IDC

Industrial Development Corporation

Your partner in development finance

Annual Report 2010

Towards a new developmental growth path

Towards a new developmental growth path

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Vision

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

Objectives

- Supporting industrial capacity development
- Promoting entrepreneurship

Mission

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

Outcomes

- Sustainable employment
- Growing sectoral diversity
- Regional equity
- Growing small and medium enterprise (SME) sector
- Industrialisation in the rest of Africa
- Broad-based black economic empowerment (B-BBEE)
- Environmentally sustainable growth
- New entrepreneurs

Values

- Professionalism
- Partnership
- Passion

Highlights of the Year

Continued positive impact on the economy despite the recession

- **25 000 jobs** created and/or saved (2009: 26 700)
- Net funding approvals of **R9,4 billion**, mostly for new capacity or expansions (2009: R10,8 billion)
- Funding of **R1,4 billion** approved to assist companies to withstand the impact of the recession
- Saved **8 800 jobs** as a result of funding to companies in distress

Proactive steps taken to lower the cost of funding to businesses through UIF partnership

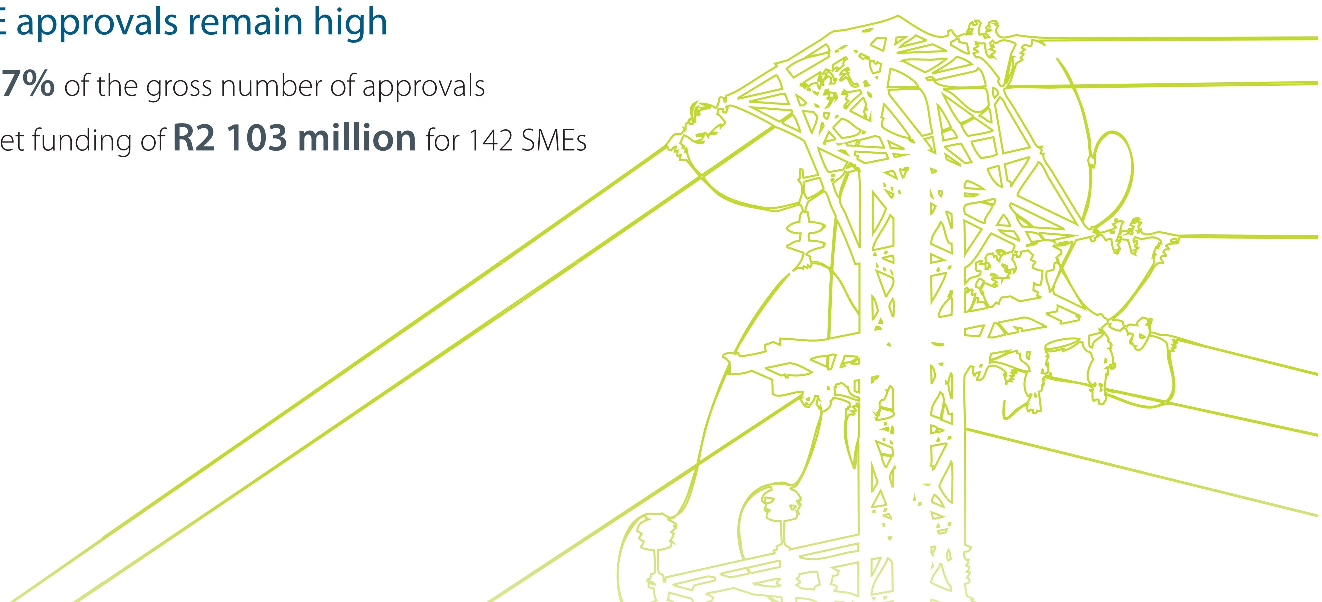
Realigned strategy towards driving and facilitating Industrial Policy Action Plan (IPAP2)

Funding approvals for operations in rural areas more than quadrupled

- Net funding approvals of **R4,6 billion**
- **51** transactions

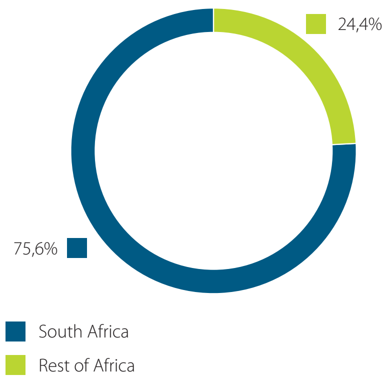
SME approvals remain high

- **67%** of the gross number of approvals
- Net funding of **R2 103 million** for 142 SMEs

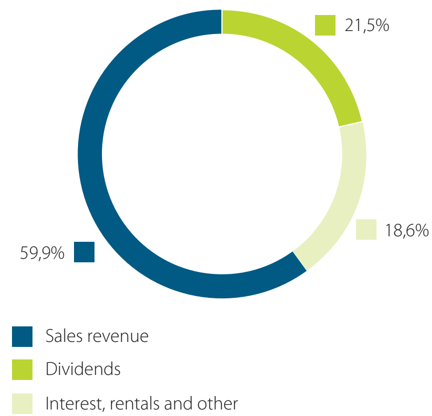


Five-year Statistical Review

Regional distribution of IDC approvals, by rand value (2006 – 2010)

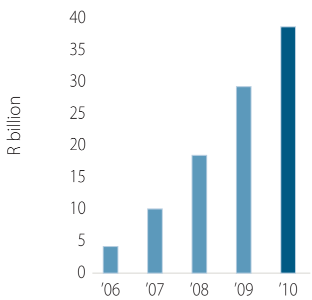


Composition of revenue: (2006 – 2010)

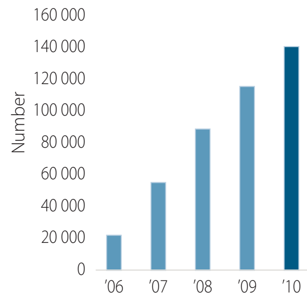


(R'm)	2010	2009	2008	2007	2006
Statement of financial position					
Cash and cash equivalents	2 866	5 607	5 370	4 466	3 558
Loans, advances and investments	79 265	61 879	78 931	54 951	40 613
Property, plant and equipment	4 136	3 038	3 002	2 383	2 414
Other assets	2 364	2 853	3 130	1 815	1 570
Total assets	88 631	73 377	90 433	63 615	48 155
Capital and reserves	79 189	64 687	75 803	52 536	38 959
Outside shareholders' interest	366	358	45	38	25
Loans	3 527	5 165	5 825	5 716	5 525
Other liabilities	5 549	3 167	8 760	5 325	3 646
Total equity and liabilities	88 631	73 377	90 433	63 615	48 155
Statement of comprehensive income					
Net operating income	2 008	5 314	2 155	2 645	378
Share of profit of equity-accounted investments	40	1 132	1 950	1 673	417
Profit before tax	2 048	6 446	4 105	4 318	795
Taxation	(181)	825	154	(27)	42
Profit for the year	2 229	5 621	3 951	4 345	753

Cumulative value of financing approvals

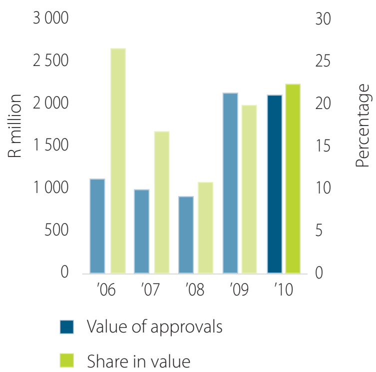


Cumulative number of jobs created/saved in SA*



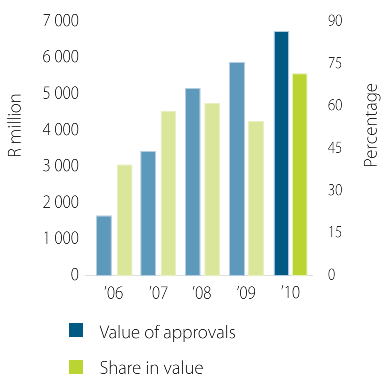
* Includes rest of Africa.

Approvals to SMEs (value)



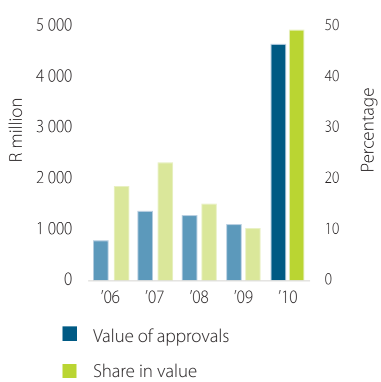
Approvals to SMEs (number)

Approvals to black-empowered companies (value)

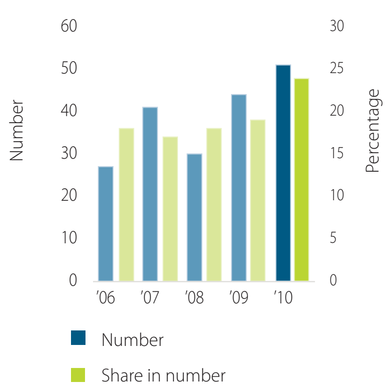


Approvals to black-empowered companies (number)

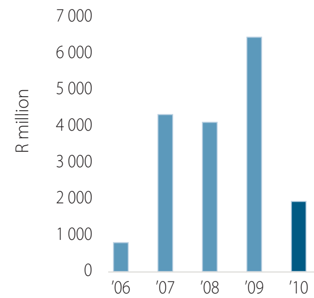
Approvals to companies in rural areas (value)



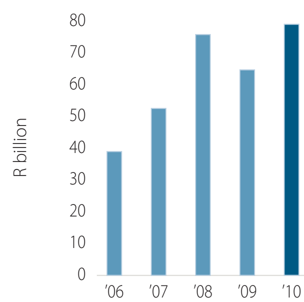
Approvals to companies in rural areas (number)



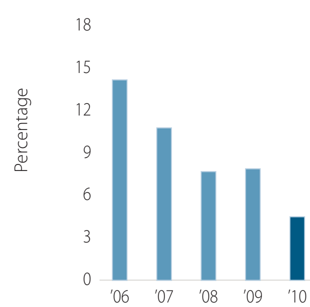
Profit before tax for the year



Capital and reserves



Debt/equity ratio



Board of Directors

MW HLAHLA [6, 7]

Acting Chairman (Non-Executive)

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

Managing Director:
- Airports Company South Africa (Pty) Limited

Directorships:
- Findevco (Pty) Limited
- ABSA Group Limited
- ABSA Bank
- Airports Company South Africa (Pty) Limited

Trustee of:
- Hlahla Family Trust

MC NKUHLU [5, 6]

Deputy Chairman (Non-Executive)

BA (Hons) (Western Cape); Strategic Management in Banking (Insead); AMP (Harvard)

Managing Director:
- Nedbank Corporate Banking

Directorship:
- Findevco (Pty) Limited

MG QHENA [7]

Chief Executive Officer (Executive)

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

Chairman of:
- Foskor (Pty) Limited

Directorships:
- Findevco (Pty) Limited
- Acerinox SA

GS GOUWS**

Chief Financial Officer (Alternate)

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

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

LR PITOT [7, 9]
(Non-Executive)
CA(SA)

Directorships:
– Findevco (Pty) Limited

LI BETHLEHEM [8, 9]
(Non-Executive)
BA (Hons) Industrial Sociology (Wits); Master of Arts (Wits); Certificate in Economics and Public Finance (Unisa)

Directorships:
– Real Estate Investments, Standard Bank
– Findevco (Pty) Limited

Trustee of:
– Hans Merensky Foundation

LL DHLAMINI [7]
(Non-Executive)
BSc (Computer Science) (UCT); BCom (Conversion) (UCT); CA(SA); Postgraduate Diploma in Accounting (UCT)

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

N ZALK
(Non-Executive)
BA (English and Private Law) (Unisa); Postgraduate Diploma in Economics (Development) (School of Oriental and African Studies); MSc Economics with reference to Africa (School of Oriental and African Studies) (London University)

Directorships:
– Findevco (Pty) Limited
– Trade and Industrial Policy Strategies (TIPS)

Board of Directors continued

MS MOLOKO [10]

(Non-Executive)

BSc (Hons) (Mathematics) (University of Leicester); Postgraduate Certificate in Education (University of Leicester); Advanced Management Programme (Wharton Business School)

Executive Chairman:
- Thesele Group (Pty) Limited

Non-Executive Chairman:
- Alexander Forbes Group

Non-Executive Deputy Chairman:
- Sycom Property Fund Managers

Directorships:
- Findevco (Pty) Limited
- Acucap Properties Limited
- General Reinsurance Africa
- Thesele Properties (Pty) Limited
- Thesele Asset Managers

Business venture:
- Investments No. 991 (dormant special purpose vehicles)

BN NJOBE [1, 8]

(Non-Executive)

MSc (Agric) (Bulgaria)

Executive Director:
- Tiger Brands Limited

Directorships:
- Findevco (Pty) Limited
- Bigen Africa Group Holdings (Pty) Limited
- Pan-African Capital Holdings (Pty) Limited
- Pan African Investment and Research Services (Pty) Limited
- Kagiso Trust Investment (Pty) Limited

SK MAPETLA [6, 8]

(Non-Executive)

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

Directorships:
- Findevco (Pty) Limited

Chairman:
- Afrika Biopharma Investment (Pty) Limited

NN NOKWE [3, 10]

(Non-Executive)

MSc (Chemical Engineering) (Moscow Institute of Oil and Gas); International Management Certificate (Insead); Certificate in Finance and Accounting (Wits); Global Executive Development Programme (GIBS)

Directorships:
- Findevco (Pty) Limited
- Manyano Investments (Pty) Limited
- Prospect SA Investments 50 (Pty) Limited
- Maredi Telecom & Broadcasting (Pty) Limited
- EDI Technologies (Pty) Limited
- Vuya Investments (Pty) Limited
- JM Energy Solutions

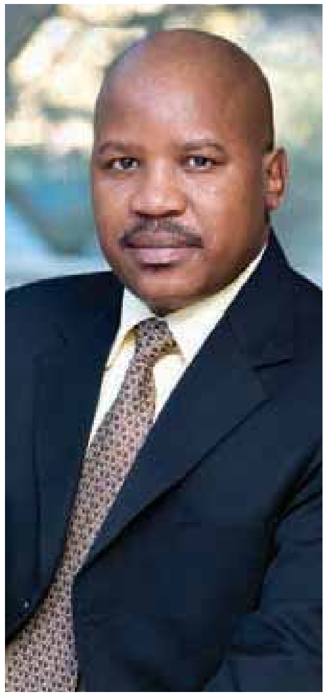
JR BARTON (8, 10)

(Non-Executive)

Chartered Management Accountant (FCMA); Advanced Management Programme (AMP) (Harvard University)

Directorships:

- Findevco (Pty) Limited
- Redis Construction Afrika (Pty) Limited
- Mystic Blue Trading 437 t/a Direct Paper
- Bell Equipment (Pty) Limited



JC MTSHALI (6, 8)

(Non-Executive)

BSocSci (UCT); BCom; LLB (UCT)
Practising Attorney

Directorships:

- Findevco (Pty) Limited
- Bonjava Resources (Pty) Limited
- Univani Investments (Pty) Limited
- Aine Properties (Pty) Limited

Member of:

- Mandilor Properties CC

NG NIKA (2, 4, 10)

(Non-Executive)

CA(SA)

Chief Financial Officer: PetroSA

Directorships:

- Findevco (Pty) Limited
- The Petroleum Oil and Gas Corporation of South Africa (Pty) Limited
- The PetroSA (Nigeria)
- Brass Exploration Unlimited

Legend:

(1) Chairman of Board Human Capital and Nominations Committee
(2) Chairman of Board Audit Committee
(3) Chairman of Board Development and Innovation Committee
(4) Chairman of Governance and Ethics Committee
(5) Chairman of Board Risk Management Committee
(6) Member of Board Human Capital and Nominations Committee
(7) Member of Board Audit Committee
(8) Member of Board Development and Innovation Committee
(9) Member of Governance and Ethics Committee
(10) Member of Board Risk Management Committee
*** Alternate*

Chairman's Statement

As I reflect on the year under review, South Africans from all walks of life are expressing their pride and joy. Our country provided the centre stage for one of the world's major sporting events, the 2010 FIFA World Cup™, for the very first time on African soil. Thousands upon thousands of international visitors have been warmly welcomed to the "cradle of humankind".

Demonstrations of support and enthusiasm have been uniting people behind their national or preferred teams, including South Africa's. Outbursts of elation and smiles of delight on fans' faces, albeit at times only temporary, have been an absolute joy to watch in our football stadia, FIFA fan parks and through global television networks.

South Africa's commitment and preparation for this event were extraordinary, in line with its citizens' pledge to host the most successful tournament and notwithstanding the world's most severe economic crisis since the 1930s. To South Africans, the FIFA World Cup™ was viewed as one of the biggest marketing opportunities for the country and the African continent, with expected foreign visitors at around 450 000 and a minimum television viewership of approximately 500 million. Undoubtedly, the expected returns on this investment will add value to an economic recovery into the future, and will be measured through increased tourism and investment flows from various countries participating in the World Cup, as well as a more tolerant and cohesive society going forward.

The domestic economy contracted by 1,8% in 2009, but positive growth started to manifest through the second half of the year and reached a relatively solid 4,6% in the opening quarter of 2010. The recession had a severe socio-economic impact, particularly on South Africa's poor. Approximately 830 000 employment opportunities were lost during the year to end-March 2010, compounding South Africa's enormous unemployment plight.

During the review period, the IDC as a development financier remained a critical port of call for many businesses struggling to keep their operations afloat under extremely adverse trading conditions. The R1,4 billion approved for companies in distress during the course of the financial year is estimated to have saved or created more than 8 800 jobs across a number of industries, including the clothing and textiles, timber, transportation equipment and services industries. In the process, the Corporation encouraged risk sharing with other funders and stimulated the flow of credit in the economy, thus alleviating the tighter credit conditions.

Despite a highly unfavourable economic environment, the IDC approved an additional R8 billion in financing for expansionary transactions, thereby supporting new investment activity. The overall level of approvals, at R9,4 billion, was the second highest on record and is likely to result in the creation and saving of more than 25 000 jobs in South Africa and approximately 7 000 in the rest of the African continent. Funding approvals

Funding approvals for operations in rural areas more than quadrupled... both in overall value terms, at R4,6 billion, as well as in number (i.e. 51 transactions).

for operations in rural areas more than quadrupled relative to the previous financial year, both in overall value terms, at R4,6 billion, as well as in numbers (i.e. 51 transactions).

South Africa's employment challenge, coupled with the need to revitalise our economy, have called for focused and effective interventions by the IDC in the immediate or near term. These are being complemented by strategic plans across several priority sectors and with specific socio-economic goals that will contribute to placing the economy on a developmental growth path and lead to structural transformation in the longer term.

Our vision is to work towards a labour-absorbing, innovation-driven, regionally integrated economy that extracts maximum value from our vast resource wealth, both human and natural. We need to achieve this in a low-carbon and environmentally sustainable manner, and certainly for the benefit of all South Africans.

The strategic direction of the Corporation at this juncture is chiefly guided by the Industrial Policy Action Plan (IPAP2), which was announced early in 2010 by the Department of Trade and Industry **(the dti)**, and by the Medium Term Strategic Plan 2010/11 to 2012/13 of the Economic Development Department (EDD), among other national policy directives. The EDD's Strategic Plan clearly states that "the fundamental departure point of government's approach is that employment should not be the residual outcome of other policies but the overarching goal of economic policies."

The IDC will be a key agent, particularly, but not exclusively, from a financing perspective, in placing the South African economy along an employment-led growth path. Key developmental interventions cut across the vast majority of economic sectors prioritised by IPAP2, with an emphasis on labour-absorbing investments.

In contributing towards setting the economy on a low-carbon growth path and achieving the governmental objective of carbon neutrality by 2050, the development of green industries and the promotion of energy efficiency have taken prime position. Our commitment to the development of green industries is reflected in the R11,7 billion budgeted for investments in this area over the next five years.

Considerable progress is being made in renewable energy generation, with funds committed for feasibility studies pertaining to several wind farms, solar thermal and photo-voltaic electricity generation, as well as additional financing approved for bio-ethanol and biomass production. Other key focus areas within the green economy include: energy management and efficiency (for example, R2,6 billion in funding over the next five years for the mass roll-out of solar water heaters); the manufacturing of components related to green industries (for example, the IDC has financed an operation assembling photo-voltaic cells for the export market); as well as resource and waste management (for example, an anaerobic digestion project that captures methane gas from livestock manure and converts it to electricity).

As in many parts of the world, South Africa's manufacturing sector has been under considerable strain for a number of years due to fierce foreign competition in the domestic and traditional export markets and, as the global economic crisis unfolded, was also affected by sharply weaker demand on most fronts. The immediate challenge lies in preserving our country's industrial capacity in the face of adversity, while simultaneously pursuing the goal of expanding such a base in an internationally competitive manner as the economic recovery gains momentum.

In line with government's industrial policy, the IDC has been proactively identifying investment opportunities, formulating strategies, pursuing specific interventions, co-developing projects and providing financing facilities in a number of manufacturing sub-sectors. These have been prioritised due to their labour-absorbing capacity, their value-adding nature, the potential for generating export earnings and/or for import replacement.

The metal fabrication and capital equipment industries are being targeted as potential beneficiaries of substantial public sector procurement for years to come, complemented by private sector demand as its investment momentum revives. The enormous market on our doorstep – the rest of the African continent – also provides a potential outlet for their products.

The automotive industry, especially components manufacturing, is also receiving specific attention. Supported by the Automotive Production and Development Programme and eventually benefiting from a recovery in global demand, mainly within large emerging markets, this industry will again be particularly attractive. The rapidly expanding market for alternative-fuelled vehicles worldwide has underpinned our support for the plug-in battery electric vehicle, the Joule, which is a prime example of the IDC's contribution to the development of entirely new industries in South Africa.

Throughout the year, the IDC provided financial support to the forestry and sawmilling industries. These experienced an extremely difficult period, with sales volumes dwindling and margins under pressure. Looking forward, the Corporation is formulating strategies for the sector's future growth and for the further development of the value chain, particularly the furniture segment.

The textiles and clothing sector, in turn, has been the recipient of IDC "turnaround" assistance for a number of years, with the global crisis having exacerbated its huge challenges. Funding support to this labour-intensive, but distressed, sector was substantial during the year under review, permitting the saving of over 2 500 jobs. The Corporation is also managing the Clothing and Textiles Competitiveness Programme on behalf of the dti, which is aimed at creating a more conducive environment for the sector's survival and growth.

Numerous other sectors have been supported during the year to counter the adverse effects of the global economic downturn, prevent de-industrialisation and establish a firmer foundation for their sustainability and growth post-crisis. Despite the prevailing uncertainty and risk-aversion, we are also helping to build the enterprises and industries of tomorrow, providing much needed access to finance for entrepreneurs and SMEs. Our project cycle coverage begins at the start-up phase, particularly for the development of unique, commercially viable South African technologies. Furthermore, our increasingly proactive involvement in the development of large projects is motivated by substantial forward linkages and, of course, their value addition attributes.

The sustainability and growth of agricultural and agro-processing sectors is critical for rural communities. The IDC has been following a multipronged approach in this area, including: the development of the agricultural value chain, particularly high value agricultural crops and the expansion of agro-processing activities; the establishment of renewable fuels from agricultural feedstock without compromising food supplies; the utilisation of wholesale mechanisms to support poor farmers; and project development aimed at improving regional food security.

The outlook for the global economy, and more specifically the advanced nations, remains highly uncertain, with substantial downside risks threatening the ongoing recovery. The deleveraging process, which started in the corporate and household sectors in many parts of the globe, has more recently spread to the public sector. The governments of several advanced economies are being forced to curtail spending, even though economic conditions remain weak, because public debt has reached unsustainable levels.

Hence, business conditions are expected to remain difficult in many sectors of the economy for quite some time. Subdued domestic spending (notably after the FIFA World Cup™) and possibly weaker external demand due to fiscal austerity in Europe may translate into a relatively slower rate of growth in the second half of 2010. Consequently, demand for distress funding from the IDC, additional facilities and for debt repayment concessions may intensify if the pace of recovery does not accelerate or, at worst, is reversed due to global ripple effects. With uncertainty again on the rise, many private sector investment plans may also remain shelved for a while.

Accordingly, we at the IDC are prepared for another challenging year ahead and will continue to utilise our financial and human resource capacity to counter cyclical or structural adversities to the best of our ability, seeking to preserve our country's economic base, to safeguard and grow employment levels and to build a thriving economy for future generations.

Acknowledgements

I would like to take this opportunity to thank a number of stakeholders without whom the outlined achievements would not have been possible:

- Our shareholders, Minister Ebrahim Patel and Minister Rob Davies for providing clarity of purpose to ensure investment in capacity, sustainable employment creation and protection, as well as IDC business sustainability.
- My colleagues and members of the IDC Board of Directors for their vision and decisions during the changes in shareholder reporting lines from the dti to the EDD and, importantly, for allowing me to learn from you in my acting role as Chairman of the Board.
- The Chief Executive Officer, Mr Geoffrey Qhena and his excellent Executive Committee for their purpose-driven stewardship of the IDC during a difficult year. Your foresight helped some of the country's distressed industries to keep their doors open.

I also express our gratitude to Dr Wendy Luhabe for her remarkable stewardship of the IDC as Chairman of the Board of Directors from 2001 to 2009.

MW Hlahla
Acting Chairman

Executive Management

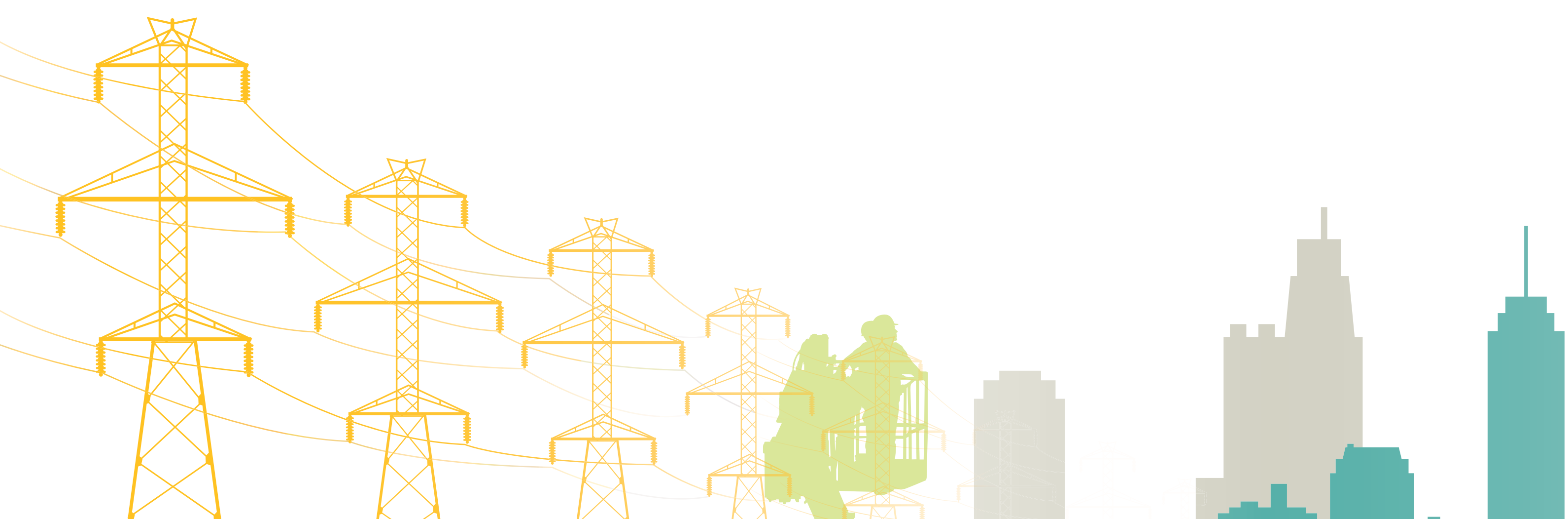
MG QHENA
Chief Executive Officer

GS GOUWS
Chief Financial Officer

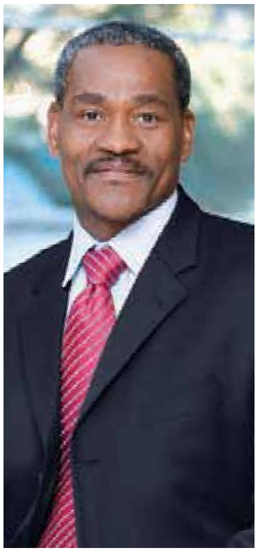
U KHUMALO
Divisional Executive: Resources Sectors

K SCHUMANN
Divisional Executive: Services Sectors

SAU MEER
Divisional Executive: Industrial Sectors



JM MODISE*
Divisional Executive: Human Capital and Support Services



LP MONDI
Chief Economist and Divisional Executive: Professional Services

G VAN WYK
Chief Risk Officer

NV MOKHESI
Divisional Executive: Marketing and Corporate Affairs

PB MAKWANE
General Counsel and Divisional Executive: Legal Services

* *Appointed 1 April 2010*

IDC at a Glance

- Governance and Ethics Committee
- Development and Innovation Committee
- Human Capital and Nominations Committee

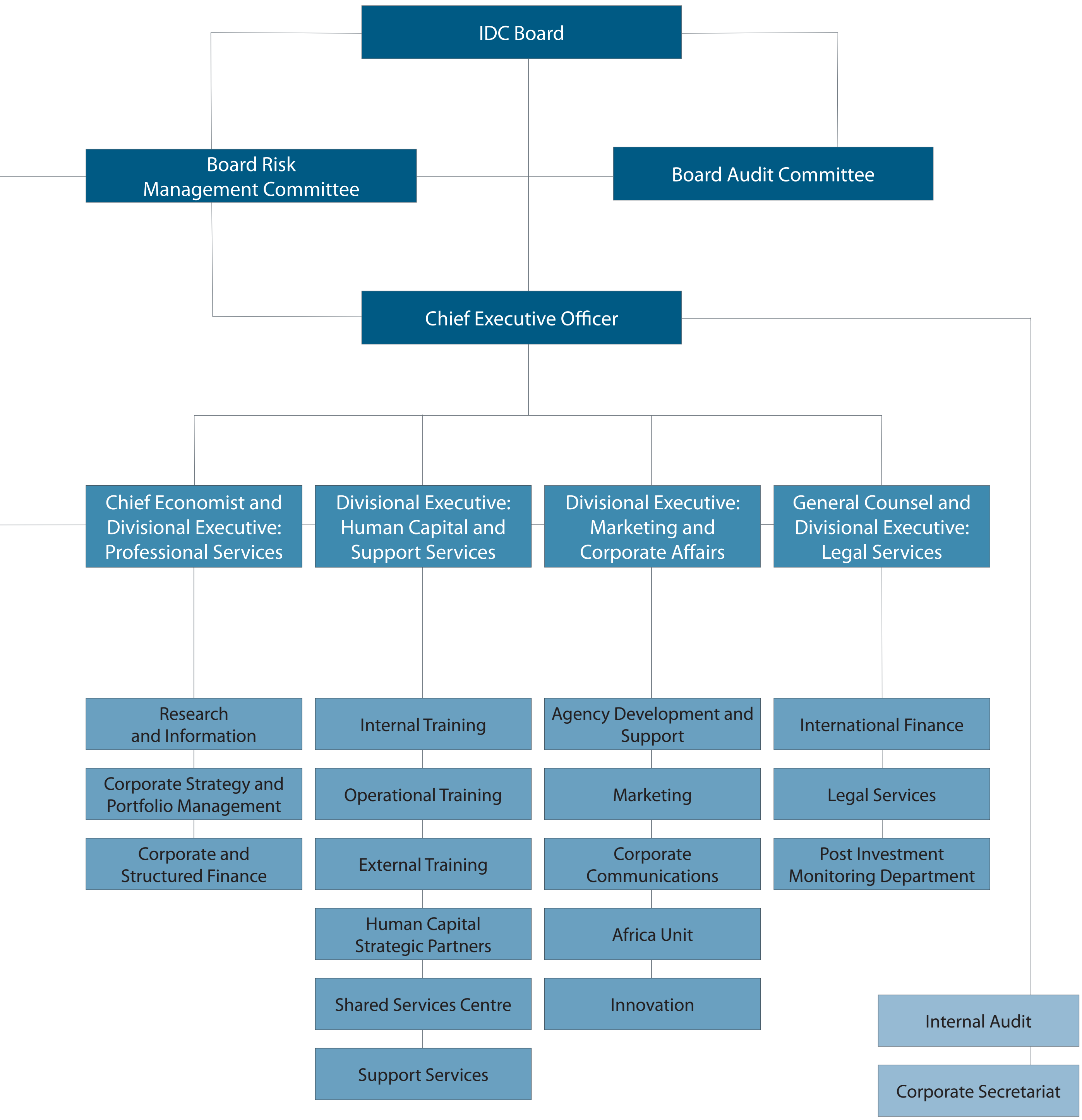
Divisional Executive: Resources Sectors
- Food, Beverage and Agro-industries
- Mining and Beneficiation
- Public Private Partnerships
- Venture Capital
- Strategic High-impact Projects (SHIP)

Divisional Executive: Industrial Sectors
- Chemicals and Allied Industries
- 2010! and Construction
- Metals, Transport and Machinery Products
- Risk Capital Facility
- Textiles and Clothing
- Wood, Paper and Other
- Head office – Operations

Divisional Executive: Services Sectors
- Tourism
- Franchising
- Media and Motion Pictures
- Techno-industries
- Healthcare and Education
- Transportation, Financial Services and Other

Chief Financial Officer
- Financial Management
- Corporate Funding
- Information Technology
- Corporate Treasury

Chief Risk Officer
- Workout and Restructuring
- Risk Management
- Evaluations
- Environment, Health and Safety


IDC Board
Board Risk Management Committee
Board Audit Committee
Chief Executive Officer
Chief Economist and Divisional Executive: Professional Services
Divisional Executive: Human Capital and Support Services
Divisional Executive: Marketing and Corporate Affairs
General Counsel and Divisional Executive: Legal Services
Research and Information
Corporate Strategy and Portfolio Management
Corporate and Structured Finance
Internal Training
Operational Training
External Training
Human Capital Strategic Partners
Shared Services Centre
Support Services
Agency Development and Support
Marketing
Corporate Communications
Africa Unit
Innovation
International Finance
Legal Services
Post Investment Monitoring Department
Internal Audit
Corporate Secretariat

Chief Executive's Report

The Industrial Development Corporation (IDC) has always emphasised the importance of preserving and enhancing South Africa's industrial capacity. During the past year, its mandate as a development finance institution was put to the test as the global economic crisis continued to affect South Africa's economy. Our performance has shown not only that the IDC plays an important role in developing businesses and entrepreneurs in South Africa and Africa, but that we have the potential to create much-needed jobs and to find ways to overcome some of the spatial and regional inequalities that persist in South Africa.

