
Loans and advances	27 932	29 174	1 242
Gross	36 866	39 171	2 305
Expected credit losses	(8 934)	(9 997)	(1 063)
Investment in associates	32 129	32 782	653
Investment in subsidiaries	47 432	47 548	116

Change in presentation of interest revenue

Historically, interest revenue was aggregated into the "revenue" line item on the face of the Statement of profit or loss and other comprehensive income. Management has subsequently amended the presentation to show interest revenue separately on the face of the statement of profit or loss and other comprehensive income. Management believes that the change in presentation will result in enhanced disclosure as users can easily determine income from interest income from financial assets. Comparatives have been updated to reflect the amended presentation.

The effect of this change is demonstrated below:

Former presentation

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Total revenue	16 278	17 910	8 827	8 179

Updated presentation

	Group		Company	
Figures in Rand million	2020	2019	2020	2019
Revenue	12 240	13 445	4 697	3 693
Interest revenue	4 038	4 465	4 130	4 486

NOTES

NOTES

NOTES

www.idc.co.za

RP367/2020
ISBN: 978-0-621-48875-3