The economic conditions over the past year were unlike anything the IDC has experienced during its existence. The South African economy did not escape the effects of the global downturn, with the recession triggering a decrease in aggregate demand not seen since the Great Depression. Data from Statistics South Africa reveals that approximately 833 000 jobs have been shed over the 12 months to March 2010 and for the first time in 17 years GDP growth in the domestic economy was negative.

During this time, the IDC allocated R6,1 billion in distress funding to help different sectors of the economy weather the storm. In addition to making funds available, the IDC participated in the Presidential Task Team, engaged those sectors that showed signs of serious cyclical strain and initiated discussions with industry roleplayers, banks and financiers. The IDC was actively involved in assisting sectors in long-term decline due to reduced competitiveness, for example, by participating in the launch of the Clothing and Textiles Industry Competitiveness Scheme.

The South African economy appears to be emerging from the recessionary phase of the business cycle, albeit slowly. In the third quarter of 2009 the economy registered a positive growth rate of 0,9% quarter on quarter, which technically brought the recessionary phase to an end. The economy gained further momentum in the final quarter of 2009 and the opening quarter of 2010. However, the rate of recovery remains uncertain and the IDC will continue to play a crucial and positive role as development financier.

Industry development

Despite tougher economic conditions, a net of 253 transactions were approved compared to 262 in the previous year. This constitutes a 3% decrease. The value of net approvals amounted to R9,4 billion compared to R10,8 billion in the previous year. The funding approved is expected to result in 25 000 jobs, of which 8 800 were jobs saved as a direct result of financing to distressed companies.

Strategic realignment

The IDC's strategy and development focus are designed to support the economic policies, priorities and vision of the Government of South Africa. The Industrial Policy Action Plan (IPAP2) was launched by Minister Rob Davies in February 2010. The enhanced plan builds on the National Industrial Policy Framework (NIPF) and outlines a range and combination of industrial policy

The IDC is therefore well placed to meet the levels of funding activities required to ensure strong economic growth and job creation in the economy.

interventions and instruments to address the critical challenges of the economy. This policy document is focused on the expansion of the country's industrial capacity in critical sectors of production, such as value-add, labour-intensive manufacturing.

In line with this, the IDC has realigned its strategy to support IPAP2 and will play a strategic part in the policy's three-year rolling action plan. It will promote long-term industrialisation and diversification by focusing its investments on sectors with high employment multiples and by encouraging the participation of black people and poorer regions in the economy.

We believe that the IDC occupies a unique position to help deliver IPAP2 in that we have direct contact with many industry stakeholders, as well as the two key co-ordinating government departments – the Department of Trade and Industry and the Economic Development Department.

IPAP2's priorities now guide the strategy and action plans of the IDC's Sector Business Units (SBUs). Significant investment has already commenced in line with IPAP2 to revitalise growth in the manufacturing industry. This includes assisting South African companies to take advantage of opportunities in state-owned enterprises (SOE) capex programmes to drive job creation. In addition, we will focus on the more labour-absorbing production and services sectors.

To support IPAP2's vision of stimulating economic growth that creates and sustains jobs, the IDC will focus on supporting high-impact projects, which have both the potential to generate large numbers of jobs, while building linkages to smaller projects. A major area of focus is the long-term industrialisation and diversification that will facilitate South Africa's contribution to industrial development in the African region. In particular, we aim to leverage the momentum gained in the development of green industries in support of government's strategy to reduce its carbon emissions as pledged at the Copenhagen Conference on Climate Change.

With IPAP2 seeking to put South Africa on a less carbon intensive growth path, the Economic Development Department requested the IDC to calculate the potential of the green economy and its labour absorptive capacity. The preliminary results from our research, which cover the solar, bio-fuels, small hydro-sectors and pyrolysis, suggest that up to 300 000 jobs can be created in a 10-year period. If South Africa is able to capture 2% of the estimated global green economy in the next five years a significant number of jobs can be created across a diverse range of sectors.

Already the IDC has begun making headway in laying the foundations for a greener economy by focusing its funding on projects in the alternative energy sector. These include those which harness power generated from sources such as wind and solar, as well as those which improve energy management, including co-generation and conversion to more efficient technologies. Another area of investment includes resource management such as waste management and recycling, as well as the development of supporting industries.

Operationally we have committed R11,7 billion for investment over the next five years in green industries. This includes R8,3 billion for renewable energy generation and bio-ethanol; R1 billion for manufacturing of components related to green industries; and R800 million for resources and waste management; and R1,6 billion for energy management.

During the past year R33 million was approved to determine the feasibility of establishing several wind farms as well as solar thermal and photo-voltaic electricity generation in the Northern Cape. The IDC also continued to invest in the development and commercialisation of the electric vehicle, the Joule, by providing expansionary finance. A feasibility study for the establishment of a fluorescent bulb recycling plant was also undertaken. Beyond South African borders, the organisation approved its participation in a wind power generation project in Kenya.

The IDC's commitment to promoting a greener economy extends to its own internal operations. Over the past few years, we have run awareness programmes which seek to educate our staff about how their decisions as consumers affect the environment. In addition we have set up a scheme to assist staff to convert their primary energy sources in their homes to solar or gas. We also continue on our journey to promote more sustainable economic development, a process which has been documented through our sustainability reports.

Sector development

The specific sectors prioritised through the IDC's *"Leadership in industrial development strategy"* reflect those which are prioritised in IPAP2. One of the core focus areas of IPAP2 is the automotive sector, incorporating the metals and capital equipment sector. In 2009 the sector including component manufacturers, contributed 0,8% to the country's GDP and 7,9% of the country's export of goods and services. When combined with the metals manufacturing, capital equipment and transport sectors, the contribution to GDP and total exports are 3,2% and 16,4% respectively, which results in 426 000 employment opportunities. The stability and export competitiveness of the economy has largely been dependent on this sector. During 2009/10, approvals to the value of R376 million were made available for motor vehicle component and transport equipment manufacturers which are expected to save 1 500 jobs.

In the metals, capital equipment and transport equipment sector, the IDC assisted a number of companies to take advantage of the opportunities in the SOE capex programmes to promote job creation.

During the course of the next year, the IDC will take the lead on project origination which requires deeper resources and increased risk taking. We will continue to play the role of partner, seeking to attract and support private sector players and although the IDC may increasingly take the lead on investments, activities will continue to be driven by private sector capacity and demand.

The IDC is poised to play a stronger role in helping government realign and expand the South African economy. In order to support this drive to revitalise the country's manufacturing base, the IDC will look to leverage its strong statement of financial position in support of IPAP2.

Regional development

Wherever possible the IDC continues to address issues of spatial inequality. We do this by supporting industries with specific competitive advantage in a particular area, for instance agro-industries and minerals and beneficiation. In line with this, the IDC approved R34 million for an expansionary BEE mariculture project in the Western Cape as well as a 950 ha citrus broad-based black economic empowerment project to produce citrus at the Vaalharts irrigation scheme in the Northern Cape. This has the potential to create 1 330 jobs and produce export earnings of R750 million.

The development of South Africa's mineral wealth continues to hold great potential for the creation of jobs and the development of the downstream beneficiation opportunities. One of the highlights for the IDC during the year under review was the establishment of a complex producing 3 million tons per annum of manganese ore and 2,4 million tons per annum of sinter at Hotazel in the Northern Cape. This, combined with an additional ferromanganese alloy production facility at Coega producing 320 000 tons per annum, will result in the creation of 977 permanent jobs, 900 contract jobs and 3 700 construction jobs. The complex has the potential to bring in R10 billion of foreign income per annum.

Financial performance

Despite the effects of the global financial crisis and the associated difficult market and trading conditions, the IDC posted a good financial performance.

The value of loans and advances increased by 17% from R10,6 billion to R12,5 billion, a trend that is likely to continue. The IDC expects its loans and advances to increase to approximately R50 billion in the next five years as it rolls out its plans to support IPAP2. This would result in the IDC being required to borrow significantly in the years ahead, with funding raised expected to be approximately R45 billion cumulatively over the next five years.

The recovery in the values of both listed and unlisted equities has contributed to an increase in reserves from R65 billion to R79 billion. The IDC is therefore well placed to meet the levels of funding activities required to ensure strong economic growth and job creation in the economy.

Profits of R2,2 billion were recorded, down from R5,6 billion in the previous year. The profitability of equity accounted investments and subsidiaries declined from R1,1 billion to R40 million, mainly due to lower commodity prices. The core financing activities of the IDC were characterised by lower dividend and

interest income, offset to some extent by lower levels of impairments for the year (down from R1,2 billion to R1,0 billion).

Strategic initiatives

Funding initiatives

The IDC's budgets for its 2009/10 financial year reflected substantial borrowing requirements and, in recent times, the IDC's main source of borrowings has been other development finance institutions and banks. However, accessing funds from these sources in an illiquid market has proven difficult. IPAP2 highlights the need for concessional funding and the IDC is continually identifying more non-traditional sources of funding. During the year the IDC concluded negotiations with the Unemployment Insurance Fund (UIF) with the aim of providing a portion of the IDC's borrowings at concessional rates.

Internal processes

As the demands placed on the IDC have increased, so too has our staff complement. To harness the talent of the organisation, we needed to upgrade our facilities to accommodate the growing staff numbers and to enhance synergies between departments. The IDC's head office is currently undergoing major renovations which should be completed during the course of the 2010 calendar year.

An Innovation Unit was also established which will help the IDC to better manage the design of relevant funding solutions for our clients and stakeholders. The intention of the unit is to build organisational innovation capability, where we create space for new ideas. It will promote culture change, encourage leadership, create measurement tools, and ensure the strategic alignment of ideas.

Stakeholder engagement

Stakeholder engagement remains of the utmost importance to the IDC. As in previous years, stakeholder perceptions of the organisation were measured and the findings used to identify areas that require improvement. Customer satisfaction measures based on the previous year's "I make it happen" campaign were incorporated into the deliverables of individual teams for the first time. Customer satisfaction targets were also rolled out to the entire corporation.

Corporate Social Investment

As with previous years, CSI activities included a range of activities. Our flagship Nguni Cattle Project helps previously disadvantaged farmers reintroduce Nguni cattle across the country. We also continued to support projects in education, enterprise development, healthcare and the arts, and encouraging our staff to donate their time and energy to worthy causes. Total CSI spend at the IDC amounted to R19,6 million during the past year.

Prospects

There comes a time in the life of any organisation when it is good to reflect on the past achievements before looking and planning ahead for the future. The IDC was established in 1940 and as I write this, we are preparing ourselves to reflect on 70 years of developing businesses across South Africa and beyond its borders. Over the past seven decades the IDC has established an excellent track record and struck up partnerships with a host of other financiers and roleplayers ensuring that it lives up to its motto of being *"your partner in development finance".*

We will continue to co-operate with our stakeholders and more specifically to work closely with those

During the year the IDC concluded negotiations with the Unemployment Insurance Fund (UIF) with the aim of providing a portion of the IDC's borrowings at concessional rates.

ministries and spheres of government that require our input.

By refining our internal processes, developing funding instruments that respond to the current economic conditions and leveraging the skills of our staff, we have positioned the IDC to reduce the high levels of unemployment.

Acknowledgements

The IDC's success rests with its competent and dedicated staff and executive management team. They form the backbone of this organisation and their hard work and passionate commitment to tackling the development challenges of South Africa must be recognised. In particular, I wish to express my appreciation to Mr Lesenyego Matlhape, who left the IDC after more than a decade of dedicated service as our Human Capital Executive. I would like to welcome Ms Jeanett Modise who joined the team as Human Capital Executive from 1 April 2010.

The Board of Directors provided management with strategic guidance during a difficult period and continues to be instrumental in ensuring that the IDC meets its obligations as a development finance institution. I would like to express my profound gratitude to Ms Wendy Luhabe whose term as chairman of the IDC ended in September 2009, and thank Ms Monhla Hlahla for assuming the role of Acting Chairman whilst the shareholder is still applying its mind on a suitable person to lead this key institution to greater heights.

I extend my appreciation to both the Ministers of Economic Development and Trade and Industry and their respective teams who have provided invaluable support during the course of the year, as well as their respective portfolio committees in Parliament whose inputs and participation always lead to inspired debate and discussions during our interactions during submissions.

MG Qhena
Chief Executive

IDC assistance during distressed times

The function of a development finance institution (DFI), during times when businesses are facing difficulty in accessing capital, is to play a countercyclical role and continue to provide funds and ensure liquidity. During the recession, the IDC did not tighten its credit criteria, and, apart from funding companies in distress, continued to assess applications for funding as before the recession. This is evident through the R9,4 billion approved for funding in the financial year, the second highest amount approved in a year since IDC's inception whereas credit extension by commercial financial institutions generally declined.

With the onset of the economic crisis in 2008 the IDC realised that South Africa would not be spared the effects of a global recession and formed a response to assist companies centred around specific themes. One of these themes was the provision of funding to businesses that were in distress specifically as a result of the economic crisis. Government negotiated a social pact with business, organised labour and community in February 2009, the framework for South Africa's response to the international economic crisis. This committed, inter alia, to support for distressed sectors. The IDC was identified as a key agency to give effect to this commitment. The IDC deliberately chose to limit its intervention in these cases to businesses that showed signs of success prior to the crisis so as not to expend resources on a broad range of uncompetitive businesses. To this end, the Corporation allocated R6,1 billion over 2010 and 2011 financial years. R1,4 billion of this funding was approved to 28 companies in 2010. Although uptake was below expectations, an estimated 8 800 jobs will be saved through the provision of this funding. This was in addition to the R500 million of funding, saving 2 500 jobs, that was provided for businesses in 2009.

The largest portion of this funding went to the mining and primary metals industries, which were hit especially hard during the initial stages of the crisis as commodity prices declined sharply compared to the boom experienced in the preceding years. The fabricated metals, machinery and motor vehicle industries received the second largest portion of funding. This industry in particular was impacted by the slowdown in discretionary consumer spending. Other industries that received significant amounts of assistance were the forestry, sawmilling and transport industries.

The role played by the IDC in these transactions went beyond that of a financier. In many cases, creditors or other funders with good levels of security were in a position to liquidate the business without a risk of losing their capital. The IDC's participation in the process, frequently involving intense negotiations, gave comfort to other partners in the business and the additional funding by the IDC gave companies the lifeline needed to implement strategies to turn around their operations and be in a better position to emerge from the recession successfully.

In assisting companies, the IDC had to ensure that the funding it provided would be used for the purposes intended and leverage its funding as far as possible. As a result, conditionalities were applied on a case-by-case basis. Some of these conditions included restricting dividends and other payments to shareholders and management, ensuring that existing financiers' funds did not leave the business, and limiting job losses.

The IDC submits regular reports to the Minister of Economic Development, who chairs the Social Partner Leadership Team that monitors progress with the Framework implementation. The IDC has engaged with the Ministry to improve the employment impact of the scheme.

Another theme of the IDC's intervention was to play a role in the consolidation and restructuring of industries to ensure competitive outcomes. One industry which received special attention was the South African clothing and textiles industry, which has been in decline for a number of years. Although the decline cannot be ascribed only to the economic crisis, the impact of the recession exacerbated conditions as more companies shed jobs in this important labour-absorbing sector. Prior to the crisis, the IDC worked closely with **the dti,** and other players in the industry to design an intervention for the industry that would assist in addressing issues such as the age of equipment related to its competitiveness. Part of the intervention was the establishment in 2009 of the R250 million Clothing, Textiles, Leather and Footwear Competitiveness Scheme which provided funding at favourable rates. This was later complemented by the Clothing and Textiles Competitiveness Programme, administered by the IDC on behalf of **the dti**. This programme provides grant funding for competitiveness improvement interventions at firm

IDC's prudent management of its finances allowed the Corporation to maintain its funding budget during a year where there was a lack of liquidity across the globe and to accept a higher risk profile during the crisis.

and cluster level. To assist this industry, an amount of R292 million was approved in 27 transactions, of which only two were classified as being distressed as a result of the economic crisis, because other factors were also present. The other companies received funding as part of the Clothing, Textiles, Leather and Footwear Competitiveness Scheme or normal IDC funding. These funding approvals will result in an additional 2 100 jobs being created and saved in a highly distressed sector and should improve long-term competitiveness of the industry.

The IDC's clients which were generally in a higher risk category than commercial financiers, were also negatively impacted by the recession. During the year more than 80 clients with a combined exposure of R1,7 billion were transferred to the IDC's Workout and Restructuring Department. This department focuses on interventions in businesses that are facing financial difficulties. These interventions include restructuring of existing facilities, providing additional funding, proposing a turnaround solution which can include finding additional investors and operating partners, appointing turnaround specialists in the company concerned, or seconding IDC employees to assist in the management of the company. During the year, 60 clients' facilities were restructured.

Another role that the IDC played during the recession was to continue to provide funding to early stage project development to ensure the existence of projects that would drive economic recovery once conditions improved. In this case, the IDC continued to conduct feasibility studies, especially for projects related to green industries.

The key role that the IDC plays in supporting industrial development is ensuring access to capital for capacity expansions. The IDC's prudent management of its finances allowed the Corporation to maintain its funding budget during a year when there was a lack of liquidity across the globe and to accept a higher risk profile during the crisis. Although the cost of borrowings accessed from traditional funders increased, the Corporation actively sought other sources of funding. One success in this area was the partnership with the Unemployment Insurance Fund (UIF), where the IDC accessed capital through a private bond placement at rates significantly lower than the customary rates at which it accesses borrowings. These funds are being utilised to extend loans at a lower, fixed interest rate, in support of businesses that are creating and saving jobs efficiently. This will complement the IDC's funding to distressed businesses.

Operational Review – New Business

Details of financing approved per Strategic Business Unit (SBU)

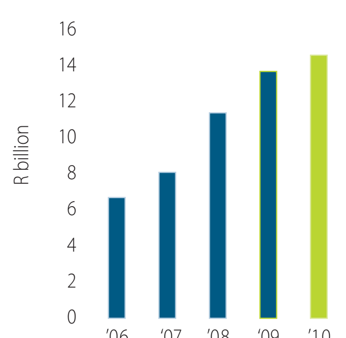
(R'm)	2010	2009
Resources Sectors SBUs	**8 853**	7 139
Food, Beverage and Agro-industries	1 121	594
Mining and Beneficiation	5 838	3 078
Public Private Partnerships	1 826	3 340
Venture Capital	68	127
Industrial Sectors SBUs	**3 503**	2 598
Chemicals and Allied Industries	1 589	442
Metals, Transport and Machinery Products	832	574
Textiles and Clothing	390	402
Wood, Paper and Other	401	385
2010! and Construction	291	795
Services Sectors SBUs:	**2 200**	3 937
Franchising	115	232
Healthcare and Education	304	650
Media and Motion Pictures	299	477
Techno-industries	189	848
Tourism	405	756
Transportation, Financial Services and Other	888	974
Total approvals	**14 556**	13 674
Cancellations of prior year's undrawn commitments	5 135	2 912
Net approvals	**9 421**	10 762
Number of enterprises financed before cancellations of prior year's undrawn commitments	**253**	262
Number of enterprises financed net after cancellations	**213**	231

Gross approvals of R14,6 billion in 2010 is an all-time record amount and is nearly 7% more than the amount approved in 2009. Net financing approvals amounted to R9,4 billion, which is 12% less than the value of net approvals during the previous financial year.

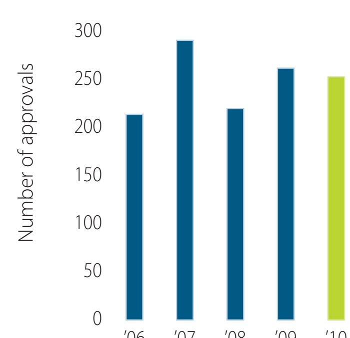
Net financing approvals (after cancellations of prior years' undrawn commitments) during the five-year period 2006 to 2010 totalled R39 billion.

Despite the economic conditions that prevailed during the 2010 year, the net number of financing approvals (after cancellations) is only 8% less than that of the 2009 financial year (213 vs. 231).

Value of gross financing approvals (before cancellations)



Number of financing approvals (after cancellations)

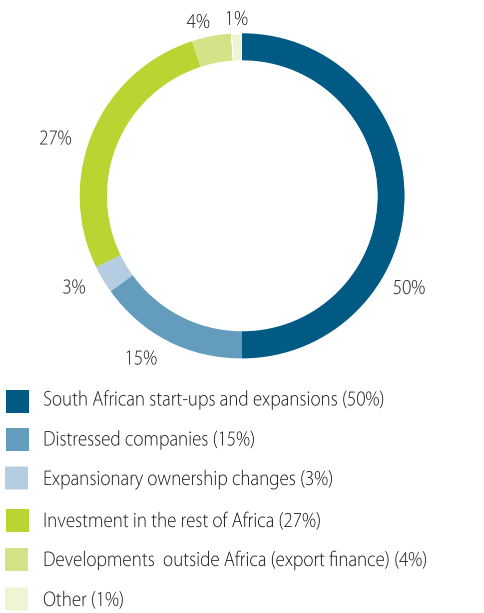


Nearly 80% of the funding approved will be utilised for new or additional capacity. A total of 50% of this financing will be utilised for new start-ups and expansions in South Africa and 27% for investments/developments in the rest of Africa. This is in line with the IDC's objective regarding the creation of additional capacity.

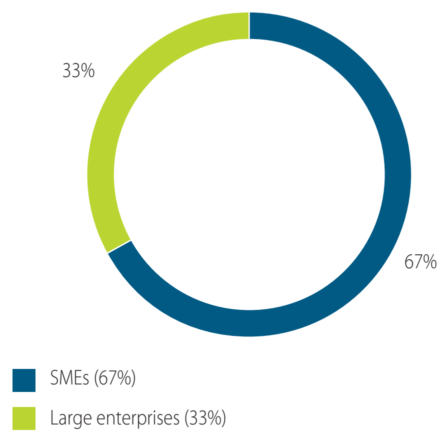
Nearly 15% of the approved financing was for distressed companies.

Altogether 142 of the net approvals during 2010 (67% of the total number of approvals) were for SMEs. R2 103 million (more than 23% of the total value of approvals) were for these SMEs (companies with fewer than 200 employees, turnover less than R51 million and/or less than R55 million total assets).

Utilisation of financing approved (net approvals)



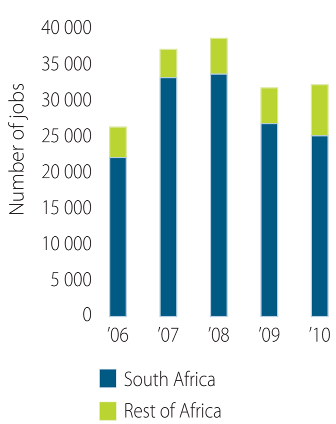
Number of financing approvals according to size of businesses



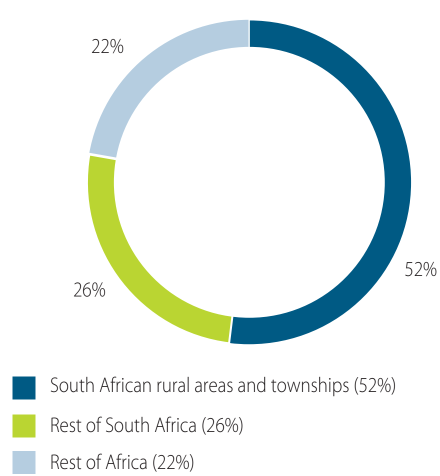
Net financing approvals during the past financial year will assist in the creation of 16 781 new and the saving of 8 291 South African jobs. A further 7 085 jobs will be created in the rest of Africa. The IDC's financing activities during the past five years will assist in the creation and saving of more than 140 000 South African job opportunities and 22 000 jobs in the rest of Africa.

Altogether 52% of the jobs will be created/saved in South African rural areas and townships. A total of 26% will be created (or saved) in the rest of South Africa and 22% in the rest of Africa.

Number of jobs created (including rest of Africa)



Jobs created per geographic area



Operational Review – Industrial Sectors

Case study: Greening the agricultural sector

Project

African Realty Trust (ART) is one of the biggest family-owned citrus farming operations in South Africa, comprising approximately 1 100 ha citrus and 105 ha banana plantations. It has the second largest fruit processing and juicing facility, producing 120 000 tons each year in the Tzaneen area of Limpopo. The company employs 660 people and is a major job creator in the area. In 2006 ART was granted IDC facilities totalling R41 million to finance orchard rehabilitation, new plantings and a packhouse.

Green money-spinner

Last year the IDC approved a loan facility of R4,5 million to ART to upgrade its existing peel drier furnaces in a fuel-switch project. This will enable the operation to use wood biomass instead of coal. The project will reduce carbon emissions and utilise a renewable energy source which is a waste by-product of the timber production process.

Broader benefits

Not only will the project result in savings for ART, it will also qualify for Verified Emission Reduction (VER) income. The number of VERs produced will be sold to the foundation **myclimate,** which has won a tender to provide 101 000 tons of CO_2e emission reductions to FIFA and two other customers to offset the emissions generated during the 2006 Soccer World Cup event held in Germany.

Other developmental impacts will be the generation of nine additional job opportunities in a rural area bordering the township of Nkowankowa outside Tzaneen, as well as income for a workers' trust to be established, since 10% of the VER revenue will be paid to this trust for the benefit of ART's workforce to assist with housing development and educational programmes.

Operational Review – Industrial Sectors

Overview: Wood, Paper and Other

The Wood, Paper and Other SBU finances projects and investments in the forestry, pulp, paper, furniture, wood, biomass, renewable energy and energy efficiency and other manufacturing industries.

Development impact

The unit approved 17 projects with a total value of R403 million. This will lead to the creation and saving of 2 825 job opportunities.

Highlights of the year under review

- The unit drafted strategies and key action plans as input to IPAP2 for the forestry, pulp, furniture and green technologies industries. It will play an important role in implementing these strategies through industry-wide consultation, co-operation and proactive project development.
- Funding to distressed companies included the approval of funding to York Timbers and SMEs in the forestry sector.
- The unit approved a facility for a large furniture manufacturer to support an import replacement project assisting in the creation of 207 new jobs.
- The unit is involved in the facilitation and funding for the mass roll-out of solar water heaters. This project is in support of government's objective to roll out one million solar water heaters by funding solar water heater service providers.
- Feasibility studies were undertaken to determine wind and solar energy generation potential as well as a waste to energy project (1 MW).
- An anaerobic digestion project in Mpumalanga, which captures methane gas generated from livestock manure and converts it to electricity, was implemented.
- The IDC funded a project in Limpopo to upgrade existing peel drier furnaces to use wood biomass as a fuel instead of coal. This fuel switch project will not only generate savings for the company, but will also qualify for Verified Emission Reduction (VER) income once the project has been commissioned and is operational.

The SBU will continue to seek opportunities in industries such as paper recycling, waste management and waste-to-energy to support cleaner production.

- The SBU funded a solar water heating installation project in Gauteng. The company specialises in the installation of solar heated hot water solutions for both the domestic and commercial markets. The IDC approved a facility that will help the company to grow organically and facilitate the funding of large solar water heater installations for commercial clients. The company has tendered successfully for various projects in Nelson Mandela Bay Metropolitan area in the Eastern Cape and Ekurhuleni in Gauteng.
- The unit provided funding for a paper recycling company. The company utilises mobile shredding vehicles which are deployed to customers' business sites to collect and shred paper on site. This ensures that customer information is destroyed in the most confidential way possible. In total, R10 million was approved by the IDC for this project.
- The unit continues to support government's objective to establish new forestry entrepreneurs through community involvement, rural development and job creation in the Eastern Cape and KwaZulu-Natal through regular interaction with key stakeholders, participation in industry forums and the Forestry Charter Council.

Sector trends

Forestry and wood related businesses were severely impacted by the slowdown in the economy as demand for wood products declined significantly. However, the SBU supported struggling businesses by approving R205 million for distressed businesses over the past year. The recovery of the market will be driven mainly by the construction industry, which utilises structural timber. The market remains depressed and is only expected to recover to previous levels by the final quarter of 2011. The unit's main objective will be to support the development of a low carbon green economy by co-ordinating energy efficiency and renewable energy strategies and projects. Green technologies have been identified as a key IPAP focus sector. Companies are also under pressure to respond to the challenge of climate change and to improve their environmental performance, driving demand in this area.

Outlook and key initiatives

The unit aims to support government's objectives of being carbon neutral by 2050 by creating and extending manufacturing capacity and facilitating the growth of green industries. This includes supporting entrepreneurs in the renewable energy, waste and resource management as well as energy efficiency sectors. The SBU will continue to seek opportunities in industries such as paper recycling, waste management and waste-to-energy to support cleaner production. The IDC, together with KfW, a German government-owned development bank, and the Agence Française de Développement are currently conducting a detailed market study through Ernst & Young to develop appropriate support and funding for the energy efficiency and renewable energy sector.

In order to support energy efficiency, the unit will also focus on creating awareness as well as proactively identifying projects such as fuel switching, retrofitting of buildings and co-generation. Continued support to develop the forestry and sawmilling sector will include community support through project development funding.

The unit has adopted an integrated approach to green industries including:

- participating in initiatives to support an enabling environment and partnerships;
- developing specialised funding products for the renewable energy and energy efficiency sectors;
- building industry networks and creating strategic partnerships;
- developing skills and managing talent to support capacity building;
- participating in working groups to support government policy formation and direction; and
- developing key action plans as input into the Industrial Policy Action Plan and its implementation.

Operational Review – Industrial Sectors

Overview: Chemicals and Allied Industries

The Chemicals and Allied Industries SBU offers finance to companies operating in the chemicals and allied industries sector, one of the largest manufacturing sectors in the South African economy. The chemicals sector was identified as a strategic sector under ***the dti's*** *IPAP1 and has again been included under IPAP2. The IDC continued to support this strategy by targeting activities that create and extend manufacturing capacity in the chemicals and allied industries.*

Development impact

During the year, the SBU approved investments to the value of R1,58 billion. This included a loan of R1 billion to Foskor for the expansion of its mining operation. The investments will create approximately 1 935 permanent job opportunities across six provinces.

Highlights of the year under review

- The SBU's portfolio of investments increased from R420 million to more than R700 million. However this was countered by a significant increase in impairments due to delayed implementation of start-up enterprises, still weak economic conditions and delayed awarding of government tenders, especially in the housing sector, which affected brick manufacturing enterprises.
- In line with its focus on supporting enterprises engaged in the building of infrastructure, the SBU approved a R61,4 million investment in a quarry in Mthatha, Eastern Cape. The investment is co-funded by the Development Bank of South Africa and will produce crushed stone and ready mix concrete for building of infrastructure in the area.
- The SBU approved an investment of R361 million in a cement plant in Namibia. The investment was undertaken together with German company, Ohrongo Cement.

Growth in demand for industrial chemicals is expected on the back of a growing African economy. In South Africa, the move to create vertical linkages between industry players as a result of the abundant availability of certain key mineral inputs is set to continue.

Sector trends

The chemicals industry is shifting from using coal as a feedstock to gas. This will not only benefit the chemicals industry from an input cost point of view, but will also require the development of new, more efficient infrastructure. The output of the basic chemicals sector is mainly used as input for other chemicals and will therefore have an impact on downstream production efforts. Industry sectors that could benefit include agriculture (fertiliser and pesticides), plastics manufacture (polymers), food products (food colourants), mining (explosives) and construction (paints).

Growth in demand for industrial chemicals is expected on the back of a growing African economy. In South Africa, the move to create vertical linkages between industry players as a result of the abundant availability of certain key mineral inputs is set to continue.

Outlook and key initiatives

- Water remains a scarce resource in South Africa and is critical for development. With Acid Mine Drainage (AMD) having potentially catastrophic environmental implications, the unit is participating in a project with the Strategic High-impact Projects (SHIP) and Public Private Partnerships (PPP) SBUs to find possible solutions to this problem.
- The SBU is participating in the detailed feasibility study of a potential Liquid Petroleum Gas (LPG) storage facility in Saldanha, Western Cape. The project is seen as strategic due to the depleted gas resources within that province. The unit anticipates that its investment decision will be made within the next year.
- The unit was involved in developing a project to beneficiate fluorspar, of which South Africa has the second largest reserves in the world. However due to poor economic conditions, depressed prices for commodities, as well as complications with the environmental impact assessment, the project has been put on hold. The SBU will however continue to monitor domestic and local conditions to determine the feasibility of the project as well as further downstream development opportunities.
- The beneficiation of abundant domestic titanium and zirconium resources has been identified as a critical part of an advanced manufacturing sector. Together with the National Empowerment Fund, local promoters and Russian private investors, the unit is undertaking a prefeasibility study to determine the potential of establishing the first integrated plant in the world that will beneficiate titanium and zirconium, including the manufacture of metal alloys. The Russian and Ukrainian Institutes of Specialised Metals are involved in conducting the prefeasibility study, which is expected to be completed by October 2010.

Operational Review – Industrial Sectors

Overview: 2010! and Construction

The mandate of the 2010! and Construction SBU is to finance economically viable businesses within the construction and related industries and to facilitate the financial support of viable businesses directly related to the 2010 FIFA World Cup™.

Development impact

Growth in commitments grew by 16% to more than R1 billion for small and medium entrepreneurs in the construction industry. These projects will lead to the creation of more than 2 000 jobs.

Highlights for the year under review

- Over 90% of the commitments made by the unit were to companies with strong BEE credentials or which were 100% black owned.
- The SBU contributed to the financing of businesses related to Africa's successful hosting of the 2010 FIFA World Cup™, directly and indirectly through other IDC SBUs.
- A R60 million funding facility for the construction of an affordable housing project in the North West was approved. This will contribute towards the delivery of much needed housing in Klerksdorp.
- Funding of R50 million was approved for the construction of manganese mining infrastructure in Hotazel in the Northern Cape. The construction of the IDC-funded phase of the mine will create at least 900 jobs and will be completed over the next three years in an area with high unemployment.

Sector trends

The construction industry's contribution to South Africa's GDP rose to 11,2% during the past year, the highest level since reaching 11,3% in the first quarter of 1981. Expenditure has been driven largely by public infrastructure, stadia for the 2010 FIFA World Cup™ and other civil structures, including road networks.

Companies in the sector have shown unprecedented profitability compared to previous years, including the highest order book values seen to date. However, private sector investment in the construction industry remained sluggish as the local economy slowly began to recover from the recent recession. Employment within the industry fell when compared to previous years.

Outlook and key initiatives

During the next financial year the unit will focus on:

- assisting more women-owned businesses;
- spreading the provision of construction finance to more provinces. This includes provinces assisted by the IDC's regional offices and local municipalities;
- assisting in job creation in the construction sector;
- collaborating with other stakeholders to provide skills development; and
- developing a fast track financing product aimed at delivering limited value funding to medium enterprises with secured construction contracts.

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Operational Review – Industrial Sectors

Overview: Metals, Transport and Machinery Products

The Metals, Transport and Machinery Products SBU aims to develop and support viable downstream producers of value-added ferrous and non-ferrous metal products. The SBU seeks to play a leadership in development role in the establishment and strengthening of a sustainable and globally competitive manufacturing value chain.

Development impact

The unit approved 23 transactions to the value of R832 million, which are expected to create 3 404 job opportunities.

Highlights of the year under review

- Approximately R375 million of the funding approved by the unit was from the dedicated distress funding made available by the IDC to assist companies hardest hit by the recession. A further R287 million was for expansionary funding, while R168,5 million was for start-up companies. Up to 74% of the funding was in the form of debt, with 24% being equity and the balance made up of guarantees.
- Of the total approved funding, R653 million was for entities located within or bordering townships, thus improving the economic prospects of highly underdeveloped areas of the country.
- R91 million of the unit's approvals were for SMEs at the forefront of job creation. A significant amount of the funding was also channelled towards support for expansionary BEE transactions.
- Further expansionary funding was approved for a 100% black female-owned company specialising in the refurbishment of Passenger Rail Association of South Africa commuter coaches. The business sought to expand its operations to KwaZulu-Natal in support of the government's accelerated rolling stock programme. This aims to develop a viable passenger rail system for South Africa. The client's

As part of the IDC's strategy to respond to the funding needs of businesses in distress, the unit approved R376 million from the dedicated distress funds allocation to companies in the automotive components manufacturing sub-sectors.

activities are also aligned with the IPAP2 strategy of increasing local procurement with capex projects at state-owned enterprises.

- As part of the IDC's strategy to respond to the funding needs of businesses in distress, the unit approved R376 million from the dedicated distress funds allocation to companies in the automotive components manufacturing sub-sectors. This helped save 1 508 jobs and prevented the loss of irreplaceable industrial manufacturing capacity.
- The SBU continued to support local companies which secured contracts and orders from state-owned enterprises. Funding was approved for companies executing contracts totalling R132 million for capex projects at state-owned enterprises (SOEs). Although this is insignificant relative to the SOE total procurement budget, the unit is positioning itself to assist more companies as local procurement opportunities increase.
- Additional funding was granted for the continued development and commercialisation of the Joule electric vehicle. An additional R56 million was approved to fund further development costs. The model currently under final development was officially launched at the annual international motor show in Geneva, Switzerland where it received positive reviews. The Joule will kickstart the establishment of a local electric vehicle industry, to which the unit will lend ongoing support.

Sector trends

During the past year the unit was at the forefront of the IDC's strategic and counter-cyclical response supporting companies in distress. The automotive components manufacturing sector and fabricated metal and capital equipment sector were adversely affected by the global recession. A severe drop in consumer demand coupled with a reduction in liquidity in the market led to many businesses implementing cost-cutting initiatives, laying off staff or reducing their manufacturing footprint in order to survive.

The enhanced Industrial Policy Action Plan continues to drive the strategic focus of the unit. Four of the leading sectors targeted under IPAP2 fall under this SBU, presenting the opportunity to drive development in these areas.

Outlook

- With the global economic recovery expected to take some time, the unit will continue to focus on providing funding to companies in distress. With an emphasis on improving responsiveness and turnaround times for applications lodged.
- The unit will proactively develop new projects in the four leading sectors highlighted in IPAP2.
- The unit will enhance joint initiatives with state-owned enterprises and the United Nations Industrial Development Organisation to create the necessary industrial capacity to support increased local content for capex projects at state-owned enterprises.
- The unit will intensify efforts to fund the development and establishment of viable manufacturers of renewable energy and energy efficiency components in support of government's integrated resource plan.
- The SBU will also continue to provide support for start-up and expansionary projects, particularly SMEs and BEE enterprises in poorer provinces and areas of depressed industrial activity across the earmarked priority sectors.

Operational Review – Industrial Sectors

Overview: Risk Capital Facility (RCF)

The Risk Capital Facility SBU manages IDC's ringfenced and third-party funds that are channelled into high development impact and economically viable projects. The funds are designed to address development needs which are not typically addressed through standard IDC funding mechanisms thereby expanding the IDC's development impact.

Development impact

Over the past three years the unit has increased the number of funds under management from three to 13. The funds managed by the unit focus on developmental areas including: technological innovation; SME development; job creation; broad-based BEE; and the empowerment of other previously marginalised groupings such as women and people with disabilities. The majority of these funds are channelled into projects through co-financing standard IDC investments.

Highlights of the year under review

- The Transformation and Entrepreneurial Scheme (TES) facilitated 27 approvals amounting to R182,9 million. The approved projects are expected to create 3 926 jobs across the country in a variety of sectors including mining, tourism, food and agro processing, wood, metals, health, transport, franchising and chemicals. One of the TES-funded approvals was to Vaal Community Citrus, a citrus production initiative in the Northern Cape which will create 1 330 jobs. The project will result in broad-based black economic empowerment through the acquisition of 10% and 16,83% ownership in the business by blue-collar workers and three communities respectively.
- The RCF2 fund facilitated eight approvals totalling R86,7 million and creating 537 job opportunities. One of the major projects under RCF2 is an externally managed private equity fund, Evolution One, with a total fund size of over R700 million. The unit committed R30 million for this fund and R3 million for business support. The mandate of Evolution One is to finance initiatives in South Africa and the South African Development Community (SADC) which advance the innovation and deployment of clean technology.

- The Isivande Women's Fund was successfully launched and implemented.
- SPII approved 57 innovation projects, with a total grant value of R101 million and total project value of R386 million. More than R16 million of the total grant value was committed to BEE companies and more than R6 million was granted to women-owned companies.
- Ikusasa Chemicals (Pty) Limited won the SPII Award at the dti's 2009 Technology Awards, in the Small Companies category. The company has commissioned South Africa's first commercial-scale facility capable of producing ultrafiltration membranes for high-quality, potable water supply. The plant is based in Somerset West in the Western Cape and the technology has already been selected by Overberg Water, a Western Cape water board, for use in a water purification plant.
- The Clothing and Textiles Competitiveness Programme (CTCP) desk (run by the IDC on behalf of the dti) was successfully implemented. A Programme Manager and Account Manager were recruited and two CTCP consultants were procured. Governance structures were put in place, including the Clothing and Textiles Competitiveness Improvement Programme (CTCIP) Project Management Committee and the CTCIP Projects Approvals Committee.
- Under the CTCIP, 29 companies benefited at an average of R1 million per company to improve competitiveness.

The role of the unit is to support high developmental projects that would not progress without concessionary funding support due to their higher risk profile. In order to support these projects, the IDC allocates and ringfences portions of its capital to targeted groups. In addition to on-statement of financial position, ringfenced funds, the SBU also manages off-balance sheet, third-party funds, thereby expanding the IDC's development impact.

Outlook and key initiatives

The unit's focus for the next financial year will be to:

- ensure continued facilitation of investments under all funds managed by the unit in order to expand the IDC's reach in all provinces in South Africa and in the rest of Africa;
- successfully expand the SPII programme to provide support for the commercialisation of new products and processes; and
- ensure the successful implementation of the newly approved Production Incentive Programme under CTCP.

Operational Review – Industrial Sectors

Overview: Textiles and Clothing

The Textiles and Clothing SBU aims to be the primary source of development finance for the textiles, clothing, leather and footwear industries in the southern African region.

The unit provides loan and equity finance to projects and businesses that exhibit economic merit and assists in the turnaround of troubled businesses with clear recovery potential. To achieve this, the unit analyses the entire value chain to identify project opportunities and facilitates co-operation and integration where required. It also works with government to create an environment conducive to investment in these sectors and with industry to identify, develop and grow viable business opportunities.

The unit covers the following sub-sectors:

- the production of synthetic fibres used in textile production (the production of natural fibres is the domain of the Food, Beverage and Agro-industries SBU);
- the spinning of fibres into yarn;
- the processing of fibres into non-woven textiles;
- the weaving and knitting of yarn into fabric;
- the production of apparel, household textiles and other textile goods;
- the associated printing, dyeing and other finishing processes;
- the production of leather goods; and
- the production of footwear.

Highlights of the year under review

- Due to the difficulties experienced by this sector, funding for sustainable 'turnarounds' had been part of the unit's strategy prior to the global financial crisis. The unit's criteria for 'distress' funding are therefore slightly different from general IDC criteria and not all such transactions undertaken by the unit are included in the overall IDC statistics for distressed company funding. Of the SBU's total approvals, 12 transactions to 10 companies to a total value of R196 million were to companies in distress. Two such transactions to the value of R21 million were cancelled during the year.
- The balance of approvals i.e. 18 approvals to 16 companies with a total value of R195 million, was therefore to 'non-distressed' companies. One such transaction to the value of R70 million was cancelled during the year. (In addition, partial cancellations amounted to R7 million.)
- The textiles and clothing sector enjoys increased emphasis in the updated Industrial Policy Action Plan (IPAP2). The unit played a role in developing some of the action plans included in IPAP2 and will, together with the Risk Capital Facility SBU, play a key role in implementing these plans, in particular the Textiles and Clothing Competitiveness Programme.
- The conclusion of a shareholders' agreement between Safyr (an IDC subsidiary, producing

polypropylene fibre and rugs), Fibretex AS (a major Danish producer of non-woven fabrics) and IFU (the Danish Industrialisation Fund for Developing Countries), resulted in the Danish companies taking a controlling stake in Fibretex South Africa, which owns a new, state-of-the-art, non-woven textiles production plant. The plant will soon go into full production. The R175 million project was initiated and developed by the SBU.

- The unit approved R50 million to save Trubok Holdings, a clothing manufacturer. The transaction facilitated the acquisition of the company by Palama Investments, a BEE concern, and resulted in the saving of 1 300 jobs.
- Funding of R12,6 million was approved for Colibri Towelling, resulting in 520 jobs being saved.
- The unit approved funding of R25 million for Pink Rock Investments. The transaction facilitated the revival of a portion of the recently closed SBH Cotton Mills and the merger thereof with the operations of Printworks, resulting in 98 jobs being saved at SBH.

Development impact

The SBU approved 30 transactions to 26 applicants with a total value of R390 million. This funding is expected to result in the saving of more than 2 500 jobs and the creation of about 350 new jobs. Three transactions to the value of R98 million, involving 551 saved and 113 new jobs, were cancelled during the year. Net approvals therefore amounted to R292 million, net jobs saved to 1 952 and net new jobs created to 235.

Sector trends

The sector remained under pressure, mainly due to the availability of cheap imports from the East, the strong rand and under-invoiced and illegal imports. Government support measures, such as the Clothing and Textiles Competitiveness Programme, were well received by the sector and increased efforts to clamp down on customs fraud have had some impact, though this still remains a problem. The availability of credit continues to be a challenge as banks are still reluctant to lend to most companies in the sector. Those that have the ability to be flexible and responsive to their customers' needs continue to operate successfully.

Outlook and key initiatives

The unit will actively manage the IDC's existing investments in this sector, provide further financial support where justified and identify growth and new project opportunities. The unit's main objective will be to manage its equity investments to the point of exit.

It aims to contribute to the stability and growth of the sector by developing and supporting a competitive regional value chain. A critical component of this strategy will be to find areas that exhibit long-term economic merit. The strategy includes:

- developing a thorough understanding of the entire value chain, including retailers' and other end users' requirements and how other players in the value chain can satisfy these requirements;
- support in the form of finance for expansions or, in meritorious cases, financial support for turnarounds. A strong case must be made for the long-term viability of a company before the IDC will finance a turnaround. An important element of support for existing players will be the approved low interest rate financing scheme for the sector;
- identifying areas in the South African textiles, clothing, leather and footwear sectors that can compete internationally;
- identifying and building on the relevant competitive advantages of other countries in the SADC region; and
- identifying and developing potential spin-offs from existing projects.

The unit will also assist the dti in the implementation of IPAP2 for the sector including the Clothing and Textiles Competitiveness Programme in order to create a more conducive environment for the survival and growth of the clothing and textiles sectors in the southern African region.

Operational Review – Resources Sectors

Case study: Supporting new technologies

Project

Multipit, a company based in George in the Western Cape, has developed a globally unique, automated tree planting (silviculture) machine. The patented machine clears slash, applies a weedicide spray, digs six pits, applies fertiliser and water and plants seedlings in one pass, which collectively results in the automatic planting of new tree seedlings. The development of the technology has taken four years.

Unique technology

The Multipit technology offers forestry companies a number of potential advantages over conventional manual operations, including uniformity of pits and the potential to plant 24 hours per day, enabling them to make better use of a short planting season. The Multipit machine is able to plant between 2 000 and 3 000 seedlings per day. The technology is in line with a global trend towards mechanising the plantation process.

Growth spurt

The Venture Capital SBU's investment in Multipit will facilitate the finalisation and testing of the prototype machine and the subsequent industrialisation and commercialisation of the technology. The technology is expected to be commercialised within the next two years. The project is expected to create 15 new jobs over the next five years and the technology is expected to be exported as part of the medium-term commercialisation strategy. The investment also creates an empowerment opportunity as the IDC has the right to exit to a BEE party.

Operational Review – Resources Sectors

Overview: Venture Capital

The Venture Capital SBU acts as a catalyst in developing globally unique technologies of South African origin by providing early stage finance to entrepreneurs and SMEs. The unit helps to stimulate technology companies to commercialise their products, while facilitating the development of a self-sustaining, early stage, technology-focused venture capital industry in South Africa.

Development impact

Through its funding, the unit provides much-needed access to finance for entrepreneurs and SMEs in the seed or start-up phase of development of globally unique, commercially viable South African technologies. The unit's investment mandate allows investment into any technology-focused industry.

Highlights of the year under review

- As a result of the negative impact of the global economic crisis on all the companies in the unit's portfolio, the SBU experienced a challenging year. The poor economic conditions led to delays in the commercialisation of many new technologies, which resulted in the companies not achieving their sales-related drawdown milestones or requiring additional funding. The unit conducted a new, comprehensive due diligence on each of the companies that required a restructuring of drawdown conditions on existing facilities or further rounds of funding. These due diligences confirmed the uniqueness of the technologies as well as the potential financial viability of these companies.
- Drawdown conditions have been restructured for seven companies and follow-on funding of R40,2 million was approved for six companies in the SBU's portfolio during the year under review. The SBU is confident that with its continued support the majority of the companies in the portfolio will ultimately succeed in successfully commercialising

their newly developed technologies, despite current setbacks.

- The SBU's performance over the three years since its inception has exceeded expectations as evidenced by aggregate investments of R220,2 million in 18 companies compared to an original budget of R116 million into 14 companies for the first three years. Two new investments to a value of R20 million were approved during the year under review.
- During the year, the SBU supported African Medical Imaging (AMI) with equity funding of R15 million, which will enable it to finalise prototype development and to develop industrialised versions of a digital X-ray system for deployment and testing. The technology will enable three dimensional viewing of human organs and structures based on a patented method of digital low-dose X-ray imaging. The technology will at first be used in the field of mammography. IDC funding will be used to obtain both CE marking (Europe) and Food and Drug Administration approval (USA) and to commence with the international commercialisation of the product. It is envisaged that further funding of at least R10 million will be required for the global commercialisation of the system. Although the IDC has the right to fund the balance, the SBU will also assist the company in securing further funding from alternate sources at the appropriate time.

Finance is provided on a full risk-sharing basis, with the IDC acquiring a significant minority shareholding in the businesses in line with the risk assumed by the IDC. In addition to the provision of funding and participation on the boards of directors of these investee companies, the SBU also provides ongoing strategic support, advice and guidance to investee companies throughout their development phase through active involvement in the strategic decision-making processes and operations of the investee companies as part of the SBU's intensive Post Investment Management (PIM) activities.

Wholesale investments

- Since 2001, in its previous guise as the Wholesale Venture Capital Department, the SBU has provided funding to a number of venture capital and private equity funds for investment. These funds include: three technology venture capital funds; a biotechnology-focused venture capital fund; the New Africa Mining Fund focused on early stage exploration and mining projects; and the Women Private Equity Fund which invests in women-focused businesses. All the funds have completed their investment periods and are currently focused on value addition and divestment from their investment portfolio companies.
- During the year under review these funds collectively exited in full from two underlying investments, returning approximately R35 million to the IDC. One investment returned 5,5 times the amount invested, while the other investment returned just less than the original capital invested.
- The value of the wholesale investment book recovered in line with the recovery in local equity markets. The resultant net increase in the fair value of the IDC's investments in the six third-party managed funds amounted to R58,5 million.

Sector trends

The unit observed a significant slowdown in the number of applications received and consequently new investments made since 2009. This can be attributed to both the effects of the global economic crisis and the fact that the unit had worked down a significant back-log of applications during the first two years.

Although a number of venture capital funds were launched during the past two years, few are prepared to invest in pre-revenue businesses or businesses that seek to develop new and unproven technologies. These funds are prepared to provide funding only for the early growth stage of these businesses. The unit therefore continues to play an important role in filling the funding gap required by seed and start-up stage businesses seeking to develop new or unproven technologies.

Outlook and key initiatives

The SBU's focus for the 2010/11 year will be on:

- building and maintaining a healthy pipeline of deals that fit the unit's investment mandate. The SBU expects to assess approximately 80 to 100 applications and to ultimately invest in about six to eight new technology start-ups per year going forward;
- providing strategic support and ongoing guidance to companies that the unit invests in, thus building sustainable enterprises which the IDC is ultimately able to exit. With its growing investment portfolio, most of the unit's resources will be consumed by these post-investment management activities; and
- identifying the need for and facilitating the provision of business support to enable applicants to develop business plans and build the necessary entrepreneurial skills to fit the unit's investment mandate and criteria.

Case study: Supporting a new industry

Project

Abagold is a company which breeds, grows and exports abalone in the new harbour in Hermanus. The business has expanded to become the largest abalone farm in South Africa, with a harvesting capacity of 275 tons of abalone a year, pumping more than seven million litres of sea water per hour to three sites. It exports this high value product mainly to the Far East.

A growth sector

Poaching, marine pollution and habitat destruction, as well as bad fisheries management, has had a considerable impact on the global supply of abalone. This has led to the development of abalone marine aquaculture, which will in future increasingly supply the growing market shortfall on a sustainable basis. Abagold has established a processing plant and has shifted from the export of live abalone to the export of branded dried and canned product, mainly to Hong Kong and China.

Empowered exports

The IDC provided four facilities to Abagold totalling R19 million. These facilities have since been settled. The IDC also recently assisted Sea Yields Investments, a 100% black-owned company, to acquire 10% of Abagold. A further 15% will be acquired by a BEE consortium and a local community development trust, bringing the BEE level to 25% +1, resulting in meaningful empowerment in the abalone industry.

Overview: Food, Beverage and Agro-industries

The Food, Beverage and Agro-industries SBU plays a leading role in the development of the agricultural value chain of South Africa and the rest of Africa.

Development impact

During the past financial year the unit approved funding of R770,5 million for 28 projects. These investments will facilitate the creation of approximately 3 133 job opportunities in the agricultural value chain in South Africa alone. This represents a 105% increase in the value of approvals and a 58% increase in job creation compared with the previous year.

Highlights of the year under review

- The unit's current portfolio, inclusive of commitments, is now approximately R3,6 billion, with 24% of this portfolio being outside South Africa. Approximately 80% of the South African portfolio falls outside Gauteng and the Western Cape Provinces. The portfolio is dominated by investments in the citrus, sugar, bio-ethanol, nuts, table grapes, tea, fibre, sub-tropical fruit and berry sectors.
- In line with the IDC's objective of supporting entrepreneurial development, the SBU focused on providing finance to commercially viable smallholder farmers in previously disadvantaged communities. During the year under review, the unit provided wholesale finance to intermediaries that provided comprehensive support to farmers in the Free State. New funding was also approved for smallholder farmers in the North West Province. The IDC's initiative to revitalise citrus production in the Alice/Kat River area in the Eastern Cape by black smallholder farmers continued to receive support.
- The SBU developed various funding and risk-sharing models to address the challenge of developing community-owned land following land distribution. A number of transactions were approved affecting developments in Limpopo, Mpumalanga as well as the Western Cape. Through these initiatives the commercial viability of the land will be sustained and growth exploited through joint ventures between communities and commercial farming entities. The

In line with the IDC's objective of supporting entrepreneurial development, the SBU focused on providing finance to commercially viable smallholder farmers in previously disadvantaged communities.

objective is to ensure the full transfer of skills over the medium term.

- The development of rural areas dominated by second-economy activity remained a priority for the unit. The Northern Cape was identified as a priority area following its classification as a black-spot free area by the United States and this provides opportunities for the highly labour-intensive citrus sector to gain access to this lucrative foreign market. The SBU facilitated a number of projects that will lead to approximately 1 000 ha of additional citrus production in the province. The projects will be implemented over the next few years and will require support from a number of government and non-governmental stakeholders.
- The IDC continued to play a meaningful role in the establishment and development of the aquaculture and mariculture sector of South Africa. Given increasingly depleted stocks of natural fish as well as the increased demand for healthy protein products, this has been identified as a priority sector. The unit facilitated the expansion of abalone operations in the Western Cape. In addition, the project will ensure the participation of black entrepreneurs in this sector and provide an alternative means of livelihood to those living in impoverished fishing villages in the Western Cape.
- The unit's main focus remains the development of the agro-processing sector. Facilities were provided to a new soya oil production plant in Gauteng as well as the expansion of a meat processing plant in the North West.
- Funding was approved for the establishment of high-chill berry farming in Mpumalanga. This is in line with the unit's focus on developing the labour-intensive berry industry in South Africa, which requires a wide range of berries, including blueberries, raspberries and strawberries to be produced in different geographic locations. This project is being developed together with a mining company that needs to fulfil its obligations under the new order mining rights.
- Outside of South Africa, the unit approved funding for the expansion of a sugar operation in Tanzania and the rehabilitation of a backward-integrated fruit juice production facility in Ethiopia. Good progress was also reported on the unit's investments in a sizeable banana development project in Mozambique as well as the cassava initiative in Swaziland.

Sector trends

The agricultural sector was less severely impacted by the recession than other sectors in the South African economy, however the relatively strong rand affected the export sector. The fall in commodity prices also affected some sectors such as dry land grain, with farmers battling to make a profit. Agricultural processors were an exception, benefiting from lower commodity prices.

During the past financial year consumers continued to buy-down, as increased unemployment forced many households to adopt more frugal shopping behaviour. In the years ahead South Africa's agricultural sectors need to focus on lowering costs to remain competitive and maintain profit margins.

The horticultural sector with its primary focus on the export market was negatively affected by the strong rand. With economic conditions in developed countries such as Europe and the USA expected to remain subdued for some time, export growth is forecast to be limited and diversification into new developing markets needs to be accelerated.

Outlook and key initiatives

In line with IPAP2, the SBU developed six areas of focus for the next few years including:

- the development of high value, long-term agricultural crops;
- the development of the grain and oil seed value chain;
- increased agricultural value addition;
- the establishment of renewable products/fuels from agricultural feed stock;
- support to poor farmers through wholesale arrangements; and
- rice production in the SADC region.

Operational Review – Resources Sectors

Overview: Mining and Beneficiation

The Mining and Beneficiation SBU plays a leading role in the development of commercially sustainable mining and beneficiation projects in South Africa and the rest of Africa. The unit actively seeks partnerships with resources companies involved in projects in these regions and attracts local and global partners.

Development impact

During the past financial year, the unit approved R805 million to companies affected by the global economic crisis. This will help to ensure that the industry does not stagnate and has the potential to save 4 100 permanent jobs.

Highlights of the year under review

- The unit approved R5,1 billion, a record high in terms of value of approvals. This will create 12 480 new job opportunities. A further R568 million was approved for investment in the rest of Africa.
- Extended credit facilities of R368 million were provided to buyers of South African capital goods and related services, facilitating the participation of the South African mining industry in global and continental projects.
- Funding of R3,6 billion was made available to broad-based black economic empowerment companies which are predominately owned by women.
- The unit approved funding for the Khalagadi Manganese Project. This consists of a manganese ore mine producing 3 million tpa and a sinter complex producing 2,4 million tpa, both at Hotazel in the Northern Cape. There is also a ferromanganese alloy production facility of 320 000 tpa to be constructed at Coega in the Eastern Cape. The total capital outlay of the project is estimated at R11,9 billion. The project will generate economic activity in some of the poorest provinces of South Africa, create much-needed jobs and make a positive contribution to foreign exchange earnings.

Sector trends

Although the South African economy is becoming increasingly diversified, mineral commodities still make up a large portion of its export earnings.

The production of gold, diamond, coal, platinum group metals, chrome, iron ore and ferrochromium continues to play a significant role in the national economy, with substantial multiplier effects.

The mining industry was hard hit by the credit crisis, which coincided with a downturn in the commodities price cycle. This led to the suspension of new projects and closure of marginal operations. Other factors impacting the industry include the continued strength of the rand, the negative impact of rising input costs including electricity as well as logistical constraints that continue to affect export volumes. Although demand appears to be improving, especially in China, volumes and prices are likely to remain depressed for some time.

Outlook and key initiatives

- The review of the South African Mining Charter is under way with government, business and organised labour having agreed on key elements.
- The IDC is investigating the economic merits of establishing a polysilicon plant in South Africa. Access to polysilicon is a key requirement for the photo-voltaic manufacturing industry and it is anticipated that the proposed plant will play a key supporting role in facilitating the establishment of this industry. A scoping study is currently under way and is expected to be completed towards the end of 2010. Polysilicon is derived from purifying metallurgical grade silicon metal through a complex chemical process. The establishment of a polysilicon plant in South Africa forms part of government's IPAP2 initiative and supports the IDC's initiative to establish a vibrant photo-voltaics manufacturing industry in South Africa. It is envisaged that the photo-voltaics manufacturing industry will ultimately represent the whole value chain; consisting of waffer, cell and module manufacturers.

Operational Review – Resources Sectors

Overview: Public Private Partnerships (PPP)

The Public Private Partnerships (PPP) SBU aims to partner project developers and financiers in delivering commercially viable PPPs and infrastructure-related projects that have high developmental and job-creation impact potential within South Africa and the rest of the African continent.

Development impact

Total funding for the past financial year amounted to R1,2 billion. This amount was approved for projects in the rest of Africa.

Highlights of the year under review

- Together with the transport unit, the PPP unit approved funding for a fleet of vehicles to enable government officials in the Northern Cape to access the provinces' vast areas, from the Free State to borders with Namibia and Botswana.
- In support of government's renewable energy strategy, the unit approved R54 million for the development and feasibility studies for six wind projects across South Africa. The unit will focus on the whole value chain to maximise local manufacturing. A strategic decision was taken to work with experienced partners in the field to mitigate potential risks.
- The unit approved R300 million for a port in Dakar, Senegal as part of a co-operation agreement with other funders. The project is considered a viable logistics infrastructure project for Senegal, an important gateway for imports and exports for surrounding land-locked countries such as Mali. This approval is in line with the IDC's mandate of investing throughout Africa.
- Equity and early stage development funding was approved for the 300 MW Lake Turkana wind project in Kenya. The project consists of 365 wind turbines of 850 kW each. Power is one of the fundamental requirements for economic growth as Kenya is the logistical hub for East Africa.

Sector trends

The memorandum of understanding signed between the IDC and National Treasury is expected to culminate in more PPP projects coming to market. The health sector will serve as a pilot, with the ultimate goal to "crowd in" private sector capital and skills. The development of IRP2 by the Department of Energy should accelerate the entrance of independent power producers into the South African market by promoting cleaner and renewable energy technologies.

Outlook and key initiatives

- The introduction of independent power producers and the diversification of the energy mix towards greener sources will underpin demand for IDC funding in the electricity-generation sector. The unit is pursuing opportunities in other African countries, with regional hydro-electric power projects being a key focus.
- Wind and solar power generation form part of the IPAP2 and the unit has a number of solar projects in the pipeline. Most of these are situated in the Northern Cape.
- The unit will continue to pursue investments in infrastructure across the continent, including ports and airports.
- To promote inter-country trade and regional integration in Africa, a multi-country rail project is currently at developmental stage. The project will move coal reserves from mines to where it is required for power generation.
- The unit aims to unlock the huge hydro-electric energy potential in the southern African region and this could form a key element of economic revival of the SADC region as well as help to address power shortages.

Operational Review – Resources Sectors

Overview: Strategic High-impact Projects

The Strategic High-impact Projects (SHIP) SBU aims to build a pipeline of medium- and long-term innovative, strategic, high-impact projects in which the IDC can invest. SHIP identifies potential projects and develops them to bankability stage so that the IDC's other SBUs can fund them.

Development impact
During the year under review R4,55 million was approved for project development.

SHIP's pipeline of projects is predominantly aligned to IPAP2 and includes industries that are important for South Africa to build its productive capability and remain competitive. These have a strong bias towards the development of rural and poverty nodes.

Highlights of the year under review

- SHIP continued to be the primary early stage developer of projects in the IDC and focused on advancing the development of projects from ideas through to the prefeasibility and bankability phases.
- Significant progress was made on a gypsum beneficiation project which will produce building panels for alternative housing and help to address the backlog of affordable housing in South Africa. An Australian technology was secured and Foskor's phospho-gypsum is being used as a key input. A pilot house using the material has been built in Richards Bay and the certification process by the relevant authorities and institutions for compliance to local standards and approval for roll-out is in progress.
- Aligned with the increasing global focus on alternative transport and the local initiative to develop an electric vehicle, SHIP initiated a prefeasibility study into the viability of manufacturing advanced batteries for electric vehicles in South Africa together with international partners. An investigation of the viability of establishing beneficiation plants for Li-ion Battery component manufacturing in South Africa has

Significant progress was made on a gypsum beneficiation project which will produce building panels for alternative housing and help to address the backlog of affordable housing in South Africa.

been commissioned to run concurrently with the prefeasibility study.

- As part of the Rural Presidential Poverty Nodes initiative in Limpopo, which seeks to grow sisal plantations to produce fibre, the pilot phase for a sisal industry development was reached. Most of the fibre will be beneficiated into woven (spinning and weaving) and non-woven (composites) products. In order to make the project more financially sustainable, more innovative downstream beneficiation opportunities are being investigated.
- Together with Trade and Investment KwaZulu-Natal, Tourism KwaZulu-Natal and Inqaba Trust, representing the community, the unit concluded a feasibility study for a beach tourism project in KwaZulu-Natal North Coast. This showed the project to be viable and sustainable. SHIP is now commencing with the bankable feasibility phase of the project. The project has a direct impact on 1 600 beneficiaries and will create an estimated 250 permanent jobs.
- The SBU conducted a market analysis and assessment to determine the viability of a pre-clinical drug facility in South Africa. This would be the first on the continent and will enable medical intellectual property to be developed in Africa.

Sector trends

The impact of the global recession and weak local economic conditions in 2008 has resulted in organisations scaling back on expansion plans. Nedbank's Capital Expenditure Project Listing shows that fixed investment plans in South Africa moderated further during the first half of 2009, with only 29 new projects announced, down by 64% compared with the same period in 2008. The projected value of the projects is R60,2 billion, the lowest since 2004. All major sectors scaled back their expansion plans with public corporations announcing no new projects and the private sector accounting for R26,8 billion of new projects recorded during the first half of 2009.

Capital expenditure project plans and spending are likely to remain weak in the medium term in line with poor economic conditions. The recovery in fixed investment spending in the private sector will lag an overall international and local recovery. The main drivers of the recovery will be commodity prices, consumer confidence and lower interest rates.

Outlook and key initiatives

SHIP's response to the projected decrease in capital expenditure in the economy is to be more proactive in initiating projects internally and to play a role in ensuring that project development in the IDC does not stagnate. Additional focus areas for the coming year include project identification and development within water supply and treatment, nanotechnology, waste management, renewable energy, electronic waste, biotechnology, energy storage batteries and tourism. SHIP continues to align itself to IPAP2 and also to provide project development support to other SBUs within the IDC.

SHIP collaborates with other state institutions both in South Africa and abroad to ensure access to specialised skills that are necessary for developing high-impact projects.

Case study: Improving access to healthcare

Project

As part of the Township and Rural Hospital scheme, the Healthcare and Education SBU provided R8 million to fund a clinic in Cosmo City, a unique mixed development comprising lower, middle and upper income residents in Johannesburg.

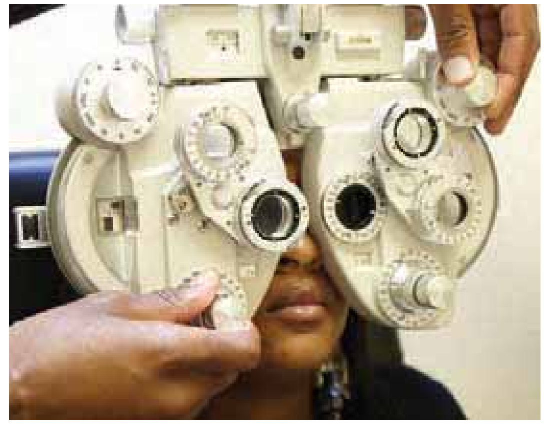
Innovative healthcare model

The funding was approved under the IDC's Township and Rural Hospital scheme, a funding vehicle to develop independent black-owned and managed hospitals and clinics, serving lower income and previously disadvantaged communities.

Better health for all

The project is in line with government's objectives of making healthcare affordable and accessible to a broader section of the population. The clinic will provide services that are accessible within walking distance and holistic in terms of providing all aspects of primary healthcare. Many of the patients visiting the clinic are cash-paying and uninsured. The clinic will serve Cosmo City's estimated population of 50 000 people.

Operational Review – Services Sectors



Overview: Healthcare and Education

The Healthcare and Education SBU aims to be the preferred development funding partner for innovative enterprises in the healthcare and education sectors.

Development impact

The SBU approved funding of R178 million for projects which will create 319 jobs.

Highlights of the year under review

- Two hospitals were financed under the Township and Rural Hospital scheme, bringing the total to five hospitals financed by the SBU since its inception in 2008.
- A large hospital project which had been approved in the prior year was cancelled as the promoters could not raise their required equity contribution, a prerequisite for IDC finance. Funding for greenfield hospital projects continues to be a major challenge.
- The unit participated in a comprehensive malaria review programme in conjunction with the World Health Organisation and Department of Health.
- Five transactions which contributed to SME development were funded. This included the funding of Vukuzimele Development Consultants, a start-up driving academy for the disabled as well as able bodied individuals in Welkom, Free State.
- The unit also approved funding of R7 million for Synthecon Sutures Manufacturing SA, a 100% black-owned manufacturer and distributor of sterile surgical sutures. The company started operations in Kimberley, Northern Cape in 2006 before relocating to its current premises in Isando, Gauteng. The IDC's funding will help create 37 jobs.

The SBU's strategy around financing of hospitals will be refocused on funding Public Private Partnerships in the hospital sector to take account of the proposed introduction of NHI.

Sector trends

Healthcare

- Government plans to introduce a National Health Insurance (NHI) scheme in the next few years to improve access to affordable healthcare for more South Africans. This will have a significant impact on healthcare providers across the healthcare spectrum and in particular, private hospitals.
- While HIV/Aids, tuberculosis, cancer and lifestyle disease continue to affect millions of South Africans, malaria is receiving increased attention from the National Department of Health. The country is working towards the elimination of malaria in the near future. The SBU continues to engage key roleplayers in order to develop an IDC response to malaria.
- Skills shortages remain a challenge for the healthcare sector. There are currently 203 000 registered nurses in South Africa, although about 10% are not active. Vacancy rates for nurses in both state and private hospitals continue to be high. The ongoing debate around labour broking will also impact the industry as the large shortfall of skilled nurses is currently being filled by the labour broking industry. Training and education of nurses needs to be addressed, with about 10 000 learners entering nursing academies each year, but only a third graduating. Lifting the moratorium on the development of new nursing institutions is an important step in addressing the problem.

Education

- Disparities continue between historically black universities, particularly those in former homelands, and historically white institutions in urban areas. Mergers between higher education institutions have created a number of challenges including funding imbalances, uneven access to facilities and most significantly access to job opportunities for learners upon graduation.
- Strong demand for private education has emerged over the past decade. Independent schools and universities which provide quality education will continue to grow. This is a reflection of the value that the public has placed on education and is also an indication of the crisis within the public education system.
- There is renewed emphasis on the foundation phase for learners, reflected in a 97,7% attendance of learners in grade R.

Outlook and key initiatives

- Over the next decade South Africa intends to become a world leader in biotechnology and pharmaceutical production. The unit will support government initiatives to develop infrastructure across the drug-development value chain. This includes medicinal chemistry, pre-clinical testing facilities and capabilities, and the manufacturing of active pharmaceutical ingredients.
- A strategic decision was taken by the IDC to terminate funding to the education sector as the Corporation seeks to focus on other priorities. The unit will therefore no longer be considering funding applications in the education and training sector from the next financial year.
- The SBU's strategy around financing of hospitals will be refocused on funding Public Private Partnerships in the hospital sector to take account of the proposed introduction of NHI.
- The unit has held discussions with other development finance institutions to create a Township and Rural Hospital scheme on the same basis as IDC to allow the SBU to pool resources and extend the reach of the scheme.

Operational Review – Services Sectors

Overview: Franchising

The Franchising SBU supports emerging entrepreneurs with limited access to capital, to acquire and manage sustainable franchised businesses in South Africa and the rest of Africa. The unit also provides support and assistance to owners of new franchise concepts in order to enable them to expand and develop into sustainable franchises that can in turn support other emerging entrepreneurs.

Development impact

During the year under review, the unit approved 17 financing applications totalling R115,1 million, which is expected to create 1 171 new job opportunities. Included in these approvals are eight wholesale facilities, and consequently the funding will benefit 50 new entrepreneurs. As a result of the economic downturn a number of franchisors decided to cancel or delay their planned expansions. The SBU therefore had to cancel a number of previously approved undrawn wholesale facilities totalling R434 million and also cancel the 5 773 jobs that were counted at the time of these approvals.

Highlights for the year under review

- Despite the difficult economic environment, the SBU saw a stabilisation of its existing portfolio. However, the facilities of five franchised businesses required restructuring and 16 entrepreneurs required assistance to sell their businesses as going concerns.
- Funding was approved for two emerging brands, Qba, a café and cocktail lounge franchise, and Rhapsodys, a restaurant franchise.
- Approximately 34% of new funding was provided to non-food franchises in line with the SBU's strategy of diversifying its portfolio.

Sector trends

The contraction of the retail industry and pressure on consumer spending, coupled with a decline in new retail developments, resulted in franchisors adopting a prudent approach to expanding their brands. In addition, the introduction of the Consumer Protection Act will have widespread implications for franchising.

Outlook and key initiatives

Although there are signs of economic recovery, household debt remains high and consumer spending and retail sales are expected to take some time to recover. The franchising sector is therefore expected to continue to be under pressure during the upcoming year.

The SBU will focus on providing support to emerging brands, with a particular emphasis on opportunities in line with IPAP2. It will also continue to assist new entrepreneurs to own franchised businesses through innovative products and partnerships.

The SBU will focus on providing support to emerging brands, with particular emphasis on opportunities in line with IPAP2.

Operational Review – Services Sectors

Overview: Techno-industries

The Techno-industries SBU finances projects and investments in the information, communication, technology and electronics (ICTE) industries in Africa. Projects selected by the unit aim to create, expand and transform the ICTE sector and enable a competitive environment.

Development impact

Through the approval of 13 transactions involving financing to a total value of approximately R170 million, the SBU helped facilitate the creation of more than 2 900 job opportunities and saved more than 400 jobs.

Highlights of the year under review

- In line with its objective of diversifying funding across different industries, the unit increased its exposure to the electronics sector, with total approvals reaching R82,9 million. This is part of the advanced technology sector, identified in IPAP2.
- A feasibility study into establishing the first fluorescent light bulb recycling plant was undertaken. This could play an important part in the development of an electrical and electronic waste (eWaste) industry, an essential component of the waste management plan of the country.
- To increase support for entrepreneurial development, Project 21, an innovative programme, was approved and implemented. This enables SMEs with approved government or blue-chip tenders operating mainly in the IT and electrical services sector to be funded within 21 days of submission.
- The SBU continued to participate in the Business Process Outsourcing (BPO) industry, a key sector under IPAP2. The unit provided R16 million to a distressed national BPO company.

Sector trends

Telecommunications growth continues into the rest of Africa, especially in the area of mobile telephony. Locally there is increased focus on broadband infrastructure, closely linked to the development of undersea cables to South Africa. Government remains a major contributor to growth in the local IT sector, although SME participation remains limited. The local outbound-focused BPO sector has continued to contract, mainly due to the recession and an inability to attract non-risk based contracts. In order to be sustainable, the sector needs to diversify into providing inbound services.

A key challenge facing the unit is the performance of its BEE portfolio, due to stock market volatility. The SBU continued to closely monitor its underlying investments by having regular performance meetings with management and taking up its board participation rights. The SBU is confident that the portfolio will recover in the near future as most underlying investments remain solid.

Outlook and key initiatives

The SBU will continue to focus on the following initiatives:

- diversifying its portfolio to include new and developing sectors such as eWaste and electronics;
- increasing access to broadband infrastructure and related value-added services;
- stabilising its BEE portfolio;
- facilitating the increase in investment in SMEs operating in the IT and electrical services sector, especially those with government or blue-chip company tenders; and
- participating in the development of the BPO and off-shoring sector, with a focus on promoting sustainability of the sector and identifying new opportunities in sub-sectors such as knowledge process outsourcing and back-office processing.

Operational Review – Services Sectors

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Overview: Media and Motion Pictures

The Media and Motion Pictures SBU promotes entrepreneurial and sectoral development within the entire media value chain. The SBU also plays a leading role in the development of the downstream portion of the media value chain through its continued support of new entrants into television broadcasting as well as new and alternative media forms.

Development impact

The unit approved 12 projects to the value of R283 million, including additional funding for three previously approved investments.

Highlights of the year under review

- The unit funded a distressed animation company, under the distressed funding scheme, resulting in 90 jobs being saved and an additional 15 jobs being created.
- Additional funding was approved for the production of *Zambezia* in 3-D. *Zambezia*, a locally produced feature length animation film. It is the first locally produced feature film to be produced in 3-D from inception.
- In the motion picture sub-sector, the SBU continues to encourage partnerships with the private sector to co-fund the production of locally developed and produced films. This approach was successfully implemented during the production of Leon Schuster's new film entitled *Schucks Tshabalala's Guide to Survival in South Africa.*
- Funding was provided for two new hot air advertising balloons, one in Mushroom Park, Sandton and the other in Menlyn, Tshwane.
- The unit obtained approval in principle to proceed with the Low Budget Film Pilot Project

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in partnership with the National Film and Video Foundation, the dti and the SABC. The project will focus on the development of 20 local feature films, with budgets in the range of R6 million – R13 million. These films will be developed and produced locally, featuring South African filmmakers and actors and will be primarily intended for local consumption. The project should also enhance the long-term sustainability of the South African film industry.

- The unit funded the participation of Lereko Media into On Digital Media (ODM), South Africa's second pay TV operator.

Sector trends

A downturn in advertising spend began to stabilise, buoyed by the FIFA 2010 World Cup™. This was positive for the media sector since advertising provides the lifeblood for most of South Africa's media value chain.

The success of 3-D animation feature films, such as *Avatar, Shrek* and *How to train your Dragon* provided impetus to the South African animation industry, particularly long format or feature film production, which is still in its infancy. Significant opportunities remain to fund the production of locally produced and developed animation films.

Opportunities also exist to develop unique content for media platforms that have positive developmental spin-offs for small businesses. These projects resonate with government programmes to create jobs.

Outlook and key initiatives

During the year ahead the unit will focus on:

- growing the production of low budget local films to meet expected demand from new pay TV channels;
- implementing the Low Budget Film Pilot Project;
- developing an animation hub and providing support for the production of animation feature films;
- enhancing the production value and competitiveness of the South African film industry by supporting the development of film studios;
- identifying opportunities to assist local media companies to expand into the rest of Africa; and
- developing local broadcasting sectors, particularly in rural areas.

By funding locally developed film projects the unit plays a leading role in the development of the South African motion picture sub-sector through strategic partnerships with key industry roleplayers, including the National Film and Video Foundation, the dti and local producers.

Operational Review – Services Sectors

Overview: Tourism

The Tourism SBU focuses on asset-based finance with the bulk of its portfolio invested in the accommodation sector.

Development impact

The unit approved finance of R324 million to 14 tourism businesses operating mainly in the SME sector. This is expected to create 489 jobs.

Highlights of the year under review

- The tourism portfolio remains healthy despite operating under difficult economic conditions. Impairments were 5% of the portfolio and the arrears book did not deteriorate markedly from previous years.
- US$11 million was approved for the refurbishment of six hotels owned by African Sun in Zimbabwe in support of government's initiatives to revive the Zimbabwean economy.
- A R98 million facility was approved for a BEE consortium for the construction of a Park Inn hotel in Polokwane.
- Funding of R37 million was provided for the construction of a hotel in the Johannesburg city centre, supporting the city's initiatives to revitalise the area.
- The unit continued to provide assistance to the Arts and Crafts desk at the dti to help administer funds earmarked for the arts and crafts sector.

Sector trends

Although inbound tourism numbers grew to 9,9 million visitors during 2009, the tourism industry was not immune to the financial turmoil in global markets. Domestic tourism travel for both business and leisure declined, resulting in lower national occupancies, although the rate per room showed a marginal increase. Despite estimated visitor numbers for the 2010 FIFA World Cup™ being lower than initially expected, the event will benefit the sector and should result in long-term growth in tourism for the country.

Outlook and key initiatives

Over the past few years the South African hotel industry has seen significant development due to increased market demand and high occupancy rates. However, increased room capacity and tighter business conditions in the past two years have put pressure on businesses and a decline in new developments is expected in the coming year. The unit's strategy is therefore to develop other sub-sectors outside the accommodation sub-sector. This is appropriate given the slowdown in the development of new hotels. The long-term outlook for the industry remains positive as a result of growth in tourism post 2010.

During the coming year the unit will focus on:

- developing sub-sectors such as arts and crafts, sports, medical and business tourism whilst continuing to invest selectively in the accommodation sector;
- continued participation in the establishment of good quality hotels on the African continent through the provision of export credit facilities;
- supporting projects that result in new capacity and job creation whilst giving priority to rural development and BEE participation; and
- improving internal processes to boost customer service.

Operational Review – Services Sectors

Overview: Transportation, Financial Services and Other

The Transportation, Financial Services and Other SBU aims to act as a catalyst for the promotion of economic and industrial growth within South Africa and the rest of Africa. The SBU seeks to promote BEE participation, increase capacity building and access to finance by entrepreneurs.

Development impact

The unit approved funding of R420 million for 17 transactions. Of this amount, R214 million was to companies in South Africa, while R206 million was to companies operating in the rest of Africa. The SBU contributed to the creation and maintenance of 3 397 jobs.

Highlights of the year under review

During the year under review, the unit:

- dedicated all funding for expansionary finance, thereby increasing capacity in the economy and further access to finance for SMMEs;
- provided R79 million to distressed companies. It also worked with existing joint venture partners to assist companies in distress and continued providing access to funding in a tight credit market;
- obtained approval for a joint venture agreement with Man Financial Services to provide a new rental product for black-empowered SMEs. This will ensure that companies with short-term contracts can access funding to complete the contracts without being locked into long-term financing arrangements;
- continued funding BEE and established financial institutions to roll out commercial microfinance to entrepreneurs in rural and urban areas;
- provided funding to other DFIs to increase access to funding for SMEs, in line with the objective of developing the rest of Africa;
- provided distressed funding to a major transport company, saving 800 jobs, in partnership with commercial banks; and
- obtained approval for the first major BEE transaction by a women entrepreneur in the aviation sector.

The procurement of busses by municipalities and the development of the public transport and Bus Rapid Transport System is seen as a catalyst for the introduction of green technologies.

Sector trends

- The transport sector experienced major upheaval as a result of the global economic crisis. Although there were signs of recovery in the sector towards the end of 2009, it came too late for many companies which saw contracts terminated and volumes decline. The road freight sector was one of the worst hit during this period and by working closely with existing joint venture partners, development finance institutions (DFIs) and the private sector, the SBU assisted these companies on a case-by-case basis.
- Despite expectations, the Transport Charter did not result in an increase in applications with a transformation focus. This may be because the economic crisis forced companies to focus on sustaining operations rather than pursuing BEE opportunities. The unit will continue to support BEE initiatives in the transport sector, with a focus on expansionary activities.
- The bus sector requires further recapitalisation and access to finance by small bus operators is high on government's agenda as this affects rural communities in particular. The procurement of buses by municipalities and the development of the public transport and Bus Rapid Transport System is seen as a catalyst for the introduction of green technologies and the further development of the automotive sector in line with IPAP2.
- The maritime and aviation sectors experienced slow growth due to the economic crisis. The maritime sector remains hamstrung by regulatory hurdles which continue to block the development of a locally based sector. Government is expected to make progress on addressing these issues over the next few years.
- The aviation sector continues to experience a skills shortage, since many of the skills required are highly specialised. The sector remains an important part of establishing links between South Africa and its major trading partners.
- There was a contraction in credit extension over the past year. However, a number of financial institutions are entering the commercial small to micro-finance sector. This is as a result of foreign funders withdrawing credit and SA-based companies looking for local growth opportunities. The small to micro-finance sector was previously under-serviced and regarded as high risk, especially in rural and township areas. The unit assists existing BEE and established institutions to enter this market, thus improving access to finance for more South Africans.

Outlook and key initiatives

- The SBU's joint ventures with the private sector provide a successful model to address market gaps and share risk. Existing joint ventures will continue to focus on assisting distressed clients and extending credit to black SMEs. New joint ventures will incorporate aspects of IPAP2 by promoting local content in the procurement of buses, taxis and trucks for commercial purposes. The incorporation of green technologies in the development of local content will also be a priority.
- The unit will continue to provide input into the development of the maritime sector by engaging with key stakeholders on regulatory issues and challenges. The culmination of these efforts will result in the development of maritime projects which are locally based.
- The introduction of BEE and the expansion of the aviation services sector in South Africa remains an important initiative for the unit. The goal is to make South Africa a hub for aviation services such as leasing, maintenance and crew supply when procuring aircraft. The country will still play a supporting role in the upgrading of aircraft by carriers on the continent to ensure that Africans travel in safe, reliable and modern aircraft.
- In the insurance sector, the unit aims to provide access to finance for SMMEs through the support of intermediaries and Khula Enterprises. It will also begin investigating ways to improve access to insurance products by financially marginalised communities.
- The SBU will continue to support African-based development finance institutions with the provision of lines of credit for commercial enterprises.

Significant Investments

Hernic Ferrochrome (Pty) Limited

The IDC is a 21,25% shareholder in Hernic Ferrochrome (Pty) Limited. Hernic is the world's fourth largest producer of ferrochrome, a key ingredient in steel manufacturing.

Highlights of the year under review

Approximately 90% of global ferrochrome output is consumed in steel manufacturing and demand for ferrochrome correlates directly to the global steel manufacturing sector's output. The recession of 2008/09 caused a sharp decline in global steel demand, which in turn negatively affected demand for ferrochrome.

Hernic, along with other South African ferrochrome producers, responded to the reduced demand from the steel sector by shutting down 80% of installed capacity. The company started the year with all its furnaces shut down, resulting in Hernic's capacity utilisation for the year under review measuring just below 70%. The combination of low capacity utilisation and low ferrochrome prices resulted in Hernic reporting an operating loss for the year under review, after reporting operating profits in 2007/08.

Outlook and key initiatives

Demand for ferrochrome rose steadily during the second half of 2009, driven by a recovery in the steel manufacturing sector. Benchmark ferrochrome prices increased from US$0,69/lb in April 2009 to US$1,03/lb in March 2010 and prices are expected to remain firm in the year ahead. Hernic expects to return to profitability in the next financial year.

Grand Gotland (Pty) Limited

Grand Gotland (Pty) Limited is a B-BBEE company that was funded by the IDC to purchase a 25% equity stake in Magatar Mining (Pty) Limited (Magatar).

Magatar is a junior mining group focused on underground coal mining, with specialised expertise in the optimisation of underground coal mining operations. Magatar's competitive advantage lies in its patented linear mining methodology. The utilisation of the Magatar Methodology increases underground continuous coal mining production by between 50% and 100% (compared to traditional bord and pillar methods) whilst reducing the total cost of production. As a result of the efficiencies realised, the Magatar Methodology enables the mining of thinner seams (which cannot otherwise be mined in a commercially viable manner). Additional advantages of the Magatar Methodology include enhanced safety, greater resource utilisation and lower electricity consumption per ton of production.

IDC support for this transaction provides for sustainable and meaningful participation by a B-BBEE company in the mining services industry. The IDC funding will ultimately be utilised by Magatar to partly fund the capital requirements associated with a blue-chip contract. This transaction will create new employment opportunities for communities around the mine, of which the majority are historically disadvantaged individuals.

Lesego Platinum (Pty) Limited

Lesego Platinum (Pty) Limited is a black-owned junior platinum company. Lesego is the owner of the Phosiri Platinum Project situated on the eastern limb of the platinum rich Bushveld Igneous Complex, close to the town of Lebowakgomo.

Highlights of the year under review

Exploration work conducted by Lesego resulted in a Samrec-compliant, inferred mineral resource of 27,8 Mt at an average grade of 6,43 g/t 4E1 being declared. The IDC acquired a 28% stake in Lesego and its funding will be used for the completion of a feasibility study, with the intention of establishing a long life, large scale underground platinum mine and concentrator. The feasibility study is expected to be completed over a 30-month period. First production is expected by 2015.

The IDC's investment in this project enabled a black-owned mining company to proceed with the development of a large scale mining project. At implementation, significant employment opportunities will be created for communities around the mine, which is situated in one of the most underdeveloped areas of South Africa.

Foskor (Pty) Limited

Foskor is an 85% subsidiary of the IDC. The IDC's shareholding will reduce to 59% when an upcoming BEE transaction is finalised.

The current divisions comprise a phosphate rock and copper mining division with production facilities in Phalaborwa; and a phosphoric acid and fertiliser division situated at Richards Bay.

Highlights of the year under review

- There was a significant pullback in the prices of Foskor products sold in the international markets. This was driven by the global recession, strong rand and drop in commodity prices to 2003 levels. Despite this, Foskor's export orientation recorded excellent results for the year under review. However trading conditions in the fertiliser industry, specifically in the phosphoric acid industry, were subdued. Revenue decreased by 66% to R3,465 million and profits decreased 86% to R262 million.
- The Phalaborwa phosphate division produced 2,2 million tons of final phosphate rock, which was lower than the previous year's production. This was due to lower feed grades and diminishing above-ground reserves as well as downtime due to mill breakdowns. The situation was exacerbated by the closure of the Sasol Nitro plant. Phosphate ores now being mined at the South Pyroxenite pit are of a superior quality and the mine is expected to ramp output back up to the normal level of 2,5 million tons of phosphate rock concentrate, reaching the target of 3 million tons by 2013/14.
- The phosphoric acid plant in Richards Bay produced 622 000 tons below last year's output. This was due to the ageing plant requiring maintenance and downtime as well as the loss of skilled labour. Foskor is countering this through the engagement with the Indian shareholder Coromandel International Limited (CFL) utilising the Technical Assistant Agreement (TAA). Granular fertiliser production was 88% up as Foskor continued to diversify its product range to suit new markets.
- In July 2009 Foskor concluded its B-BBEE partner selection. The process is now in the final stages of ratification.
- Foskor is compliant with the new legislation on mine closure requirements. The conversion of "old order" mining rights to "new order" rights is ongoing.
- The company's safety record was above 99%, with no fatalities.
- Air emission compliance for all the plants was above 98%, well above the statutory requirements of 96%. Safety and environmental compliance remains a key focus area at all operations.
- The company entered into new export markets to expand its customer base.
- Three new mining licences were obtained to enable Foskor to continue operations in Phalaborwa.
- The pyroxenite expansion projects are on time and within budget.

- Foskor retained its ISO, OHSAS and SANS certifications.
- The company secured R1 billion facilities from the IDC for expansion projects.

Outlook and key initiatives

Foskor continues to be faced with operational challenges in a tough market. There are signs that commodity prices are bottoming out and are gaining momentum at the same time that demand is reviving, though much will depend on the strength of the rand. With economic conditions improving, farmers around the globe are expected to grow their businesses on the back of demand for food, feed and biofuel.

Karsten Group Holdings (Pty) Limited

Karsten Group Holdings (Pty) Limited is a diversified agricultural and exporting company with its main operations in the Northern Cape.

Previously known as Karsten Boerdery (Pty) Limited, the company produces table grapes and dates. The IDC has a 36,55% shareholding in Karsten.

Highlights of the year under review

Karsten is export-focused and achieved record sales volumes of 3,4 million cartons during the past financial year. Despite the rand being 25% stronger than during the previous financial year, efficiencies in the group's marketing and logistical chain resulted in the company still meeting its targets on a rand basis. Karsten has an established marketing company in the UK through which most of its exports are channelled and is in the process of establishing a Hong Kong company with partners to develop the Middle East, China and Far East markets. The company has shown consistent growth over the past six years.

Outlook and key initiatives

The company continues to mitigate its exposure to agricultural risks through geographic and product diversification. Local production is spread over a 300 km strip down the Orange River and, through an IDC loan, has been expanded to Ceres in the Western Cape, where the company grows apples, pears and cherries and blueberries. A B-BBEE citrus expansion project of 350 ha at Kakamas that is co-financed by IDC is also in progress. A new B-BBEE transaction involving 60 of the Karsten Group's female employees will comprise an integrated farming operation. The company currently employs 4 500 seasonal workers, creating much needed employment in rural areas.

Hans Merensky (Pty) Limited

The IDC is a 42,6% shareholder in Hans Merensky Holdings (Pty) Limited (HMH).

HMH's operations comprise a timber business managed under a brand known as Merensky and consist of softwood and hardwood plantations, sawmills and panel production facilities in the Eastern Cape, KwaZulu-Natal, Mpumalanga and Limpopo. The fruit business under HMH's control trades as Westfalia and includes operations that consist of the growing, processing and marketing of subtropical fresh and processed fruit products.

Highlights of the year under review

Despite depressed economic conditions across the globe, market demand for subtropical fruit was stable in the EU markets during the year under review. The company's operations in the EU performed better than expected. In EU countries the Westfalia company provides a category service to major retailers and procures products from several countries of which the South African production base represents one of the sources of product.

Results from Merensky were negatively affected by the combined effects of the weakening demand for softwood structural timber and the rapid fall in demand from Spain for plywood products. Positive results were achieved from hardwood lumber products and all forestry operations. Good progress was made in the regeneration of long rotation plantations in the Eastern Cape and KwaZulu-Natal that were damaged in prior years' devastating fires.

The global economic climate necessitated the postponement of equity raising for the purposes of expansion projects and the rationalisation of minority interests in operating companies. Additional equity will however be needed when the company returns to its intended growth plans.

Outlook and key initiatives

The continued contraction of the residential building market will negatively affect lumber prices and markets. A stronger rand and weaker euro will also impact negatively on fruit exports from South Africa.

The IDC is confident that Hans Merensky will remain a preferred lumber products manufacturer and subtropical fruit grower in South Africa. The IDC remains committed to the growth and expansion plans of the company.

In addition the IDC reiterates its commitment to ensuring that the companies under HMH control comply with best practice environmental practices and certifications. Such practices lead to confidence in the long-term sustainability of the assets under management.

York Timber Holdings Limited

York Timbers is a vertically integrated sawmilling company that manages 60 000 ha of plantations, seven sawmills, a plywood mill and a national warehousing network.

The IDC's investment stems from an original investment in the Global Forest Products group of companies and was reintroduced with the merger of GFP and York Timbers in 2007.

The majority of this investment is in the form of equity with a direct shareholding of 29,8% in the company as well as funding for a community and staff trust through special purpose vehicles, which in total hold 12,8% of the ordinary listed shares in York Timbers.

Highlights of the year under review

Since early 2008 demand for all timber products declined steadily in line with the global economic recession, resulting in a subsequent stock build-up across the sawmilling industry. Market conditions deteriorated further during the beginning of 2009 with the demand for lumber declining significantly by between 25% and 35%, followed by discounting of prices, further increases in stock levels and increased pressure on working capital. As a result the South African sawmilling industry saw the closure of several sawmills. During the latter half of 2009 York Timbers embarked on a restructuring process to align its processing capacity with current market demand. The group closed three of its technologically outdated and less efficient sawmills.

The company faced several challenges during the year under review, including the recapitalisation of its statement of financial position, the conclusion of revised debt terms, the closure of three operation units, a reduction of fixed and overhead costs, the optimisation of its own resources and the refocusing on supply chain management.

The recapitalisation of York Timbers' statement of financial position, achieved through a R500 million rights issue, was concluded in December 2009 and was oversubscribed by 166%, which is viewed as an endorsement of the company's new strategic direction.

Outlook and key initiatives

The participation by the IDC in York Timbers is still viewed as strategic, with a strong foothold in one of the top players in the forestry and sawmilling sector of South Africa's wood industry. This was identified as a key growth sector by government through IPAP2. The investment is long-term and through the IDC's involvement supports B-BBEE and the ongoing development of the industry.

York Timbers continues to weather the current depressed economic conditions with management remaining committed to the continued improvement of operating efficiencies and product mix to ensure that the company remains cost competitive.

Support Departments

Agency Development and Support (ADS)

The ADS Department aims to be a catalyst for sustainable local economic development and innovation, and to address market failures for the benefit of communities and entrepreneurs in poor provinces, rural areas and townships.

In order to achieve this, ADS seeks to facilitate sustainable economic growth and empowerment of the broad South African population by providing funding and support for the identification, facilitation, development and promotion of sustainable and integrated local economic development opportunities.

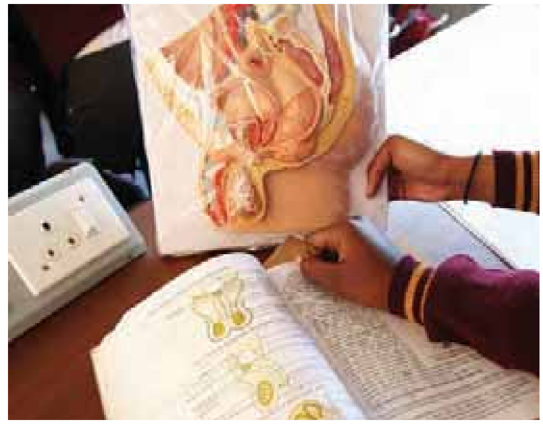
The primary focus of ADS is to assist local and regional economies to achieve their full development and economic potential through the promotion of local development agencies. These identify and harness resources, opportunities and options to stimulate sustainable economic growth.

Highlights of the year under review

- ADS helped to establish focused, sustainable development entities in marginalised areas, specifically rural areas, townships and poor provinces to facilitate local economic development.
- It helped to increase the IDC's reach and presence as well as provide innovative solutions in previously underserviced areas.
- Altogether 32 agencies have been established under the Local Economic Development process. These agencies are in either the pre-establishment, establishment or operational phase.
- The Mining Town Revitalisation Strategy was implemented including a multidisciplinary research initiative with strategic partners.

Outlook and key initiatives

The ADS Department remains committed to the task of facilitating equitable economic growth and development through sustainable integrated local economic development throughout the country, especially in marginalised communities.



Corporate Social Investment (CSI)

The IDC's CSI programme is aligned to the Corporation's objectives and government's development imperatives of job creation and poverty alleviation.

The focus of the programme is primarily on rural areas and is biased towards vulnerable groups such as women, youth and people with disabilities.

The IDC's CSI approach is based on partnerships for sustainable development. These include partnering non-profit and community-based organisations, as well as government departments. Since 2006 the IDC 's CSI interventions have focused on four areas: enterprise development; education; health; arts and culture.

Enterprise development

Nine projects were supported in the area of enterprise development, with a particular focus on capacity-building and mentorship.

Macena Women's Farm

Part of the Presidential Rural Development Pilot Programme launched by President Jacob Zuma in 2009, the Macena Women's Farm is situated in Muyexe Village in Limpopo. The objective of the project is to increase the productivity of the land, generate income for a group of rural women and create sustainable livelihoods through new and improved agricultural practices for households. The IDC's funding will help train farmers in organic farming and provide them with mentorship opportunities for three years. The project was implemented in partnership with the Department of Rural Development and Land Reform and the Organic Farms Group.

The Nguni Cattle Project

The Nguni Cattle Project remains the IDC's flagship CSI project. Established in 2004 to reintroduce Nguni cattle in rural communities of South Africa, the long-term goal of the project is to turn emerging farmers into commercial Nguni beef farmers and establish Nguni stud breeders amongst the rural poor. The project entails the loaning of cattle to committed beneficiaries on the understanding that they will return the same number of cattle within five years to be loaned to other beneficiaries. Prior to receiving cattle and during the five-year period, the beneficiaries receive training and support to ensure proper handling and care of the cattle. The project is implemented in collaboration with universities and the provincial departments of agriculture in identified provinces. The project has been successfully implemented in five provinces (Eastern Cape, Limpopo, North West, Northern Cape and Free State) and was launched in Mpumalanga in September 2009. To date over 100 farms have been established and 2 500 cattle distributed. In April 2010 a milestone was reached when the first four recipients of cattle in Joe Gqabi Municipality (formerly Ukhahlamba) handed over the gift to new beneficiaries from the area.

Education

The IDC recognises that the priority skills shortage is an impediment to economic growth and over the past three years has invested in projects which aim to improve maths, science and technology skills amongst disadvantaged learners.

Through government's Dinaledi Schools Project, the IDC has adopted 30 schools nationally. The Corporation provides equipment and materials to these schools. The IDC also supports capacity development of educators in the area of technology teaching and partnered with an NGO that provided workshops in Limpopo, Eastern Cape and the Free State. In 2009, subject advisors from the Free State and educators from Port Alfred in the Eastern Cape benefited from the training. In 2010 the focus will be on providing training in the North West and the Northern Cape.

The IDC also supported Maths Week, organised under the auspices of the South African Maths Foundation. The event is endorsed by both the Departments of Education (DoE) and Science and Technology (DST) and works in partnership with the Association of Mathematics Education of South Africa (AMESA), the largest professional mathematics association in the country. The aim of the event is to popularise and demystify mathematics for the learners and educators. In 2009 the event was held in the Western Cape.

Health

During the past few years the IDC has supported initiatives to equip public hospitals with basic equipment. Four hospitals benefited from this project over the past three years. The IDC also funded hospices caring for Aids patients, cancer homes and home-based care organisations.

Arts and culture

The IDC's programme in the area of arts focuses on empowering emerging artists. The reception area of the IDC is made available to artists and crafters to exhibit their work. Through this initiative, artists and crafters gain exposure, increase their profiles and have a channel to sell their work.

Employee volunteerism

The IDC recognises that its employees are a link to communities. Therefore, employee involvement in community development is encouraged and supported. Several initiatives give employees an opportunity to get involved. Two of the main activities include:

The *I do Care* Fund

The *I do Care* Fund is an employee volunteer programme which enables employees to contribute part of their monthly salary for the benefit of welfare organisations. Employees are given an opportunity to nominate charity organisations of their choice based on preapproved criteria.

Habitat for Humanity

During the past financial year 280 employees volunteered and built five houses in Ivory Park informal settlement. The building was done in collaboration with Habitat for Humanity South Africa, a non-profit organisation that addresses the severe housing need in the country by providing decent, affordable houses for the poor.

Outlook and key initiatives

During the year ahead, crime prevention will be added as a CSI focus area. The IDC plans to implement initiatives in this area through non-profit and community-based organisations focusing on the youth.

Support Departments

The Post Investment Monitoring Department (PIMD)

The PIMD aims to ensure efficient, effective, and timeous implementation of approved transactions, monitoring of business partners and protection of the IDC's interests until such time as the relationship between IDC and its relevant business partners terminates.

Highlights of the year under review

The PIMD delivered on its objective of designing and developing detailed internal control systems and procedures. These included the collation of documents to ensure fulfilment of conditions; overseeing amendments and cancellations of transactions; monitoring of undrawn facilities; monitoring of payments due; the receipt and analysis of financial information; as well as the recording of client visits, interventions and exit processes.

The department also undertook regular valuations of IDC equity investments and an ongoing review of impairments on loans and advances.

In order to improve service delivery to stakeholders, the department developed and agreed turnaround times with internal stakeholders by way of a Service Level Agreement.

PIMD also contributed to improving customer relationships through regular engagement with clients and credit reviews.

Workout and Restructuring

In line with the IDC's developmental objectives, the department's mission is to contribute to the development of sustainable businesses by adopting a pragmatic approach to existing IDC business partners in financial distress and providing optimal solutions which will result in the turnaround of these businesses.

In cases where liquidation is inevitable or where the business has ceased operations, the department monitors the liquidation and closure process to optimise the IDC's recovery.

The IDC considers providing additional assistance on a case-by-case basis and depending on the nature and extent of the problem and the best appropriate solution. The IDC's interventions may include the following:

- conversion of existing debt finance into equity or mezzanine finance;
- deferment of capital and/or interest repayments;
- provision of additional funding for working capital requirements; and
- proposing a turnaround solution which may include finding new investors or buyers, bringing in strategic operating partners, appointing turnaround consultants and providing business support through the IDC's Business Support Programme.

During 2009, difficult trading conditions continued to negatively affect the local economy. Despite lower interest rates and the economy showing some signs of recovery, South Africa's Business Confidence Index hit its lowest level since 2000, with consumer demand remaining weak on the back of lower disposable income in real terms. This resulted in not only lower economic growth rates and increased job losses, but also a steep rise in the number of companies filing for voluntary liquidation. During the first eight months of 2009, 2 643 South African companies filed for liquidation, an increase of almost 30% on the same period the previous year.

Highlights for the year under review

- The department restructured 81 and provided additional funding to 60 business partners and provided additional funding of more than R694 million in additional funding to existing IDC clients in distress.
- The number of clients and business partners transferred from SBUs to the department increased over the past year. Altogether 81 business partners were transferred. Most referrals were from the Franchising, Chemicals, Wood and Paper and Metals SBUs. Some start-up business partners in the tourism sector also experienced financial difficulties. Due to the slowdown in the residential housing sector, concrete and brick manufacturers were affected, impacting the chemicals book. Almost all of the IDC's SME clients in the brick and cement manufacturing sector experienced financial distress.

Additional funding was provided to clients in the Chemicals, Tourism, Mining, Textiles and Wood and Paper SBUs.

Outlook and key initiatives

- Demand for the IDC's support to clients in distress is likely to increase from businesses that cannot generate sufficient cash flows and which cannot fund their requirements.
- An awareness campaign initiated in the past financial year will continue and the department will intensify its interactions with its clients to ensure early intervention where businesses experience financial difficulties.
- The department will continue to provide information and share knowledge with other DFIs on the continent.

Business Support Programme (BSP)

The aim of the Business Support Programme is to augment the IDC's funding by providing non-financial assistance in the form of business support services.

Business support is provided at various stages of the investment process to existing and prospective IDC clients, especially SMEs. The programme is run through the Corporation's head office.

Highlights for the year under review

- Business support requests for consultancy and trust formation services increased, leading to the approval of over R6 million in business support grant funding commitments.
- The regional offices' capacity to implement business support was expanded. Six of the 11 regional officers were employed in the reporting period and started to receive business support training.
- An expanded panel of over 200 consulting firms was approved, increasing threefold the number of consultants available for engagement compared to the previous panel. The new panel has an equitable spread of generalist business support consultants for all the regional offices. It introduced function-specific and sector-specific expert consultants and first and second tier consulting firms that are available nationally and are accessible for use by all regional offices.
- The IDC's BEE efforts received a boost through the review and approval of its policy on workers' trusts. The policy endeavours to promote accelerated receipt of benefits by workers and community trusts from companies in which their trusts own equity.
- The best practice process on the establishment of workers' trusts was concluded.
- A DVD was produced to demonstrate the intricate process of establishing a trust.
- Seven workers' trusts were established in the reporting period.
- A trust management training manual was developed and training was provided to three workers' trusts.

- The IDC engaged consultants on its panel of service providers to assist potential applicants to prepare comprehensive business plans. The IDC provided grants of up to R10 000 per application to assist clients to prepare a business plan. An increased number of applicants required this service during the year.
- Business support personnel joined a number of due diligence teams to identify the non-financial needs of applicants. This included identifying management gaps and training needs and designing interventions with the client where necessary. The programme also provided business support funding, including IDC grant contributions, to assist applicants to cover 50% of the business support costs.
- Post-investment business support interventions were provided to a number of clients, including companies in distress. These included outsourced consulting services to ensure that the proper formation of worker and community trusts took place on a number of investments.

Outlook and key initiatives

During the year ahead, the programme aims to:

- adopt a paradigm shift in the approach to business support so that services are provided more proactively and as early as possible during the IDC investment process, especially for historically disadvantaged SMEs, including township and rural-based enterprises;
- introduce business mentors and coaches to provide support and guidance to investees, especially those situated in townships and rural areas;
- continue efforts to leverage outside resources to accelerate the development of new products and to diversify business support services;
- provide input on how to unlock communal land for commercial use, especially for projects in line with IPAP2;
- develop a community investment policy;
- formulate an IDC-commissioned Co-operative Policy and Workers' Equity Ownership model that will promote broad-based black economic empowerment;
- continue the rollout of the Nguni Cattle Project and its efforts to beneficiate Nguni cattle skins.

Environment, Health and Safety (EHS)

The Environment, Health and Safety (EHS) department conducts rigorous environmental and social due diligence processes prior to the IDC investing and regularly monitors the environmental and social performance of existing clients.

The IDC also recognises that compliance on issues of environment, health and safety is a business imperative. By ensuring that its clients conduct business in a responsible manner, the IDC mitigates its own funding risks as businesses that are compliant are less likely to fall foul of the law.

To ensure both compliance and sustainability of projects the IDC has adopted a number of principles to promote environmental protection and sustainable development in its activities. In accordance with this, projects must:

- be environmentally and socially responsible;
- comply with national legislation and international environmental management conventions;
- have respect for local communities and indigenous people;
- develop standards that promote favourable working conditions and are not harmful to employee health and well-being; and
- develop and implement environmental management systems and management plans in line with international best practices.

In addition, the IDC promotes projects and initiatives that are designed to deliver environmental and social benefits. These include:

- supporting climate change mitigation and adaptation measures by investing in best climate change adaptation initiatives;
- identifying and promoting projects in environmental priority areas and/or with environmental benefits; and
- facilitating capacity-building for clients to assist them with developing their environmental management programmes to improve environmental performance.

Highlights of the year under review

- Altogether 55 existing clients and business partners from eight SBUs were audited for compliance ranging across sectors from mining to venture capital. Of the 55 clients seven were identified as high risk due to their non-compliance with environmental legislation. The IDC engaged with high risk business partners to ensure corrective action is undertaken.
- Positive progress was achieved in the rehabilitation of legacy projects, namely the African Chrome and Columbus Stainless Steel joint venture. A further R35 million was approved and provided for the African Chrome project over and above the previous financial provision.
- The IDC succeeded in reducing energy consumption at the Corporation's head office, and worked toward ensuring that cleaning products utilised were non-toxic and biodegradable.

Outlook and key initiatives

- The department has initiated the development of a Water Strategy for IDC which will consider appropriate approaches to climate change, water delivery, water cost and the legislative framework. The water strategy will create an enabling environment for industries to adapt to changing circumstances and play a proactive role in the conservation of this national resource.

Regional activities

The IDC's regional offices aim to extend the reach of the IDC to all areas of the country by developing and co-ordinating the implementation of regional strategies, driving new business development, providing SBU support, assisting clients through the provision of business support, improving stakeholder perceptions and providing IDC management and SBUs with relevant regional information.

Development impact

The IDC's regional offices provide a point of contact for potential entrepreneurs and financing applicants across the country, including less experienced SMEs, which often operate in remote areas.

Highlights of the year under review

- In line with the IDC's strategy of bringing its operations closer to its stakeholders and addressing the need for greater personal contact between the IDC and potential entrepreneurs and financing applicants, the Corporation is now represented in all provinces. The Mpumalanga office opened its doors at the beginning of April 2009.

- The increased involvement of the regional offices during the Application and Basic Assessment phases of the pipeline confirms that the IDC is making good progress with its objective of moving closer to potential entrepreneurs and financing applicants.
- Prior to the establishment of regional offices, the IDC's Call Centre and the SBUs in Sandton handled all financing related enquiries. These consisted mainly of telephonic enquiries, impromptu visits and written enquiries. During the past year, the regional offices handled 78% of all the financing related enquiries, showing that the regional offices have become the main contact point for prospective entrepreneurs and financing applicants.
- More than 27% of the IDC's total number of financing applications was received by the regional offices, with the balance received by the IDC's head office in Sandton.
- The pipeline of pre-due diligence applications in the regional offices grew from 17% at the beginning of the financial year to more than 24% of the IDC's total pre-due diligence pipeline by year-end.
- The regional offices also completed nearly 26% of the total number of Basic Assessments.
- The North West regional office was the first regional office to establish satellite offices in all four districts of its province, including Klerksdorp, Brits, Mafikeng and Vryburg. The other regional offices are progressing well with the establishment of satellite offices.

Outlook and key initiatives

- The regional offices will focus on assisting SBUs to achieve their respective IPAP targets in each province. The offices will bring provincial government and DFIs on board and co-ordinate a joint approach with the SBUs on IPAP's deliverables.
- One of the regional action plans provides for the expansion of the IDC's presence in the provinces. This will be done through the continued establishment of satellite offices in other towns and districts in the respective provinces.

The Africa Unit

The Africa Unit identifies and sources new business opportunities and promotes the IDC in the rest of Africa.

Highlights of the year under review

- The IDC's exposure in the rest of Africa grew to R13,9 billion, with 56 business partners across 22 countries. The Corporation's investment includes R10,01 billion in Mozal in Mozambique.
- 12 projects were approved during the financial year with a total market exposure of R3 billion.
- The portfolio remains concentrated in the production of basic non-ferrous metals, which, through Mozal, made up 28% of total market exposure. The rest of the portfolio was made up of other mining activities (25%); electricity, gas and steam (12%); catering and accommodation services (7%); and the food sector (6%).
- Some of the projects outside South Africa which were approved during the past year include:
  - wind and solar power projects in Kenya and Angola respectively;
  - an investment of R391 million in the food sector in Ethiopia and Tanzania;
  - R122,7 million for the establishment of a regional airline in West Africa;
  - a R297 million port expansion in Senegal; and
  - R323 million to launch a communication satellite from Nigeria.

Outlook and key initiatives

- The unit continues to seek opportunities in low income countries and those emerging from conflict or protracted economic decline. In SADC, the IDC is committed to supporting Zimbabwe's economic reconstruction and the implementation of a project pipeline comprising significant and diverse sectors in Zimbabwe is pending the ratification of the Bilateral Investment Promotion and Protection Agreement between South Africa and Zimbabwe.
- The unit maintains its focus on streamlining its engagements with other African DFIs with a view to enhancing the development impact of the IDC's investments across the continent.
- The unit will review its strategy in the rest of Africa and bring it in line with South Africa's economic aspirations for the continent.
- The unit consistently seeks out project development opportunities in the area of infrastructure development in the rest of Africa.

Human Capital

The IDC aims to be an employer of choice and uses the International Labour Organisation's decent work agenda and indicator to support this vision.

The Corporation seeks to provide a mutually beneficial working environment that is conducive to employee well-being and productivity and that provides employees with the opportunity to learn, grow and develop.

Highlights of the year under review

- A total of 1 436 learning opportunities were provided, of which 78% were attended by black employees.
- Altogether 24 trainees completed the IDC Academy programme to become dealmakers. A further 27 trainees were recruited into the Academy pipeline.
- Needs-directed management and leadership development was provided to nearly 80 staff members.
- Forty employees participated in coaching and mentoring programmes.
- Eight trainee accountants were supported on the chartered accountants learnership (previously the TOPP learnership). The learnership was aligned with revised SAICA requirements.
- A total of 148 women participated in various programmes as part of the IDC's Women's Development strategy.
- 70% of learners who embarked on the ICB qualification completed it successfully.
- An innovative on-boarding programme aligned with the new values system was developed and launched to all new staff.
- Forty unemployed graduates were given the opportunity to participate in an internship programme.
- An opportunity for two SAP developers to undergo an internship and secure employment was provided.
- There was continued focus on ongoing professional development for chartered accountants with 10 programmes offered to a total of 300 participants.
- A number of strategies were put in place to attract, develop and retain talented individuals within the organisation. These included introducing a new values system, reviewing the organisation's succession planning and implementing a dual career paths management policy which allows specialists to progress at the IDC.
- The IDC participates in a number of staff surveys to gauge and measure employee satisfaction and engagement. According to Deloitte's annual Best Company to Work For survey, 86% of the employees who participated believe that the Corporation is an employer of choice.
- The IDC Star Awards aims to recognise excellent performance in the organisation.

External Learning and Development

The External Learning and Development unit provided support to SBUs, departments, IDC-funded clients as well as prospective clients. In addition, capacity building initiatives for SMEs and DFIs were undertaken. The department also:

- sponsored ten previously disadvantaged students to acquire skills in diamond cutting and polishing at the Harry Oppenheimer Diamond Training School through the Mining and Beneficiation SBU;
- helped 15 students in the food, beverage and agro-industries sector to gain industry exposure by enabling them to attend high level conferences across the globe;
- sponsored the Road Freight Academy to train truck drivers to prevent unwarranted freight loss and accidents. Owner-driver entrepreneurs were also trained to ensure the sustainability of their emerging businesses;
- sponsored ten previously disadvantaged students from Khayelitsha in Cape Town to study animation production movie making;
- assisted municipalities around the country with basic entrepreneurial skills training for both councillors and service providers;
- provided guidance in the development of a co-operative manual on worker trusts for IDC-funded clients; and
- helped the the National Foundry Technology Network provide training to small businesses.

In an effort to support and build capacity within other DFIs, the department provided secondment as well as assignment opportunities and resources to other DFIs. This included:

- deploying IDC resources for capacity building in Ithala Development Bank;

Support Departments

- executive capacity building at the Eastern Cape Development Corporation (ECDC). The IDC hosted executives to learn more about the IDC's activities and developmental initiatives; and
- creating working partnerships with institutions such as:
  - Development Bank of South Africa (DBSA)
  - PTA Bank of Kenya
  - Tanzanian Investment Bank
  - Industrial Development Corporation of Zimbabwe (IDCZ)
  - Lesotho Trade Finance

Staff complement

As at 31 March 2010, the IDC's workforce was made up of 693 permanent staff. During the year, 40 employees left the IDC with 98% of these at head office and one termination in KwaZulu-Natal. Of these, a total of 22 employees (55%) were male, while the remaining 45% were female.

For the IDC to deliver on its mandate it is imperative that the organisation has a regional footprint supported by competent staff.

Diversity and equal employment

The IDC is committed towards achieving equity in the workplace by promoting equal opportunities for all staff members and stakeholders, through elimination of unfair discrimination and by encouraging diversity and inclusivity in the workplace.

The IDC achieved a number of milestones in this regard, including achieving a B-BBEE score of 12,4% and full compliance with the provisions of the Employment Equity Act. The Employment Equity Forum plays an important role in supporting equality and diversity by representing the interests of staff members.

The diversity and equity indicators used by the IDC are guided and provided for by the Employment Equity Act. These contain designated groups, including African, Indian and Coloured, as well as women and people with disabilities. These designated groups represent 75% of the IDC's headcount and employee profile. The number of people with disabilities has increased from three to six during the past financial year, and this remains an important target during the year ahead.

Employees by race (%)

Breakdown of employees per category according to gender and race

Headcount by race and gender 31 March 2010

	Male				Female				Total
	African	White	Coloured	Indian	African	White	Coloured	Indian	
Executive	4	2		1	1	1			9
Heads	11	13	2	2	12	3	1	1	45
M Band	59	50	9	20	21	11	4	8	182
P Band	83	29	8	17	91	29	7	18	282
A Band	27	3	3		73	31	18	10	165
S Band	8				2				10
Total	192	97	22	40	200	75	30	37	693
Male	351	51%							
Female	342	49%							

Health and safety

The occupational health and safety protocol measures focus on two key elements – the statistical performance on health and safety and providing initiatives and programmes to support employee wellness:

- The IDC Employee Assistance Programme provides staff with confidential professional help should they need it. During the financial downturn, the service assisted many employees to cope with the financial challenges they faced.
- Annual medicals are provided to management staff as well as to staff over the age of 40 years.
- Employee Wellness and Health days were held to encourage staff to take care of their health and that of their families.

Training and education

The Internal Learning and Development and Operational Training units ensure that employees are able to access training and development opportunities. The IDC focuses its learning and development efforts on the provision of cost-effective, outcomes-based training in the areas of: leadership and management development; skills training with clients and industry; operations; social support; soft skills; legislative, governance and compliance; industry specific functional and customised training; learnerships and internships; and technology training. Of the 1 436 interventions undertaken, 78% were accessed by black employees.

Development opportunities are offered either in-house or through public training programmes, depending on the area of specialisation and demand. Development needs are identified through engagement between staff and their line managers, taking into account their future career aspirations. The above process also facilitates the identification of the ‘Top 10’ training needs across the organisation.

Information Technology (IT)

Highlights of the year under review

- A single SAP platform was developed for the monitoring of all applications for finance, whether credit or project-related. This will enable operations staff to actively manage their funding pipelines.
- Applications can now be tracked electronically by prospective clients via the IDC website through a web-based interface.
- Regional office development was actively supported with the IT infrastructure required to establish an even wider WAN-network, ensuring that regional staff are connected and experience the same level of service availability.
- Analogue telephones were replaced with voice-over IP telephony, with additional functionality supporting both mobility and teleconferencing.
- Mobility is continuously being enhanced to enable IDC staff to deliver its mandate – the cellphone policy has been reviewed and instant messaging implemented.
- An internal service delivery system was developed to improve service delivery amongst all internal support departments to the core business, with great success.
- The open-plan construction project required significant network capacity planning and monitoring and has to date not caused any significant interruption of services.
- Continuous improvement regarding green IT remains on the IDC's agenda – most servers are now virtualised and energy efficient settings on workstations the norm.

Outlook and key initiatives

The IT department has planned a number of key initiatives for the year ahead, in support of IDC strategy.

- Current management information needs to be more readily available and will be expanded, inspected and analysed.
- A technical upgrade of storage infrastructure is required and will be implemented during the 2010/11 financial year.
- Although network infrastructure is sound, wireless infrastructure would enhance user experience and will be implemented during the year ahead.
- Mobility will remain a focus area with specific emphasis on mobile applications and the enhancement of electronic conferencing functionality.
- Information security needs to be further improved and will include a network and SAP project, amongst others.
- Continued focus on governance will be required to not only inculcate the culture of compliance, but to also mitigate security threats.

Procurement

The Procurement department is charged with the sole responsibility of conducting all actions relating to the acquisition of goods and services required for the functioning of the IDC while complying with the IDC Act and all relevant legislation enacted by the government of South Africa such as the Preferential Procurement Act and Public Finance Management Act.

Highlights of the year under review

- In line with the B-BBEE Act, the IDC achieved a spend of more than 61% on companies with more than 51% black ownership during the year under review.
- More than 16% of the IDC's total procurement spend was on companies with more than 30% black women ownership.
- In its commitment to practising open and fair processes when procuring goods and services, the IDC advertised 35 tenders to the public during the past financial year.

Outlook and key initiatives

The department continues to strive towards higher procurement of services from BEE companies, particularly those owned or managed by black women.

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Corporate Governance

Introduction

The Industrial Development Corporation of South Africa Limited (the IDC) is a development finance institution established in terms of the Industrial Development Corporation Act, No 22 of 1940, as amended (the IDC Act).

The objectives and mandate of the IDC, its constitution, the powers of its Board as well as the relationship between the IDC and its Shareholder are regulated by the IDC Act and its Regulations. The IDC is also subject to the provisions of the Public Finance Management Act, No 1 of 1999 (the PFMA), which deals with the best practice in financial management focusing mainly on outputs and responsibilities of state-owned entities (SOEs).

The South African government, through the Minister of Trade and Industry, is the sole Shareholder of the IDC. But with effect from 1 April 2010, the administration of, powers and functions entrusted by legislation in terms of the Constitution of the Republic of South Africa have been transferred to the Minister of Economic Development.

Governance

It is generally accepted that governance involves the establishment of structures and processes, with appropriate checks and balances that enable directors to discharge their legal responsibilities, and oversee compliance with legislation.

The Board has affirmed its commitment to the principles of sound governance by complying with the recommendations of the King II Report.

The Board upholds the principles embodied in appropriate international corporate governance codes and strives to align the Corporation's corporate governance with national and international best practices. These principles enhance the IDC's values of Partnership, Professionalism and Passion. The Board upholds the core values of the IDC of integrity; innovation; enterprise; accountability and superior client service.

The King Code of Governance for South Africa 2009 (King III), with its Code of Governance Principles, was launched on 1 September 2009 and came into effect on 1 March 2010. King III has adopted an 'apply and explain' approach. The IDC is in the process of reviewing its corporate governance practices with a view to complying with the requirements of the new Companies Act and the King III recommendations.

The King III report on Corporate Governance dedicates a chapter to IT governance and the responsibility of directors regarding IT. Most importantly, it makes the Board accountable for IT governance. King III recommends that the Board take responsibility for IT governance, ensure alignment with sustainability objectives, ensure the implementation of controls, evaluate the value of IT investments, integrate IT into risk management and ensure effective management of information assets.

The King III Report on Corporate Governance has also redefined the role of the Internal Audit function and the value-add provided by the function now rests in its relevance and effective communication to the Board Audit Committee. The Head of the Internal Auditing function is required to provide a written annual assessment to the Board regarding the IDC's internal control environment, performance and risk management.

The essential focus of King III, from a risk management perspective, is that the Board should exercise leadership to prevent risk management from becoming a series of activities that are detached from the realities of the company's business. The King III Report emphasises that it is the Board's responsibility to ensure that it is satisfied with risk management.

Highlights of the year under review

The Board considered a number of key governance issues during the reporting period.

- The IDC values are professionalism, partnership and passion. The intention of the values is to drive the organisation towards customer-centricity. This means that the IDC's clients remain central to its operating strategy.
- The Board considered developments emerging from the requirements of King III in comparison to King II and assessed the IDC's position with regards to the new governance requirements under King III.
- The mandate of the IDC Board committees were reviewed and enhanced in line with the new King III requirements resulting in changes to the names of certain Board committees: The 'Human Resources and Remuneration Committee' is now the 'Human Capital and Nominations Committee'; the 'Board Technical Committee' is now called the 'Development and Innovation Committee' and the 'Directors' Interest Committee' was changed to the 'Governance and Ethics Committee'.
- The Minister of Trade and Industry joined the IDC Board at a meeting held in Cape Town, and acknowledged the IDC's developmental role in the economy. He emphasised the reliance placed by government on the IDC to increase its impact in the South African economy. During the meeting, a number of issues were highlighted including the need for the IDC to work on a model to provide support to South African industries. The economic crisis would place the IDC under more pressure to deliver on its mandate and intensified changes in the current structures and infrastructure development programme were warranted in order to counteract the effects of the economic crisis.

- The Minister of Economic Development attended the Board's strategy session held in Parys, Free State where he conveyed support from Parliament for the IDC's role in the country. He emphasised that the key priorities for government were job creation, rural development, health reform, education and skills development and poverty reduction, as well as fighting crime and corruption.
- The directors' fees were revised during the year under review from retainer basis to fee payment per attendance of Board and committee meetings, in line with industry practices.
- The Corporation implemented a Fraud & Ethics Awareness Week, which aimed to educate and inform employees about how fraud impacts their daily working environment; with specific emphasis on the contraventions of the IDC Code of Business Ethics.

Board structures

Composition

The Corporation has a unitary Board structure, comprising one executive and 13 non-executives, as defined by King III. This enables the Board to obtain the desired level of objectivity and independence in Board deliberations and decision-making. The Board is assisted by Board committees, duly formed according to the guidelines in the King III Report on Corporate Governance and the Public Finance Management Act.

The size of the Board is dictated by section 6 (2) of the IDC Act, which permits a minimum of five and a maximum of 15 directors appointed by the Shareholder. In line with the recommendations of King III, the positions of Chairman and Chief Executive Officer are separately held, with a clear division of duties. As at 31 March 2010 there were 14 directors of which 13 were non-executive directors.

The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and effective deliberations in the decision-making process whilst pursuing the IDC's strategic objectives.

Induction and training

On appointment, new directors have the benefit of an induction process, aimed at deepening their understanding of the IDC and the business environment and markets in which the IDC operates. This includes background material, meetings with senior management and visits to the IDC's facilities.

As part of the orientation, newly appointed non-executive directors receive induction material which contains essential Board and IDC information. To provide first-hand experience of the IDC's operations, the Board holds at least one meeting per year at the premises of a client funded by the IDC. In the year under review, the IDC Board held its off-site meeting at the Biovac Consortium (Pty) Limited in Pinelands, Cape Town. The Biologicals and Vaccine Institute of Southern Africa (Pty) Limited (Biovac) is a public private partnership established in 2003 between the Department of Health (DOH) (40%) and Biovac Consortium (Pty) Limited (60%) to restructure the state vaccine assets and establish new vaccine production facilities. IDC's funding of R75 million will assist Biovac to establish a commercial vaccine production facility.

Board Charter and responsibilities

The Board has a Charter setting out its mission, role, duties and responsibilities, and, in particular, the:

- leadership of the Board;
- directors' fiduciary duties;
- induction of new directors;
- evaluation of directors;
- Board meetings and procedures; and the
- relationship between employees and external stakeholders.

Amongst others, the Board ensures that the IDC's business is conducted in line with high standards of corporate governance, within the predetermined parameters of risk management and internal controls, and in accordance with local and internationally accepted corporate best practices. This, in turn ensures conformance and compliance without impeding business performance.

The Board

The Board has established five standing committees, which are ultimately accountable to it. These committees are a vital assembly of skills that seek to achieve set objectives and are designed to delegate Board functionality, assist and monitor the executives and ensure that dedicated functions are executed in the best interest of the IDC and its stakeholders.

The Board meets eight times per annum or as circumstances necessitate. Once a year, the Board meets for a breakaway session to discuss strategic issues. The Board is responsible to the Shareholder for setting economic, social and environmental direction through strategic objectives and key policies, and monitors implementation through structured reporting systems. The Board accepts responsibility for the annual financial statements.

Meetings of the Board and subcommittees are scheduled annually in advance. The record of committee composition and attendance of meetings for the year reported upon was as follows:

Corporate Governance continued

IDC Board and Committee composition and attendance at meetings (2009/2010)

	IDC Board	Risk Management Committee	Audit Committee	Human Capital and Nominations Committee	Governance and Ethics Committee	Development and Innovation
Number of meetings	8	4	4	3	4	3
WYN Luhabe (Chairman)*	4			2		
MW Hlahla** (Acting Chairman)	7		3	1		
MG Qhena	8		4			
MC Nkuhlu	6	4		1		
MS Moloko	8	4				
BN Njobe	3			2		0
JC Mtshali	7			2		2
NN Nokwe***	5	2				3
NG Nika***	7	2	4		4	
JR Barton***	8	4				3
LD Dhlamini	5		3			
S Mapetla	7			2		3
L Bethlehem	8				4	3
MR Pitot	8		4		4	
N Zalk****	6					
GS Gouws (Alt)*****	8					

* *Tenure ended 30 September 2009*
** *Appointed as Acting Chairman effective 1 October 2009*
*** *First term expired 30 September 2009 and extended until further notice*
**** *Non-executive director appointed 8 July 2009*
***** *Alternate*

Committees of the Board

Board Audit Committee

The overall objectives of the Board Audit Committee are to monitor the adequacy of financial controls and reporting; review audit plans and adherence to these by external and internal auditors; ascertain the reliability of the audit; ensure that financial reporting complies with IFRS and the Companies Act; review; and make recommendations on all financial matters and recommend auditors to the Board.

Board Risk Management Committee

The duties of this committee include: setting out the nature, role, responsibility and authority of the risk management function within the IDC; outlining the scope of risk management; reviewing and assessing the integrity of the risk control systems; ensuring that the risk policies and strategies are effectively managed; providing independent and objective oversight; reviewing the information presented by management; as well as taking into account reports by management and the Board Audit Committee on financial, business and strategic risk issues. It also assists the Board to determine the maximum mandate levels for the various Credit and Assets and Liabilities Committee decisions. The committee also monitors the IDC's appetite for risk and concomitant controls.

Board Human Capital and Nominations Committee

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

Board Development and Innovation Committee

The purpose of the Board Development and Innovation Committee is to assist the Board of Directors to identify projects and measures through which the IDC can promote innovation in the manufacturing, service and resources industries; to assist in the development of new industrial sectors; make recommendations to and advise the IDC Board on matters pertaining to industrial policy; make recommendations to and advise the IDC Board on the IDC's progress in discharging its responsibilities in respect of the priority sectors identified in the National Industrial Policies; and advise how the IDC can assist government in improving co-ordination between stakeholders involved in the National Industrial Policies.

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

Delegation of authority

The Board delegated authority to management, however, retains the responsibility concerning the exercise of its delegated authority. In terms of section 56 of the PFMA, the Board may confirm, vary or revoke any decision taken by an official as a result of a delegation of powers by the Board.

In the interest of promoting efficiency and effective management of programmes and best-practice of financial management, the IDC delegated powers sets out the various matters reserved for the Board as an accounting authority.

Credit Committee – the Credit Committee has authority to consider transactions where the IDC transaction exposure is R25 million and below and the counterparty exposure is below R250 million. The committee's membership consists of the Chief Financial Officer, the Chief Economist, the Chief Risk Officer, General Counsel, all the Divisional Executives and any external committee member that Executive Management may from time to time decide to appoint. The Credit Committee is chaired, on a rotational basis by the Chief Financial Officer, Chief Risk Officer and the Chief Economist.

Special Credit Committee – the committee is authorised to approve transactions where IDC transaction exposure is between R25 million and R250 million and the counterparty exposure is between R250 million and R1 billion. The committee's membership comprises members of Executive Management and is chaired by the Chief Executive Officer.

Board – the Board considers transactions where the IDC transaction exposure is above R250 million and the counterparty exposure is between R1 billion and R7 billion; a sector and/or regional limit is breached; the investment is of a strategic nature; there might be conflict of interest through a director's involvement in a transaction (after taking advice from the Governance and Ethics subcommittee); and deviation from any policy relating to finance transactions (where Board approval is required).

Ethical conduct

Ethical conduct is shown and practised at the IDC by: promoting leadership and inculcating a culture of integrity and work ethic; observing directors' fiduciary duties and responsibilities; avoiding conflicts of interest and acting in the best interest of the corporation; encouraging whistle-blowing; and promoting the values and principles set out in the IDC's code of business conduct.

The code of business conduct guides employee behaviour wherein declaration of interests and gifts are placed on a register which is monitored periodically.

Fraud prevention

The oversight role is fulfilled by the Fraud Prevention Committee and they operate in line with a Fraud Prevention Policy.

IDC employees are encouraged to report any suspected fraudulent, unethical or corrupt practices to the Fraud Tip-offs hotline which is managed by an independent external service provider. The source of information remains anonymous. This complies with the requirements of the Protected Disclosures Act, No 26 of 2000 by creating an environment in which it is safe for employees to report impropriety. An awareness workshop was conducted to educate and inform employees on how fraud would impact their daily working environment.

Creating a pool of experienced company directors for the country

The IDC's investments are properly secured and hence future sustainability is critically dependent on the growth in value and proper management of its investments. The IDC plays a unique and important role in expanding the pool of suitably qualified directors in South Africa by nominating IDC employees and/or external persons for appointment to the boards of its investee companies, where it has the right to do so. Once appointed these IDC-nominated directors are required to attend directorship training courses. The IDC-appointed directors gain a wealth of experience and by serving on these boards are able to share knowledge and skills with directors of any other boards they may join in the future.

Corporate Governance continued

Shareholder activism

The Board approved the shareholder engagement and proxy voting guidelines as a move towards a more formalised and consistent approach to shareholder engagement between the IDC and its investee companies. This outlines the IDC's position, and what it expects from its investee companies.

Relations with the Shareholder and communication with stakeholders

The Board retains full and effective control over the Corporation by; monitoring management in implementing Board policies and strategies within the parameters of its mandate; setting targets; and measuring the Corporation's performance on an annual basis. Through the Shareholder's Compact as required by the PFMA, contact between the two is maintained. The Shareholder approves the strategic direction and focus of the IDC as set out for each financial year. The annual report is submitted to Parliament by the Minister of Trade and Industry and made available to the public.

Stakeholder communication

In line with the King III Report the IDC has identified its stakeholders and communicates with them as follows:

The Shareholder

In line with the IDC Act, the IDC reports to its Shareholder through the annual report. The annual report is distributed to members of Parliament and is available on request to the public.

The IDC is one of the most important implementation agencies for government policy, especially industrial policy. As such, it is imperative that the Corporation aligns its activities to government policy, within the framework of its mandate. To ensure this alignment, the Board engages with government to ensure that the IDC's strategy aligns with its mandate.

Employees and management

The Board has unrestricted access to senior management in an effort to enhance communication and achievement of the vision of the Corporation. Further communication with IDC employees is done through Board feedback sessions convened by the CEO for IDC Heads of Strategic Business Units and Departments after each Board meeting. The Board feedback sessions afford IDC Heads an opportunity to raise matters which require attention.

Public and business communication

Communication with the public is achieved through promotional brochures geared at marketing the IDC's services and facilities, as well as the website. The IDC 's Research and Information Department regularly releases various publications aimed at keeping the community abreast of economic developments and promoting debate, in line with the IDC's developmental focus.

The IDC also hosts stakeholder engagements in all nine provinces which present an opportunity for the Corporation to interact with business persons and their organisations throughout the country.

The IDC complies with the Promotion of Access to Information Act, No 2 of 2000, with its manual lodged with the SA Human Rights Commission and made available on its website for ease of access.

Marketing

The marketing department increases awareness amongst key stakeholders by communicating the IDC's core strengths as a provider of development finance. This is done via various media, including case studies that showcase the development impact of IDC funding activities. A campaign to highlight the IDC's successes over the past 70 years is planned for the year ahead.

Group Company Secretary

The Company Secretary provides the directors with guidance as to their duties, responsibilities and powers. In terms of the IDC Act, the functions of the Group Company Secretary are in line with the provisions of the Companies Act. The Group Company Secretary is responsible for ensuring that the Board procedures and applicable rules are fully observed and comply with legislation and corporate governance tenets. New directors are informed of their fiduciary duties and duties of skill and care during the induction process organised by the Group Company Secretary.

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).

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

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

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

Following our review of the financial statements for the year ended 31 March 2010, we are of the opinion that they comply with the relevant provisions of the Public Finance Management Act 1999, as amended, and International Financial Reporting Standards, and that they present fairly the results of the operations, cash flow and financial position of the Corporation. The Board Audit Committee concurs that the adoption of the going-concern premise in the preparation of the financial statements is appropriate. We therefore recommend that the financial statements as submitted be approved.

On behalf of the Board Audit Committee:

NG Nika
Chairperson
1 July 2010

Report of the Independent Auditors

Independent Auditors' Report to the Shareholder on the Financial Statements of the Industrial Development Corporation of South Africa for the year ended 31 March 2010

Report on the financial statements

We have audited the group annual financial statements and separate annual financial statements of the Industrial Development Corporation of South Africa which comprise the directors' report, the consolidated and separate statements of financial position at 31 March 2010, and the consolidated and separate statements of comprehensive income, changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements which contain a summary of significant accounting policies and other explanatory notes, as set out on pages 98 to 160.

Directors' responsibility for the financial statements

The directors, who constitute the accounting authority for the Industrial Development Corporation of South Africa, are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act of South Africa and the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 on 27 November 2009. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the Industrial Development Corporation of South Africa at 31 March 2010 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act of South Africa and the Companies Act of South Africa.

Report on other legal and regulatory requirements

In terms of the Public Audit Act of South Africa and General Notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009, we include below our findings on the report on performance against predetermined objectives, compliance with laws and regulations and internal control.

Report on performance against predetermined objectives

We are required by the Auditor-General to undertake a limited assurance engagement on the 'Performance against the Shareholder Compact, as set out on pages 98 to 101 of the Annual Report in the section headed Performance Management, in which the actual performance of the Group for the year ended 31 March 2010 is compared with target key performance indicators (predetermined objectives), and report thereon to those charged with governance. In this Report we are required to report our findings from our engagement relating to non-compliance with regulatory requirements, where the reported information was inadequately presented or not received timeously, and where we have evaluated reported information to be not useful or reliable. We report that we have no significant findings.

Compliance with laws and regulations

Our audit of the financial statements, described in our Report on the financial statements, did not reveal any material non-compliance with laws and regulations relating to financial matters, financial management and related matters, as required by the Public Finance Management Act of South Africa (which includes the relevant National Treasury Regulations) and the Companies Act of South Africa.

Internal control

We considered internal control relevant to our audit of the financial statements, and the report on performance against predetermined objectives and compliance with laws and regulations, but not for the purpose of expressing an opinion on the effectiveness of internal control. No material deviations came to our attention during the audit.

KPMG Inc.
Registered Auditor

Per LJ Wormald

Chartered Accountant (SA)
Registered Auditor
Director
1 July 2010

KPMG Crescent
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SizweNtsaluba VSP
Registered Auditor

Per A Mthimunye

Chartered Accountant (SA)
Registered Auditor
Partner
1 July 2010

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Directors' Report

Introduction

The Industrial Development Corporation of South Africa Limited (the IDC) was established in 1940 by an Act of Parliament. It is a registered public corporation and a schedule 2 listed entity in terms of the Public Finance Management Act (PFMA) and the related Treasury regulations. This report is presented in accordance with the provisions of the prescribed legislation and addresses the performance of the IDC as well as relevant statutory information requirements. The Board of Directors is the accounting authority as prescribed in the PFMA.

Nature of business

The IDC is a self-financing, state-owned, development finance corporation, which provides financing to entrepreneurs engaged in competitive industries, follows normal company policies and procedures in its operations, pays income tax at corporate rates and pays dividends to its Shareholder.

The IDC's vision is to be *"the primary driving force of commercially sustainable industrial development and innovation to the benefit of South Africa and the rest of the African continent".* Its primary focus is on creating balanced and sustainable economic growth in Africa and promoting the economic prosperity of all South African citizens.

Performance management

The IDC's corporate performance indicators reflect the Corporation's strategic goals. These included the maximisation of its development impact, especially job creation, and ensuring its long-term financial sustainability. In addition, the Corporation measures itself on a range of other indicators, initiatives that will ensure the Corporation's long-term sustainability and expand its impact.

The IDC's performance evaluation focuses primarily on the financing activities undertaken by the IDC and its dedicated wholly owned financing subsidiaries (Mini-Group) – Findevco (Pty) Limited, Impofin (Pty) Limited, Konoil (Pty) Limited and The Export-Import Finance Corporation of SA (Pty) Limited. The grouping of categories and the measures against which performance is reported differ from those reported in the CEO's Review of Operations and are not directly comparable.

IDC's focus is determined by the South African government's mandate to the corporation, with the orientation of the organisation being towards servicing the needs of the public. In terms of the Leadership in Development strategy, the Corporation's objectives are to support industrial capacity development and promote entrepreneurship. By pursuing these objectives, the Corporation aims to achieve the following outcomes:

- create sustainable employment opportunities;
- grow sectoral diversity;
- support new entrepreneurs entering the economy;
- support broad-based black economic empowerment;
- support small and medium enterprises;
- promote regional equity, including:
  - development of rural areas
  - supporting development in poorer provinces
  - stimulating economic activity in previous townships
- support export focused enterprises; and
- ensure environmentally sustainable development.

Furthermore, the IDC acts in support of government's African strategies and therefore also has the following objective to support industrial development in the rest of Africa.

In line with government's priority areas, IDC's development targets for 2009/10 focused on job creation, rural development, SME development and investment in the rest of Africa.

The IDC aims to achieve its objectives while ensuring its long-term financial sustainability.

In order to fulfil its role as a catalyst, it is incumbent on the IDC to lead by example, in both its internal and external operations. Performance measures are integrated with other objectives around customer perspectives, internal business procedures and organisational growth, learning and innovation. In order to ensure IDC's continued ability to deliver on its objectives in the longer term, the performance measures includes indicators for IDC maintaining its statement of financial position integrity.

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

Performance measurement process and guidelines

The guidelines applied for selecting parameters and activities to be measured are that they should:

- contribute to the IDC's objectives;
- be measurable; and
- be controllable.

Performance indicators are measured and reported to the IDC's Executive and Board on an annual basis. Regular activity reports and management accounts ensure that deviation from the target paths can be detected and corrected if necessary.

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

The measurement of performance is reviewed by an external auditing firm to ensure that the targets are achieved according to the original intentions and that the overall performance is a fair reflection of the Corporation's activities during the period under review. Furthermore, the targets set for each period are evaluated for compliance with the IDC's objectives, fairness, and compliance with the rules of the performance management system.

Performance indicators

The IDC has adopted a balanced scorecard approach to structure its targets and measures aspects of shareholder returns, internal processes, learning and growth, and customer and community perspectives.

IDC measures performance against both short-term and long-term targets. Long-term targets include indicators that are not suited to short-term measurement as their outcomes cannot be effectively influenced or measured in the short term. Performance against these targets is measured over a three-year period.

Targets in the 'shareholder returns' category measure IDC's performance in terms of those aspects for which the Shareholder expects the Corporation to deliver, namely development and long-term financial sustainability. Short-term development indicators include measurement of the expected number of jobs created and saved through IDC's funding approvals, the number of jobs expected to be created in rural areas, the number of SMEs receiving funding and a target for investment in the rest of Africa. Long-term indicators include measurements for the implementation and sustainability of jobs created, development of IDC's strategy as well as growth in the value of IDC's unlisted portfolio.

'Internal processes' focuses on short-term indicators of financial returns as well as movement in IDC's portfolio towards a balance that should ensure increased development and financial returns. The implementation of transactions previously approved is also measured through an indicator for the disbursement of funds. Long-term indicators in this section consist of a measure for the quality of IDC's portfolio as well as IDC's profitability.

The 'learning and growth' perspective measures staff turnover.

In the short-term indicators, the 'customer and community' perspective consists of a measure for customer satisfaction. Long-term indicators include a measurement for stakeholder perceptions.

Reflection on current performance

The IDC measures its performance in a balanced manner, and accounts for both positive and negative performance. During the year in review, IDC experienced varied results in terms of performance against targets, with some targets being met and the recession impacting on the achievement of others.

In line with the country's focus on addressing unemployment, IDC's targets include an indicator for the number of jobs that is expected to be created and saved through businesses for which funding facilities were approved for the year. New funding approvals for the year are expected to create and save in excess of 41 000 jobs in South Africa. Despite comparatively good performance in terms of new funding approvals, the year also saw a number of transactions approved in previous years being cancelled. These cancellations reduce the number of jobs expected to be created by 16 000, having a net result of 25 000 jobs expected to be created for the year's funding approvals. In order to improve internal processes, IDC only measured a portion of these jobs at the time when the transaction is approved and an additional portion when agreements with the client are signed. After adjusting for this, 19 300 jobs are accounted for against a targeted 37 745.

The gross number of funding approvals declined marginally to 253 compared to 262 in 2009. After cancellations are taken into account, the number declines to 213 compared to 231 in 2009. Altogether 67% of the number of approvals (142) is benefiting small and medium enterprises. After taking into account differences in approval of transactions and signing of agreements, this number used for performance purposes declines to 124.

The target for approvals of development of the rest of Africa, with the net value of approvals benefiting the rest of the continent amounting to R2,8 billion (R2,4 billion after taking into account agreements signed).

Tough economic conditions and higher levels of cancellations of transactions previously approved resulted in the IDC not being able to achieve its objectives in the actual creation of jobs, with 57% of the targeted 80% of gross jobs created and saved.

IDC targeted to disburse R5,3 billion, excluding funding for distressed companies, in the financial year. One of the implications of the economic crisis was that projects' implementation were being delayed resulting in disbursements excluding funding to distressed businesses reaching R4,8 billion.

One of the most important measures for IDC's long-term sustainability is its ability to identify development opportunities, invest in them and assist such companies to grow over the long term. One indicator of the success of this is the growth in the value of its unlisted investments. Over the three years to March 2010, the value of IDC's unlisted portfolio grew at an average annual rate of 11% per annum, slightly below the target of 12,3%.

Another area impacted by the tougher economic conditions was dividend receipts. Against a budgeted R530 million, R320 million worth of dividends was received from unlisted companies. The impairments charge to the income statement reduced compared to 2009, and was below budget. Operating expenses at R917 million was also below budget.

The upward trend experienced in customer satisfaction since 2005 to 2009 declined slightly along with the rating for stakeholder relations.

A detailed analysis of the corporate performance is provided in the table below:

Short term		
Parameter (Weight)	**Activity/output target**	**Performance**
Expected number of jobs created and saved in South Africa* (22%)	37 745 jobs saved and expected to be created through funding approvals, with at least 8 554 of these jobs in rural areas	19 300 jobs saved and expected to be created through funding approvals 9 651 of these jobs will be in rural areas
Number of funding approvals to SMEs* (7%)	Approve 145 transactions to SMEs	124 transactions to SMEs approved
Value of approvals benefiting the development of the rest of Africa* (6%)	Approve R1,8 billion for the development of the rest of Africa	R2,4 billion approved for the development of the rest of Africa
Disbursement of funds, excluding disbursement of distressed funds (15%)	Disburse funding of R5,3 billion	Funding of R4,8 billion disbursed
Dividend income from unlisted investments (9%)	Dividend income of R530 million	Dividend income of R320 million
Net interest margin (13%)	Achieve a margin on loans of 1,8% with income from fees and other items of at least R102 million	Margin of 2,3% achieved Fee and other income of R109 million
Impairments, bad debt write-offs and project impairments charge to income statement (9%)	Limit the impact of impairments to R1 270 million	Impairments impact on income statement of R1 202 million
Operating expenses (excluding impairments and project expenses) (9%)	Limit operating expenses to R1 034 million	Operating expenses of R917 million
Improve customer satisfaction (10%)	Achieve a customer satisfaction rating of at least 86	Customer satisfaction rating of 84 achieved
Long term		
Actual job creation vs budgeted job creation (20%)	At least 80% of gross budgeted jobs should be created	57% of jobs created and sustained
Support the implementation of IPAP (10%)	Develop sector specific strategies for the implementation of IPAP	Strategies developed
Ensure IDC's long-term financial sustainability by ensuring that unlisted investments yield sufficient returns (15%)	Average annual growth in fair value of unlisted investments to exceed 12,3% per annum	Growth of 11% per annum recorded over past three years
IDC profitability, including unrealised returns (10%)	Achieve 10,4% return on assets, including unrealised returns	17% return realised

**70% at approval and 30% at the signing agreement.*

Long term		
Parameter (Weight)	Activity/output target	Performance
Manage the quality of IDC's portfolio of investments (20%)	Impairments and write-offs as a percentage of the average portfolio valued at cost should be below 17,3%	Achieved a percentage of 16,3%
Reduce the staff turnover of management and professional employees (10%)	Reduce staff turnover to below 9%	Average staff turnover for management and professional staff over three years at 10%
Ensure good stakeholder relations (15%)	Achieve a score of 51,7 in stakeholder perceptions survey	Score of 50,7 achieved

Funding

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

The IDC Mini-Group's general funding requirements for 2010 amounted to R8,7 billion (2009: R11,7 billion), consisting of financing advances of R6,0 billion and borrowing redemptions of R2,7 billion. These requirements were partly met out of R6,0 billion of internally generated funds, namely repayments received and profits. New borrowings were limited to R1,7 billion for the year.

Corporate governance

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

Public Finance Management Act

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

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

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

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

Subsidiaries and joint ventures

Details of each trading subsidiary and joint venture are set out in the annexures on pages 161 to 163.

Dividends

A dividend of R120 million (2009: R100 million) was paid during the financial year. On 1 July 2010 the directors declared a dividend of R50 million.

Valuation of shares

The value of the Group's investment in listed shares increased to R47,0 billion in the 2010 financial year from R34,5 billion at the end of the 2009 financial year, due to the recovery in the stock market.

Post-balance sheet events review

The value of the Group's listed shares has decreased by R5,5 billion since year-end as a result of movements in the listed equities market.

Share capital

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

Audit Committee information

The names of the Audit Committee members are reflected on pages 6 to 9. The meetings held and attendance record are outlined in an earlier section of this annual report.

Directors and secretary

The current directors of the IDC are reflected on pages 6 to 9, which also provides brief biographical details.

The name and registered office of the Secretary appears on page 180.

Directors' Report continued

Board of Directors' responsibility for the financial statements for the year ended 31 March 2010

This report is presented in terms of Treasury Regulations and the Public Finance Management Act, No 1 of 1999, as amended, and is focused on the financial results and financial position of the IDC. Information pertaining to the IDC's state of affairs, its business and performance against predefined objectives are disclosed elsewhere in the annual report. The prescribed disclosure of the emoluments in terms of Treasury Regulation 28.1.1 is reflected in note 25 of the financial statements.

The Board of Directors (the Board) are responsible for the preparation and fair presentation of the IDC Group annual financial statements and separate annual financial statements, comprising the consolidated and separate statements of financial position at 31 March 2010, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act and the Companies Act of South Africa.

The Boards' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Boards' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

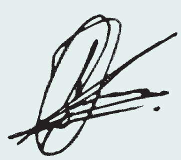
The independent external auditors are responsible for expressing an opinion on the group annual financial statements and separate annual financial statements.

The IDC financial statements and group financial statements set out on pages 104 to 178 have been prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa and the requirements of the Public Finance Management Act, 1999, as amended. They are based on appropriate accounting policies consistently applied and supported by reasonable judgements and estimates.

The Board believes that the IDC will be a going concern in the year ahead and has for this reason adopted the going concern basis in preparing the financial statements and group financial statements.

The Board approved the group annual financial statements and separate annual financial statements on 1 July 2010 and they are signed on its behalf by:

MW Hlahla
Chairman



MG Qhena
Chief Executive Officer

Declaration by the Group Company Secretary

In terms of section 268G(d) of the Companies Act of South Africa, I certify that, to the best of my knowledge and belief, the IDC has lodged with the Registrar of Companies for the financial year ended 31 March 2010 all such returns as are required in terms of the Companies Act, and that all such returns are true, correct and up to date. In terms of section 19 of the IDC Act, No 22 of 1940, as amended, I certify that for the financial year ended 31 March 2010, the IDC has lodged with the Minister of Trade and Industry the financial statements in respect of the preceding financial year.

E Moeti-Motlhamme
Group Company Secretary

Summary of the Group's Significant Accounting Policies

1. Reporting entity

The Industrial Development Corporation of South Africa Limited (IDC) is domiciled in South Africa. The consolidated financial statements for the year ended 31 March 2010 comprise the IDC, its subsidiaries and the Group's interest in associates, joint ventures and partnerships (referred to as the Group).

2. Basis of preparation

(a) 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 South African Companies Act and the requirements of the Public Finance Management Act, No 1 of 1999, as amended.

The financial statements were authorised for issue by the directors on 1 July 2010.

(b) Functional and presentation currency

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

(c) Basis of measurement

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

- derivative financial instruments are measured at fair value;
- financial instruments held-for-trading are measured at fair value;
- financial instruments classified as available-for-sale are measured at fair value;
- biological assets are measured at fair value less costs to sell;
- investment property is measured at fair value;
- land and buildings are measured at fair value;
- financial assets and financial liabilities designated at fair value through profit or loss are measured at fair value; and
- investments in subsidiaries, associates and jointly controlled entities are carried at fair value in the separate financial statements of the company.

(d) Impact of standards, interpretations and amendments that are not yet effective

The following new standards and interpretations are not yet effective for the current financial year. The Group will comply with the new standards from the effective dates.

Standard/interpretation		Effective date
IFRS 2	*Share-based Payment* amendment – amendments relating to group cash-settled share-based payment transactions	Annual periods beginning on or after 1 January 2010
IFRS 3	*Business Combinations* revised	Annual periods beginning on or after 1 July 2009
IFRS 5	*Non-Current Assets Held-for-Sale and Discontinued Operations* – Annual Improvements to IFRS April 2009	Annual periods beginning on or after 1 January 2010
IFRS 9	*Financial Instruments* – Classification and Measurement	Annual periods beginning on or after 1 January 2013
IAS 1	*Presentation of Financial Statements* – Annual Improvements to IFRS April 2009	Annual periods beginning on or after 1 January 2010
IAS 7	*Statement of Cash Flows* – Annual Improvements to IFRS April 2009	Annual periods beginning on or after 1 January 2010
IAS 17	*Leases* – Annual Improvements to IFRS April 2009	Annual periods beginning on or after 1 January 2010
IAS 24	*Related Party Disclosures* – Revised definition of related parties	Annual periods beginning on or after 1 January 2011
IAS 32	*Financial Instruments* – Amendments relating to classification of rights issues	Annual periods beginning on or after 1 February 2010
IAS 38	*Intangible Assets* – Annual Improvements to IFRS April 2009	Annual periods beginning on or after 1 July 2009
IAS 39	*Financial Instruments: Recognition and Measurement* – Amendments for eligible hedged items	Annual periods beginning on or after 1 July 2009
IAS 39	*Financial Instruments: Recognition and Measurement* – Annual Improvements to IFRS April 2009	Annual periods beginning on or after 1 January 2010

Standard/interpretation		Effective date
IFRIC 17	*Distributions of Non-cash Assets to Owners*	Annual periods beginning on or after 1 July 2009
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*	Annual periods beginning on or after 1 July 2009

Note: All standards will be adopted at their effective date (except for the effect of those standards that are not applicable to the Group).

The directors are of the opinion that the impact of these standards will be as follows:

- IFRS 2 – *Share-based Payment amendments*

  The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that:
  - an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. This entity will classify the share-based payments as equity-settled if it has an obligation to transfer its own equity instruments or if it does not have an obligation to settle the transaction. Any other are cash-settled.
  - in IFRS 2 a 'group' has the same meaning as in IAS 27 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries.

  The amendments are expected to affect the Group's accounting for business combinations that occur after 1 July 2009. The effect on the financial statements will be a function of the number and value of any share-based payments transacted after the effective date.

- IFRS 3 – *Business Combinations*

  The principal amendments to IFRS 3 include:
  - the requirement to expense all acquisition-related costs;
  - recognition of fair value gains and losses in the statement of comprehensive income on interests in an acquiree at the time at which control is lost;
  - recognition of all increases and decreases in ownership interests over an acquiree within equity whilst control is held;
  - the option to recognise any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets of the entity acquired;
  - restriction of adjustments to the initial measurement of contingent considerations on a business combination, with subsequent measurement of such items being recognised in the statement of comprehensive income; and
  - the requirement at acquisition to reclassify and redesignate all contractual arrangements, excluding leases and insurance contracts.

The amendments are expected to affect the Group's accounting for business combinations that arise after the date on which the amendments are adopted. The effect on the financial statements will be a function of the number and value of any business combinations transacted after the effective date.

- IFRS 5 – *Non-current Assets Held-for-Sale and Discontinued Operations*

  IFRS 5 is amended to state that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in that standard. The disclosure requirements of other IFRS are applicable to those assets (or disposal groups) only if they specifically require disclosures in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations, or they relate to items not within the measurement scope of IFRS 5.

  The amendment is expected to affect only the disclosures of the Group.

- IFRS 9 – *Financial Instruments – Classification and Measurement*

  IFRS 9 will replace parts of IAS 32. IFRS 9 introduces new requirements for classifying and initial measurement of financial assets that must be applied starting 1 January 2013.

  The new standard is expected to have a significant impact on the results of the Group.

- IAS 1 – *Presentation of Financial Statements*

  IAS 1 is amended to state that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments.

The amendment is expected to affect only the disclosures of the Group.

- IAS 7 – *Statement of Cash Flows*
  IAS 7 is amended to state explicitly that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

  The amendment is expected to affect only the disclosures of the Group.

- IAS 24 – *Related Party Disclosures*
  In response to the concerns about the definition of "a related party", the IASB made the definition symmetrical, i.e. if one entity is identified as a related party in another entity's financial statements, then the other entity also will be a related party in the first entity's financial statements, and removed inconsistencies in the definition.

  The amendment is expected to affect only the disclosures of the Group.

- IAS 32 – *Financial Instruments: Presentation – Amendments relating to the classification of rights issues*
  For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all of an entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

  This amendment is not expected to have an impact on the Group's results.

- IAS 38 – *Intangible Assets*
  - The amendments indicate that an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognised separately from goodwill together with the related item. In addition, the amendments state that complementary intangible assets with similar useful lives may be recognised as a single asset.
  - The amendments clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination for which no active market exists.

  This amendment is not expected to have an impact on the Group's results.

- IAS 39 – *Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items*

  Inflation in a financial hedged item

  Inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. Therefore, where an entity acquires or issues inflation-linked debt, it has a cash flow exposure to changes in future inflation to which cash flow hedge accounting may be applied. However, the amendment clarifies that an entity may not designate an inflation component of issued or acquired fixed-rate debt in a fair value hedge because such a component is not separately identifiable and reliably measurable. The amendments also clarify that a risk-free or benchmark interest rate portion of the fair value of a fixed-rate financial instrument will normally be separately identifiable and reliably measurable and, therefore, may be hedged.

  A one-sided risk in a hedged item

  IAS 39 permits an entity to designate purchased options as a hedging instrument in a hedge of a financial or non-financial item. The entity may designate an option as a hedge of changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (that is, a one-sided risk). The amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective. The time value of a purchased option is not a component of the forecast transaction that impacts profit or loss. Therefore, if an entity designates an option in its entirety as a hedge of a one-sided risk arising from a forecast transaction, hedge ineffectiveness will arise. Alternatively, an entity may choose to exclude time value as permitted by IAS 39 to improve hedge effectiveness.

  This amendment is not expected to have an impact on the Group's results.

- IAS 39 – *Financial Instruments: Recognition and Measurement*
  - The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated. If an exercise price of an embedded prepayment option reimburses the lender for an amount not exceeding the approximate present value of the lost interest for the remaining term of the host contract, then the economic characteristics and risks of the prepayment option embedded in a host debt or host insurance contract are closely related to the host contract and the embedded derivative is not separated from the host contract.

– The amendments state that the gains or losses on a hedged instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows impact profit or loss.

These amendments are not expected to have an impact on the Group's results.

- IFRIC 17 – *Distributions of Non-cash Assets to Owners* applies to the entity making the distribution, not to the recipient. It applies when non-cash assets are distributed to owners or when the owner is given a choice of taking cash in lieu of the non-cash assets. This interpretation is not expected to have an impact on the Group's results.

- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*
  - If a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are 'consideration paid'. Accordingly, the debtor should derecognise the financial liability fully or partly.
  - The debtor should measure the equity instruments issued to the creditor at fair value, unless fair value is not reliably determinable, in which case the equity instruments issued are measured at the fair value of the liability extinguished.
  - If only part of a liability is extinguished, the debtor must determine whether any part of the consideration paid relates to modification of the terms of the remaining liability. If it does, the debtor must allocate the fair value of the consideration paid between the liability extinguished and the liability retained.
  - The debtor recognises in profit or loss the difference between the carrying amount of the financial liability (or part) extinguished and the measurement of the equity instruments issued.
  - When only part of the liability is extinguished, the debtor must determine whether the terms of the remaining debt have been substantially modified (taking into account any portion of the consideration paid that was allocated to the remaining debt). If there has been a substantial modification, the debtor should account for an extinguishment of the old remaining liability and the recognition of a new liability.

  IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. This interpretation is not expected to have an impact on the Group's results.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates form the basis of judgements pertaining to the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(f) Changes in accounting policies

i. Overview

As of 1 April 2009, the Group has changed its accounting policies in the following areas:
- Determination and presentation of operating segments; and
- Presentation of financial statements.

ii. Determination and presentation of operating segments

As of 1 April 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 – *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 – *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 revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

iii. Presentation of financial statements
The Group applies revised IAS 1 – *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounting policies have been applied consistently by Group entities.

Basis of consolidation

Subsidiaries

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

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

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.

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

Special purpose entities

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

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

Associates

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

The Group's share of its associates' post-acquisition profits and losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted for against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains and losses arising from transactions with equity-accounted investments are eliminated against the investment to the extent of the Group's interest in the investment. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

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

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

Joint ventures and partnerships

Joint ventures and partnerships are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic and operating decisions. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity-accounted basis, from the date that joint control established by contractual agreement commences until the date that it ceases. When the Group's share of losses exceeds its interest in a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

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

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

Financial assets

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedging instruments.
The Group designates financial assets at fair value through profit or loss when:

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

Loans and receivables

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

Held-to-maturity

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

Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets.

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Recognition and measurement

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when the cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Upon initial recognition, attributable transaction costs on financial assets at fair value through profit or loss are recognised in profit or loss.
Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards

of ownership, without retaining control. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

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

Financial liabilities

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

Where the Group classifies certain liabilities at fair value through profit or loss, changes in fair value are recognised in the statement of comprehensive income. This designation by the Group takes place when either:

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Financial guarantees

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Impairment of financial assets carried at amortised cost

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

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

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

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

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

The recoverable amount of the assets is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset).
For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

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

Impairment of available-for-sale financial assets

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

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value,

Summary of the Group's Significant Accounting Policies continued

less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Any increase in the fair value after an impairment loss has been recognised is treated as a revaluation and is recognised directly in other comprehensive income.

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

Impairment of non-financial assets

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

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

Cash-generating units

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

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

Goodwill

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

Other non-financial assets

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

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

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

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Derivative financial instruments

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

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

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

Embedded derivatives

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

Hedge accounting

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

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

Measurement

If the hedge meets the conditions to qualify for hedge accounting during the period, it is subsequently accounted for as follows:

Classification	Hedging instrument	Hedged item
Fair value hedge	Fair value, with changes in fair value recognised in the statement of comprehensive income.	Fair value in respect of the hedged risk. Any adjustments to the carrying amount related to the hedged risk are recognised in the statement of comprehensive income.
Cash flow hedge	Fair value, with the effective portion of changes in its fair value recognised directly in a separate component of equity through the statement of changes in equity and the ineffective portion is recognised in the statement of comprehensive income. The change in fair value recognised directly in other comprehensive income is transferred to the statement of comprehensive income when the future transaction affects profit or loss.	No adjustments are made to the carrying amount of the hedged item.

Discontinuation of hedge accounting

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

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

Intangible assets

Goodwill

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

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

Foreign currency translation

Functional and presentation currency

The Group's presentation currency is South African rand. The functional currency of each Group entity is the currency of the primary economic environment where each entity in the Group has its main activity. The consolidated financial statements are presented in South African rand, which is IDC's functional and presentation currency.

Summary of the Group's Significant Accounting Policies continued

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 are 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 into South African rand at foreign exchange rates ruling at the dates the fair value was determined.

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

Financial statements of foreign operations

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

Investment property

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

Measurement

Investment property is measured initially at cost, including transaction costs and directly attributable expenditure in preparing the asset for its intended use. Subsequently, all investment properties are measured at fair value.

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

The fair value of undeveloped land held as investment property is based on comparative market prices after intensive market surveys.

Gains or losses arising from a change in fair value are recognised in the statement of comprehensive income.

Independent valuers have appropriate, recognised professional qualifications and recent experience in the location and category of the property being valued and value the portfolio every year.

Property, plant and equipment

Measurement

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

Except for the land and 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 and buildings, and aircraft are subsequently measured at fair value. Land and 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, and value the portfolio every year.

Any surplus in excess of the carrying amount is transferred to a revaluation reserve net of deferred tax. Surpluses on revaluation are recognised as income to the extent that they reverse revaluation decreases of the same assets recognised as expenses in previous periods. Deficits on revaluation are charged directly against the revaluation reserves only to the extent that the decrease does not exceed the amount held in the revaluation reserves in respect of that same asset. Other deficits are recognised in the statement of comprehensive income.

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

Subsequent cost

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

Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis, based on the estimated useful lives of the underlying assets. Depreciation is calculated on the cost less any impairment and expected residual value. The estimated useful lives for the current and comparative periods are as follows:

Components	Useful lives
Land and buildings	
Land	Indefinite
Building structure	50 years
Elevators	10 years
Air-conditioning systems	5 years
Plant and equipment	
Aircraft	5 years
Heavy plant and machinery	10 - 20 years
Equipment	8 - 10 years
Factory equipment	4 - 5 years
Capital insurance spares	10 - 16 years
Other	
Motor vehicles	1 - 5 years
Office furniture and equipment	1 - 5 years

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

Derecognition

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

Gains or losses arising from derecognition are determined as the difference between the net disposal proceeds and the carrying amount of the item of property, plant and equipment and included in the statement of comprehensive income when the items are derecognised. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Biological assets

A biological asset is a living animal or plant.

Measurement

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

Gains or losses arising on the initial recognition of a biological asset at fair value less estimated costs to sell, and from a change in fair value less estimated costs to sell are included in the statement of comprehensive income for the period in which they arise.

Leases

Operating leases

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

Group as lessor

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

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

Group as lessee

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

Finance leases

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

Summary of the Group's Significant Accounting Policies continued

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

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

At inception or upon reassessment 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.

Inventories

Spares and consumables

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

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

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

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

Raw materials and finished goods

Raw materials and finished goods consisting of phosphate rock, phosphoric acid and other minerals are valued at the lower of cost of production or net realisable value.

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

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

Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, from which it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably. If the effect is material, 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, where appropriate, the risks specific to the liability.

Decommissioning provision

The obligation to make good environmental or other damage incurred in installing an asset is provided in full immediately, as the damage arises from a past event.

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

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

Onerous contracts

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

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

Contingent liabilities and commitments

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities are not recognised in the statement of financial position of the Group but disclosed in note 35.

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 note 33.

Taxation

Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income. Additional income tax that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

The charge for current tax is based on the results for the period as adjusted for items which are not taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

Deferred tax

Deferred income tax and deferred capital gains tax are accounted for on the comprehensive basis, using the liability method for all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. In principle, deferred tax is recognised for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which unused tax deductions can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax will be realised.
Deferred tax is not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting income. Deferred tax is also not recognised in respect of temporary differences relating to investments in associates, subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future and the timing of the reversal of the temporary difference is controlled.

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

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

Revenue

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

Sales to customers

Revenue from sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, associated costs and possible return of goods can be estimated reliably and there is no continuing managerial involvement with the goods.

Dividends

Dividends receivable, declared but not received, are included in income on the basis of the last date of registration. Capitalisation shares received are not recognised as income.

Summary of the Group's Significant Accounting Policies continued

Interest

Interest income is recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

Rental income

See policy on leases on pages 115 to 116.

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.

Employee benefits

Defined contribution plans

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

Defined benefit plan

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

Where the calculation in respect of the defined benefit plan results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of the plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by the independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated cash outflows, using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and the effects of changes in actuarial assumptions to the defined benefit plans are recognised in income to the extent that cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceed the greater of 10% of:

- the present value of gross defined benefit obligation at that date; and
- the fair value of any plan assets at that date.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service life of the related employees.

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 every third year by independent qualified actuaries.

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 CEO (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discreet financial information is available.

The Group has two reportable segments: Financing activities and Foskor (Pty) Limited, which offer different products and services and are managed separately. Information regarding the results for each reportable segment is included on pages 127 and 128, which is prepared using accounting policies consistent with those of the Group.

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

Discontinued operations

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

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

Non-current assets held-for-sale

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

Measurement

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

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

Reclassification

The non-current asset held-for-sale will be reclassified immediately when there is a change in intention to sell. At that date, it will be measured at the lower of:

- its carrying amount 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.

Related parties

The IDC operates in an economic environment, together with other entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of executive management up to the Board of Directors are regarded as key management per this definition.

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.

4. 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 are 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) Property, plant and equipment

The market value of land and buildings is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

(b) Intangible assets

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

(c) 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 such a property would fetch, i.e. the market related rental between a willing landlord and tenant. The usual property outgoings are deducted to achieve a net rental, which is then capitalised at a rate an investor receiving the income would require.

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.

(d) 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.

(e) 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.

5. Critical accounting policies and judgements

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

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

(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 on the reporting date.

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

Judgement and assumptions in the valuations and impairments include:

- free cash flows of investees;
- replacement values;
- determining the discount or premium applied to the IDC's stake in investees;
- sector/sub-sector betas;
- debt weighting – this is the target interest-bearing debt level;
- determining the realisable value of assets; and
- probabilities of failure in using the NAV-model.

(c) Post-employment obligations

Significant judgement and actuarial assumptions are required to determine the fair value of the post-employment obligations. More detail on these actuarial assumptions is provided in note 36 to the financial statements.

(d) Environmental rehabilitation liability

In determining the environmental rehabilitation liability, an inflation rate of 6,16% (FY2009: 6%) was assumed to increase the rehabilitation liability for the next 20 years, and a rate of 8,97% (FY2009: 8,6%) to discount that amount to present value. The discount rate assumed of 8,97% is a risk-free rate, specifically the rate at which the R186 South African government bond was quoted at year-end.

(e) Fair value of share-based payments

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

(f) Impairment of assets

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

Statements of Financial Position

as at 31 March 2010

(R'm)	Notes	Group 2010	Group 2009	IDC 2010	IDC 2009
Assets					
Cash and cash equivalents	2	2 866	5 607	2 227	5 133
Derivative assets	16	4	42	3	27
Trade and other receivables	3	873	1 796	220	297
Income tax receivable		468	132	450	122
Loans and advances	4	10 374	8 820	8 208	7 011
Non-current assets held-for-sale	5	15	–	–	–
Inventories	6	876	816	20	10
Investments	7	57 949	42 355	41 701	27 665
Investments in subsidiaries	8			26 833	29 816
Investments in associates, partnerships and joint ventures	9	10 942	10 704	13 182	9 275
Deferred taxation asset	10	16	14	–	–
Investment property	11	102	45	9	9
Property, plant and equipment	12	4 136	3 038	158	181
Biological assets	13	8	6	5	2
Intangible assets	14	2	2	–	–
Total assets		88 631	73 377	93 016	79 548
Equity					
Share capital	15	1 393	1 393	1 393	1 393
Reserves		77 796	63 294	75 096	63 105
Total equity attributable to the holders of the parent		79 189	64 687	76 489	64 498
Non-controlling interests		366	358		
Total equity		79 555	65 045	76 489	64 498
Liabilities					
Bank overdrafts		3	14	–	–
Derivative liabilities	16	69	101	63	68
Other liabilities	17	1 268	1 339	986	502
Income tax payable		8	108	–	–
Loans	18	3 527	5 165	10 101	11 234
Liabilities directly associated with non-current assets held-for-sale	5	1	–	–	–
Deferred taxation liability	10	3 795	1 171	5 223	3 048
Provisions	19	213	228	54	59
Employee benefit liabilities	36	192	206	100	139
Total liabilities		9 076	8 332	16 527	15 050
Total equity and liabilities		88 631	73 377	93 016	79 548

Statements of Comprehensive Income

for the year ended 31 March 2010

		Group		IDC	
(R'm)	Notes	2010	2009	2010	2009
Revenue	20	7 785	14 985	3 191	6 449
Cost of sales		2 565	5 162	–	4
Gross profit		5 220	9 823	3 191	6 445
Financing costs	21	528	570	462	571
Gross profit after financing costs		4 692	9 253	2 729	5 874
Net capital gains	23	573	128	573	325
Other income		159	–	–	3
Operating expenses		3 416	4 067	2 338	2 636
Net operating income	24	2 008	5 314	964	3 566
Share of profit of equity-accounted investments		40	1 132	96	–
Profit before tax		2 048	6 446	1 060	3 566
Taxation	26	(181)	825	(304)	9
Profit for the year		2 229	5 621	1 364	3 557
Other comprehensive income					
Revaluation of available-for-sale financial assets		15 066	(20 554)	13 057	(21 452)
Revaluation of properties		(35)	221	(26)	26
Share of other comprehensive losses of associates		(347)	(1 254)	(26)	(53)
Share-based payment expense		304	–	–	–
Tax on other comprehensive income		(2 582)	5 219	(2 258)	5 393
Other comprehensive income/(loss) net of tax		12 406	(16 368)	10 747	(16 086)
Total comprehensive income/(loss)		14 635	(10 747)	12 111	(12 529)
Profit for the year					
Attributable to:					
Equity holders of the parent		2 214	5 352	1 364	3 557
Non-controlling interests		15	269		
Profit for the year		2 229	5 621	1 364	3 557
Total comprehensive income					
Attributable to:					
Equity holders of the parent		14 627	(11 060)	12 111	(12 529)
Non-controlling interests		8	313		
Total comprehensive income		14 635	(10 747)	12 111	(12 529)

Statements of Changes in Equity

for the year ended 31 March 2010

(R'm)	Share capital	Revaluation reserve*	Associated entities reserves	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Total attributable to equity-holders of the Group	Non-controlling interest	Total equity
Group									
Balance at 31 March 2008	1 393	48 222	4 940	242	21 006		75 803	45	75 848
Total comprehensive income for the year		(15 114)	(1 897)	643	5 352		(11 016)	269	(10 747)
Profit for the year					5 352		5 352	269	5 621
Other comprehensive income, net of tax		(15 114)	(1 897)	643			(16 368)		(16 368)
Revaluation of investments to fair value									
– Fair value adjustments		(20 374)					(20 374)		(20 374)
– Impairment losses		(200)					(200)		(200)
Revaluation of property, plant and equipment to fair value		221					221		221
Reversal of previous equity impairments		20					20		20
Share of other comprehensive income of associates			(1 897)	643			(1 254)		(1 254)
Deferred taxation		5 219					5 219		5 219
Non-controlling interest on acquisition of subsidiaries								239	239
Dividends paid					(100)		(100)	(195)	(295)
Balance at 31 March 2009	**1 393**	**33 108**	**3 043**	**885**	**26 258**		**64 687**	**358**	**65 045**
Total comprehensive income for the year		**12 449**	**562**	**(909)**	**2 214**		**14 316**	**15**	**14 331**
Profit for the year					**2 214**		**2 214**	**15**	**2 229**
Other comprehensive income, net of tax		**12 449**	**562**	**(909)**			**12 102**		**12 102**
Revaluation of investments to fair value									
– Fair value adjustments		**14 871**					**14 871**		**14 871**
– Impairment losses		**167**					**167**		**167**
Revaluation of property, plant and equipment to fair value		**(35)**					**(35)**		**(35)**
Reversal of previous equity impairments		**28**					**28**		**28**
Share of other comprehensive income of associates			**562**	**(909)**			**(347)**		**(347)**
Deferred taxation		**(2 582)**					**(2 582)**		**(2 582)**
Non-controlling interest on acquisition of subsidiaries				**2**			**2**	**(7)**	**(5)**
Share-based payment expense						**304**	**304**		**304**
Dividends paid					**(120)**		**(120)**		**(120)**
Balance at 31 March 2010	**1 393**	**45 557**	**3 605**	**(22)**	**28 352**	**304**	**79 189**	**366**	**79 555**

** The revaluation reserve comprises revaluations recognised in respect of land and building and available-for-sale investments.*

(R'm)	Share capital	Revaluation reserve*	Associated entities reserves	Retained earnings	Total equity
IDC					
Balance at 31 March 2008	1 393	64 210	163	11 361	77 127
Total comprehensive income for the year		(16 033)	(53)	3 557	(12 529)
Profit for the year				3 557	3 557
Other comprehensive income, net of tax		(16 033)	(53)		(16 086)
Revaluation of investments to fair value					
– Fair value adjustments		(21 257)			(21 257)
– Impairment losses		(200)			(200)
Revaluation of property, plant and equipment to fair value		26			26
Reversal of previous equity impairments		5			5
Share of other comprehensive income of associates			(53)		(53)
Deferred taxation		5 393			5 393
Dividends paid				(100)	(100)
Balance at 31 March 2009	1 393	48 177	110	14 818	64 498
Total comprehensive income for the year		10 773	(26)	1 364	12 111
Profit for the year				1 364	1 364
Other comprehensive income, net of tax		10 773	(26)		10 747
Revaluation of investments to fair value					
– Fair value adjustments		12 790			12 790
– Impairment losses		167			167
Revaluation of property, plant and equipment to fair value		(26)			(26)
Reversal of previous equity impairments		100			100
Share of other comprehensive income of associates			(26)		(26)
Deferred taxation		(2 258)			(2 258)
Dividends paid				(120)	(120)
Balance at 31 March 2010	1 393	58 950	84	16 062	76 489

** The revaluation reserve comprises revaluations recognised in respect of land and building and available-for-sale investments.*

Statements of Cash Flows

for the year ended 31 March 2010

(R'm)	Notes	Group 2010	Group 2009	IDC 2010	IDC 2009
Net cash inflows from operating activities		2 829	6 329	1 647	5 046
Cash (utilised)/generated by operations	28	(16)	2 307	(323)	(510)
Dividends received		1 895	3 451	917	4 621
Interest received		1 693	1 877	1 623	1 637
Interest paid		(528)	(570)	(462)	(571)
Taxation paid	29	(215)	(736)	(108)	(131)
Change in operating funds		(3 590)	(3 380)	(2 703)	(2 161)
Increase in operating assets		(1 920)	(2 758)	(1 565)	(2 318)
(Decrease)/increase in operating liabilities		(1 670)	(622)	(1 138)	157
Cash (utilised)/generated by operating activities		(761)	2 949	(1 056)	2 885
Net cash outflows from investing activities		(1 849)	(2 612)	(1 730)	(1 616)
Additions to property, plant and equipment		(1 136)	(709)	(32)	(149)
Proceeds on the disposal of property, plant and equipment		55	88	–	67
Proceeds on disposal of investment property		2	–	2	–
Additions to biological assets		(3)	–	(3)	–
Removal of biological assets		–	2	–	2
Additions to intangible assets		(92)	(32)	–	–
Acquisition of investments		(1 350)	(2 126)	(2 409)	(1 913)
Proceeds on realisation of investments	30	712	180	712	377
Acquisition of subsidiaries	31	(37)	(15)		
Net cash outflows from financing activities					
Dividends paid		(120)	(100)	(120)	(100)
Net (decrease)/increase in cash and cash equivalents		(2 730)	237	(2 906)	1 169
Cash and cash equivalents at the beginning of the year		5 593	5 356	5 133	3 964
Cash and cash equivalents at the end of the year		2 863	5 593	2 227	5 133
Comprises:					
Cash and cash equivalents	2	2 866	5 607	2 227	5 133
Bank overdrafts		(3)	(14)	–	–
		2 863	5 593	2 227	5 133

Segmental Report – Reportable Segments

for the year ended 31 March 2010

(R'm)	Financing activities 2010	Financing activities 2009	Foskor (Pty) Limited 2010	Foskor (Pty) Limited 2009	Other 2010	Other 2009	Total 2010	Total 2009
Group								
Income								
Interest received	1 633	1 667	80	224	(20)	(14)	1 693	1 877
Dividends received	1 920	5 313	–	–	(25)	(1 862)	1 895	3 451
Fee income	238	175	–	–	–	2	238	177
Farming, manufacturing and mining income	12	15	3 465	9 267	482	198	3 959	9 480
Revenue*	3 803	7 170	3 545	9 491	437	(1 676)	7 785	14 985
Share of profits of equity-accounted investments	98	15	–	4	528	1 828	626	1 847
Other income	–	3	72	–	87	(3)	159	–
Net capital gains	573	325	–	–	–	(197)	573	128
Expenses								
Financing costs	(476)	(538)	(48)	(25)	(4)	(7)	(528)	(570)
Operating expenses	(919)	(961)	(3 347)	(5 919)	(736)	(278)	(5 002)	(7 158)
Share of losses of equity-accounted investments	(2)	(15)	–	–	(584)	(700)	(586)	(715)
Taxation	303	(27)	(107)	(768)	(15)	(30)	181	(825)
Depreciation	(26)	(16)	(173)	(163)	(36)	(19)	(235)	(198)
Impairment of property, plant and equipment and project feasibility expenses	(133)	(86)	–	(600)	368	1	235	(685)
Net movement in impairments	(1 253)	(1 571)	–	–	274	383	(979)	(1 188)
Profit for the year	1 968	4 299	(58)	2 020	319	(698)	2 229	5 621
Total assets	93 149	100 155	4 710	4 601	(110 705)	(31 379)	88 631	73 377
Interest in equity-accounted investments	13 182	9 275	30	30	(17 169)	1 399	10 942	10 704
Total liabilities	10 227	16 857	1 228	1 445	(16 767)	(9 970)	9 076	8 332
Capital expenditure	32	149	824	485	(811)	29	1 069	663
Capital expenditure commitments	–	–	592	2 067	(475)	310	–	2 377

Financing activities – includes the IDC, Findevco, Impofin, Konoil and the Export-Import Finance Corporation of South Africa.
Other – includes Dymson Nominee, Kindoc Investments, Kindoc Sandton Properties, Konbel, Prilla 2000, certain other subsidiaries and consolidation adjustments.

** All revenue is from external customers. No single external customer accounts for more than 10% of the Group's revenue.*

Segmental Report – Geographical Areas

for the year ended 31 March 2010

	South Africa		Rest of Africa		Other		Total	
(R'm)	2010	2009	2010	2009	2010	2009	2010	2009
Group								
Income								
Interest received	1 518	1 647	162	227	13	3	1 693	1 877
Dividends received	1 863	3 374	10	43	22	34	1 895	3 451
Fee income	238	177	–	–	–	–	238	177
Farming, manufacturing and mining income	3 959	9 480	–	–	–	–	3 959	9 480
Revenue*	7 578	14 678	172	270	35	37	7 785	14 985
Share of profits of equity-accounted investments	615	1 093	11	754	–	–	626	1 847
Other income	159	–	–	–	–	–	159	–
Net capital gains	573	128	–	–	–	–	573	128
Expenses								
Financing expenses	(528)	(570)	–	–	–	–	(528)	(570)
Operating expenses	(5 002)	(7 158)	–	–	–	–	(5 002)	(7 158)
Share of losses of equity-accounted investments	(586)	(715)	–	–	–	–	(586)	(715)
Taxation	181	(825)	–	–	–	–	181	(825)
Depreciation	(235)	(198)	–	–	–	–	(235)	(198)
Impairment of property, plant and equipment and project feasibility expenses	235	(685)	–	–	–	–	235	(685)
Net movement in impairments	(979)	(1 188)	–	–	–	–	(979)	(1 188)
Profit for the year	2 011	4 560	183	1 024	35	37	2 229	5 621
Total assets	82 344	66 360	5 315	6 149	973	868	88 631	73 377
Interest in equity-accounted investments	8 441	7 701	2 501	3 003	–	–	10 942	10 704
Total liabilities	9 076	8 332	–	–	–	–	9 076	8 332
Capital expenditure	1 069	663	–	–	–	–	1 069	663
Capital expenditure commitments	–	2 377	–	–	–	–	–	2 377

Other – includes all countries outside of the African continent.

** All revenue is from external customers.*

Notes to the Financial Statements

for the year ended 31 March 2010

1. **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.

(R'm)	Notes	Held-for-trading	Loans and re-ceivables	Avail-able-for-sale	Other amortised cost	Non-financial items	Total carrying value	Fair value
Group								
31 March 2010								
Cash and cash equivalents	2	–	2 866	–	–	–	2 866	2 866
Loans and advances to clients	4	–	10 374	–	–	–	10 374	10 374
Investments – listed equities	7	–	–	44 998	–	–	44 998	44 998
Investments – unlisted equities	7	–	–	5 982	–	–	5 982	5 982
Investments – preference shares	7	884	–	6 085	–	–	6 969	6 969
Derivative assets	16	4	–	–	–	–	4	4
Trade and other receivables	3	–	713	–	–	160	873	873
		888	13 953	57 065	–	160	72 066	72 066
Loans	18	–	–	–	3 527	–	3 527	3 527
Derivative liabilities	16	69	–	–	–	–	69	69
Bank overdrafts		–	–	–	3	–	3	3
Accounts payable	17	–	–	–	984	–	984	984
		69	–	–	4 514	–	4 583	4 583
31 March 2009								
Cash and cash equivalents	2	–	5 607	–	–	–	5 607	5 607
Loans and advances to clients	4	–	8 820	–	–	–	8 820	8 820
Investments – listed equities	7	–	–	32 479	–	–	32 479	32 479
Investments – unlisted equities	7	–	–	2 621	–	–	2 621	2 621
Investments – preference shares	7	323	–	6 932	–	–	7 255	7 255
Derivative assets	16	42	–	–	–	–	42	42
Trade and other receivables	3	–	1 155	–	–	641	1 796	1 796
		365	15 582	42 032	–	641	58 620	58 620
Loans	18	–	–	–	5 165	–	5 165	5 165
Derivative liabilities	16	101	–	–	–	–	101	101
Bank overdrafts		–	–	–	14	–	14	14
Accounts payable	17	–	–	–	968	–	968	968
		101	–	–	6 147	–	6 248	6 248

1. Financial assets and liabilities continued

(R'm)	Notes	Held-for-trading	Loans and re-ceivables	Available-for-sale	Other amortised cost	Total carrying value	Fair value
IDC							
31 March 2010							
Cash and cash equivalents	2	–	2 227	–	–	2 227	2 227
Loans and advances to clients	4	–	8 208	–	–	8 208	8 208
Investments – listed equities	7	–	–	28 873	–	28 873	28 873
Investments – unlisted equities	7	–	–	5 859	–	5 859	5 859
Investments – preference shares	7	884	–	6 085	–	6 969	6 969
Investment in subsidiaries	8	–	–	26 833	–	26 833	26 833
Investments in associates, partnerships and joint ventures	9	–	–	12 932	–	12 932	12 932
Derivative assets	16	3	–	–	–	3	3
Trade and other receivables	3	–	220	–	–	220	220
		887	10 655	80 582	–	92 124	92 124
Loans	18	–	–	–	10 101	10 101	10 101
Derivative liabilities	16	63	–	–	–	63	63
Accounts payable	17	–	–	–	788	788	788
		63	–	–	10 889	10 952	10 952
31 March 2009							
Cash and cash equivalents	2	–	5 133	–	–	5 133	5 133
Loans and advances to clients	4	–	7 011	–	–	7 011	7 011
Investments – listed equities	7	–	–	17 831	–	17 831	17 831
Investments – unlisted equities	7	–	–	2 579	–	2 579	2 579
Investments – preference shares	7	323	–	6 932	–	7 255	7 255
Investment in subsidiaries	8	–	–	29 816	–	29 816	29 816
Investments in associates, partnerships and joint ventures	9	–	–	9 102	–	9 102	9 102
Derivative assets	16	27	–	–	–	27	27
Trade and other receivables	3	–	297	–	–	297	297
		350	12 441	66 260	–	79 051	79 051
Loans	18	–	–	–	11 234	11 234	11 234
Derivative liabilities	16	68	–	–	–	68	68
Accounts payable	17	–	–	–	240	240	240
		68	–	–	11 474	11 542	11 542

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
2. Cash and cash equivalents				
Cash and balances with bank	2 005	972	1 366	498
Negotiable securities	861	4 635	861	4 635
	2 866	5 607	2 227	5 133

Cash and cash equivalents comprises cash deposits with banks and negotiable securities maturing within three months. These attract interest at market related rates.

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
3. Trade and other receivables				
Trade receivables	713	1 155	220	297
Prepayments	17	18	–	–
Other receivables	143	623	–	–
	873	1 796	220	297

Trade and other receivables pledged as security

A subsidiary, Prilla 2000 (Pty) Limited, entered into an invoice discounting agreement with Nedbank Limited whereby it has discounted all its debtors and has given first cession of all receivables as security for a R40 million finance facility advanced to it.

An unrestricted cession of book debts has been pledged as security to The Standard Bank of South Africa Limited, for overdraft facilities of R2 500 000 (2009: R14 500 000) of the Group. At year-end the overdraft facility utilised amounted to R430 072 (2009: R12 646 197).

A subsidiary, South African Fibre Yarn Rugs (Pty) Limited, has ceded its trade and other receivables in amount of R27 million (2009: R22 million) as security to Absa Finance Co (Pty) Limited.

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
4. Loans and advances				
Loans and advances to clients*	12 541	10 621	10 374	8 809
Specific impairment of loans and advances	(1 997)	(1 637)	(1 997)	(1 637)
Portfolio impairment of loans and advances	(170)	(164)	(169)	(161)
	10 374	8 820	8 208	7 011

** Interest rates range between 5% and 20%.*

Notes to the Financial Statements continued

for the year ended 31 March 2010

	Group		IDC	
(R'm)	2010	2009	2010	2009
4. Loans and advances continued				
Specific allowances for impairment				
Balance at 1 April	1 637	1 578	1 637	1 571
Impairment loss for the year				
– Charge for the year	606	610	606	613
– Recoveries	(11)	(16)	(11)	(16)
– Effect of foreign currency movements	(42)	–	(42)	–
Write-offs	(193)	(535)	(193)	(531)
Balance at 31 March	1 997	1 637	1 997	1 637
Portfolio allowance for impairment				
Balance at 1 April	164	152	161	147
– Impairment charge for the year	6	12	8	14
Balance at 31 March	170	164	169	161
Total allowances for impairment	2 167	1 801	2 166	1 798
Maturity of loans and advances				
– due within three months	1 370	916	1 355	900
– due after three months but within one year	3 064	1 372	3 050	1 355
– due after one year but within two years	1 508	2 253	1 494	2 224
– due after two years but within three years	1 549	1 177	1 549	1 163
– due after three years but within four years	1 707	1 131	1 707	1 131
– due after four years but within five years	873	903	873	903
– due after five years	2 470	2 869	346	1 133
– impairment of loans and advances	(2 167)	(1 801)	(2 166)	(1 798)
	10 374	8 820	8 208	7 011
5. Non-current assets held-for-sale				
Assets classified as held-for-sale				
Property, plant and equipment				
Carrying amount at beginning of year	18	–	–	–
Revaluation of land and buildings to fair value	(3)	–	–	–
Total carrying amount at the end of the year	15	–	–	–
Liabilities classified as held-for-sale				
Provisions	1	–	–	–
	1	–	–	–
Net non-current assets held-for-sale	14	–	–	–

Certain of the assets, liabilities and profit relating to Prilla 2000 (Pty) Limited have been presented as held-for-sale following the decision to discontinue its operation in Cape Town. The decision was made by its directors to discontinue these operations due to a fire at the branch. The non-current assets are to be sold piecemeal.

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
6. Inventories				
Consumable stores	279	252	20	10
Raw materials	267	247	–	–
Finished goods	221	202	–	–
Phosphate rock	92	91	–	–
Work in progress	17	13	–	–
Ore stockpiling	–	11	–	–
	876	816	20	10

Group inventory to the value of R3 million was written down as a net realisable value adjustment at 31 March 2010 (2009: R398 million).

Ore stockpile

There were no ore stockpiles as at 31 March 2010 (2009: R11,4 million). The ore stockpile comprised ore containing phosphate and copper minerals still to be extracted, and was acquired in terms of an agreement with the Phalaborwa Mining Company.

Inventory pledged as security

General notarial bonds are registered over inventories to the value of R15 million in favour of Absa Bank as at 31 March 2010 (2009: R40 million)

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
7. Investments				
Listed equities	45 076	32 661	28 958	18 013
Impairment of listed equities	(78)	(182)	(85)	(182)
Unlisted equities	6 079	2 708	5 956	2 666
Impairment of unlisted equities	(97)	(87)	(97)	(87)
Preference shares	6 884	7 566	6 884	7 566
Preference shares – option value	884	323	884	323
Impairment of preference shares	(799)	(634)	(799)	(634)
	57 949	42 355	41 701	27 665
Specific allowance for impairment – listed equities				
Balance at 1 April	182	31	182	31
– Impairment (reversals)/charge for the year	(104)	151	(97)	151
Balance at 31 March	78	182	85	182
Specific allowance for impairment – unlisted equities				
Balance at 1 April	87	97	87	97
– Impairment charge/(reversals) for the year	10	(10)	10	(10)
Balance at 31 March	97	87	97	87
Specific allowance for impairment – preference shares				
Balance at 1 April	634	164	634	164
– Impairment charge for the year	165	470	165	470
Balance at 31 March	799	634	799	634

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
7. Investments continued				
Impairment comprises of:				
Impairment of listed equities	78	182	85	182
Impairment of unlisted equities	97	87	97	87
Impairment of preference shares	799	634	799	634
	974	903	981	903
8. Investments in subsidiaries				
Subsidiaries (refer annexure A)			26 833	29 816
Fair value of investments			25 928	29 155
Impairment of shares			(58)	(30)
Loans receivable			1 458	1 073
Impairment of loans			(495)	(382)
9. Investments in associates, partnerships and joint ventures				
Associated companies (refer annexure B)	10 692	10 531	12 932	9 102
Fair value of investments – Listed shares in associates			1 910	1 156
Fair value of investments – Unlisted shares in associates			10 211	6 991
Impairment of investments			(553)	(516)
Net asset value at acquisition	550	214		
Accumulated equity-accounted income	14 128	13 600		
Accumulated equity-accounted losses and impairments	(6 343)	(5 437)		
Goodwill	916	643		
Accumulated impaired goodwill and impairments	(212)	(188)		
Loans receivable	2 129	2 048	2 090	1 983
Impairment of loans	(476)	(349)	(726)	(512)
Partnerships and joint ventures (refer annexure C)	250	173	250	173
Partners' capital	165	220	165	220
Accumulated profits	91	(30)	91	(30)
Impairment of partners' capital	(6)	(17)	(6)	(17)
	10 942	10 704	13 182	9 275
Included in financing are the following investments which have been made in terms of section 3 (a) of the Industrial Development Act with the approval of the State President:				
Foskor Limited – At cost	–	–	5	8
Sasol Limited – At cost	131	131	–	–

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

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
10. Deferred taxation				
Composition of deferred taxation asset is as follows:				
Capital and other allowances	12	12	–	–
Calculated taxation losses	4	2	–	–
	16	14	–	–
Balance at the beginning of the period	14	335	–	–
Recognised in profit or loss				
Calculated taxation losses	2	(76)	–	–
Originating temporary differences	–	(245)	–	–
– Mining assets	–	(32)	–	–
– Forward exchange contracts	–	(17)	–	–
– Other	–	(196)	–	–
Balance at the end of the year	16	14	–	–
Composition of deferred taxation liability is as follows:				
Capital and other allowances	148	94	(309)	(254)
Capital gains and losses and fair value adjustments	3 666	1 097	5 532	3 303
	3 814	1 191	5 223	3 049
Reduced by taxation on:				
Unutilised capital expenditure	–	–	–	–
Calculated taxation losses	(19)	(20)	–	(1)
	3 795	1 171	5 223	3 048
Balance at the beginning of the year	1 171	6 609	3 048	8 434
Recognised in profit or loss/other comprehensive income				
Calculated taxation losses	(2)	(1)	1	(1)
Temporary differences	2 626	(5 440)	2 174	(5 388)
– Property, plant and equipment	125	(152)	(1)	(15)
– Provisions	27	(5)	(90)	(6)
– Mining assets	15	(45)	–	–
– Impairments	(129)	26	–	26
– Capital gains and losses and fair value adjustments	2 568	(5 145)	2 258	(5 393)
– Other	20	(119)	7	
Unutilised capital expenditure	–	3	–	3
Balance at the end of the year	3 795	1 171	5 223	3 048
Unrecognised deferred tax liabilities				
The IDC Group has no unrecognised deferred tax liabilities for the periods under review.				
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Deductible temporary differences	8	8	8	8

Deferred tax assets have not been recognised in respect of these items because it is not probable that these temporary differences will reverse in future periods.

	(R'm)	Cost/valuation 31 March 2009	Fair value adjustments	Disposals	Cost/valuation 31 March 2010
11.	Investment property				
	Group				
	Land and buildings leased to industrialists	8	2	(2)	8
	Land held for development	20	56	–	76
	Farming land and buildings	17	1	–	18
		45	59	(2)	102
	IDC				
	Land and buildings leased to industrialists	9	2	(2)	9

(R'm)	Cost/valuation 31 March 2008	Fair value adjustments	Disposals	Cost/valuation 31 March 2009
Group				
Land and buildings leased to industrialists	8	–	–	8
Land held for development	20	–	–	20
Farming land and buildings	16	1	–	17
	44	1	–	45
IDC				
Land and buildings leased to industrialists	9	–	–	9

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

Capitalisation method

An initial yield rate required by investors of 13,5% was adopted.

Comparative method

A unit price between R3,00 and R100,00 per m^2 has been used for the purpose of the valuations.

Residual land valuation method

A unit price of R50,00 per m^2 has been used for the purpose of these valuations.

11. **Investment property** continued

Independent valuers were used to determine all the fair values of investment property. All valuers used have appropriate qualifications, including Diplomas in Property Valuation, Diplomas in Advanced Property Practice and BSc Honours (Land Economy). Valuers used have between five and 30 years' experience.

(R'm)	Cost/ valuation 31 March 2009	Sub-sidiaries acquired	Additions	Disposals	Transfers	Revalu-ation	Cost/ valuation 31 March 2010
12. Property, plant and equipment							
Group							
Plant and equipment	3 652	71	465	(82)	–	–	4 106
Land and buildings	1 427	18	113	(9)	(18)	(4)	1 527
Capital work in progress	413	–	482	–	–	–	895
Aircraft	223	–	–	–	–	(26)	197
Office furniture and equipment	45	7	9	(4)	–	–	57
Motor vehicles	10	–	–	–	–	–	10
	5 770	96	1 069	(95)	(18)	(30)	6 792

(R'm)	Accumulated depreciation and impairment 31 March 2009	Sub-sidiaries acquired	Depreciation	Disposals	Impair-ments	Accumulated depreciation and impairment 31 March 2010
Group						
Plant and equipment	2 389	24	174	(13)	(317)	2 257
Land and buildings	294	2	32	(4)	(4)	320
Aircraft	3	–	17	–	1	21
Office furniture and equipment	39	3	11	(3)	–	50
Motor vehicles	7	–	1	–	–	8
	2 732	29	235	(20)	(320)	2 656
Carrying value	3 038					4 136

(R'm)	Cost/ valuation 31 March 2009	Revaluation	Additions	Disposals	Cost/ valuation 31 March 2010
12. **Property, plant and equipment** continued					
IDC					
Land	7	–	4	–	11
Plant and equipment	142	–	21	(1)	162
Aircraft	158	(26)	–	–	132
Office furniture and equipment	33	–	7	–	40
Motor vehicles	5	–	–	–	5
	345	(26)	32	(1)	350

(R'm)	Accumulated depreciation and impairment 31 March 2009	Depre- ciation	Impair- ments	Accumulated depreciation and impairment 31 March 2010
IDC				
Plant and equipment	126	6	1	133
Aircraft	–	13	1	14
Office furniture and equipment	33	7	–	40
Motor vehicles	5	–	–	5
	164	26	2	192
Carrying value	181			158

(R'm)	Cost/ valuation 31 March 2008	Sub- sidiaries acquired	Additions	Disposals	Revaluation	Cost/ valuation 31 March 2009
Group						
Plant and equipment	3 247	93	332	(20)	–	3 652
Land and buildings	1 169	24	46	(7)	195	1 427
Capital work in progress	333	–	80	–	–	413
Aircraft	101	–	197	(101)	26	223
Office furniture and equipment	31	8	7	(1)	–	45
Motor vehicles	8	1	1	–	–	10
	4 889	126	663	(129)	221	5 770

(R'm)	Accumulated depreciation and impairment 31 March 2008	Subsidiaries acquired	Depre-ciation	Disposals	Impair-ments	Accumulated depreciation and impairment 31 March 2009
12. Property, plant and equipment continued						
Group						
Plant and equipment	1 556	71	158	(2)	606	2 389
Land and buildings	260	7	28	(1)	–	294
Aircraft	35	–	4	(36)	–	3
Office furniture and equipment	30	2	7	–	–	39
Motor vehicles	6	–	1	–	–	7
	1 887	80	198	(39)	606	2 732
Carrying value	3 002					3 038

(R'm)	Cost/ valuation 31 March 2008	Additions	Disposals	Fair value adjust-ments	Cost/ valuation 31 March 2009
IDC					
Land and buildings	7	–	–	–	7
Plant and equipment	134	8	–	–	142
Aircraft	101	132	(101)	26	158
Office furniture and equipment	25	7	–	–	33
Motor vehicles	4	1	–	–	5
	271	148	(101)	26	345

(R'm)	Accumulated depreciation and impairment 31 March 2008	Depre-ciation	Disposals	Accumulated depreciation and impairment 31 March 2009
IDC				
Plant and equipment	120	6	–	126
Aircraft	35	2	(36)	–
Office furniture and equipment	25	7	–	33
Motor vehicles	4	1	–	5
	184	16	(36)	164
Carrying value	87			181

Registers containing details of land and buildings, including details of any revaluations and encumbrances, are kept at the registered offices of the companies concerned.

	Group		IDC	
(R'm)	2010	2009	2010	2009
13. Biological assets				
Planted pistachio trees*				
Carrying amount at the beginning of the year	2	4	2	4
Additions and costs capitalised	–	1	–	1
Accumulated depreciation	–	(2)	–	(2)
Removal of trees	–	(2)	–	(2)
Carrying amount at the end of the year	2	2	2	2
Farming development cost	–	–	–	–
Total carrying amount at the end of the year	2	2	2	2

** Biological assets comprise pistachio trees of which the fair value cannot presently be determined reliably. With regard to the pistachio trees, there are no commercial crops grown in South Africa and/or elsewhere in the world with the same climate conditions or even the same tree cultivars, while the growth phase of the maize is too early to make a reliable estimate of the yield or grade of the crop. It is thus not possible to benchmark this project on the basis of a similar project.*

This is a greenfield project with high levels of uncertainty/risk. Although the revised project cash flow model is the best estimate available at this time, it has a high degree of risk and past reviews indicate that the cash flows could vary significantly over time. Therefore biological assets are carried at cost less accumulated depreciation and impairment losses.

	Group 2010	Group 2009	IDC 2010	IDC 2009
Planted walnut trees**				
Carrying amount at the beginning of the year	4	3	–	–
Farming development cost	–	1	–	–
Total carrying amount at the end of the year	4	4	–	–

*** Biological assets comprise planted walnut trees and because there is no other commercial crop grown in South Africa or anywhere in the world with the same climate conditions or even the same tree cultivars – it is thus not possible to benchmark this project on the basis of a similar project elsewhere in the world. This is a greenfield project with high levels of uncertainty/risk. Although the revised project cash flow model is the best estimate available at this time, it has a high degree of risk and past reviews indicate that the cash flows could vary significantly over time. Therefore biological assets are carried at cost less accumulated depreciation and impairment losses.*

No depreciation has been expensed to date as the planted walnut trees are not yet producing significant quantities of walnuts.

	Group 2010	Group 2009	IDC 2010	IDC 2009
Maize***				
Carrying amount at the beginning of the year	–	–	–	–
Additions and costs capitalised	2	–	3	–
Total carrying amount at the end of the year	2	–	3	–

**** Biological assets comprise maize the fair value of which cannot presently be determined reliably as the growth phase of the maize is too early to make a reliable estimate of the yield of the crop.*

	Group 2010	Group 2009	IDC 2010	IDC 2009
Total biological assets carrying value at the end of the year	8	6	5	2

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
14. Intangible assets				
Goodwill				
Cost	618	527	–	–
Balance at the beginning of the year	527	497	–	–
Arising on acquisition of subsidiaries	91	30	–	–
Accumulated impairment of goodwill	618	527	–	–
Balance at the beginning of the year	527	497	–	–
Current year impairment of goodwill	91	30	–	–
Carrying value at the end of the year	–	–	–	–
Other				
Cost	6	5	–	–
Balance at the beginning of the year	5	3	–	–
Additions	1	2	–	–
Accumulated amortisation and impairment of other intangible assets	4	3	–	–
Balance at the beginning of the year	3	2	–	–
Current year impairment	1	1	–	–
Carrying value at the end of the year	2	2	–	–
Carrying value of intangible assets	2	2	–	–
15. Share capital				
Authorised				
A shares of R1 each – 1 000 000	1	1	1	1
B shares of R1 each – 1 499 000 000	1 499	1 499	1 499	1 499
	1 500	1 500	1 500	1 500
Issued				
A shares – 1 000 000 (2009: 1 000 000)	1	1	1	1
B shares – 1 391 969 357 (2009: 1 391 969 357)	1 392	1 392	1 392	1 392
	1 393	1 393	1 393	1 393
A shares are not transferable other than by an Act of Parliament, however the B shares may be sold with the authorisation of the President.				
The A shares held by the state shall entitle it to a majority vote.				
16. Derivative financial instruments				
Derivative assets				
Foreign exchange contract assets	4	42	3	27
	4	42	3	27
Derivative liabilities				
Foreign exchange contract liability	69	75	63	68
Derivative option contracts	–	26	–	–
	69	101	63	68

(R'm)		Group 2010	Group 2009	IDC 2010	IDC 2009
17. Other liabilities					
Accounts payable		984	968	788	240
Accruals					
Bonuses		208	295	150	217
Leave pay		76	76	48	45
		1 268	1 339	986	502
Movement in accruals					
Bonuses					
Balance at the beginning of the year		295	278	217	203
Additional accruals raised during the year		179	253	120	175
Utilised during the year		(266)	(236)	(187)	(161)
Balance at the end of the year		208	295	150	217
Leave pay					
Balance at the beginning of the year		76	60	45	43
Additional accruals raised during the year		23	40	16	16
Utilised during the year		(23)	(24)	(13)	(14)
Balance at the end of the year		76	76	48	45
18. Loans					
Long-term loans					
Foreign loans		2 131	2 882	2 057	2 703
Domestic loans		39	60	6 055	5 651
		2 170	2 942	8 112	8 354
Short-term loans					
Foreign loans		945	1 096	892	1 023
Domestic loans		412	1 127	1 097	1 857
		3 527	5 165	10 101	11 234
Foreign loans	**Interest rate**				
– US dollar	1% to 5,2%	1 756	2 173	1 652	1 994
– Euro	0,75% to 6,18%	721	1 107	698	1 034
– Japanese yen	1,4% to 1,45%	73	135	73	135
– SA rand-denominated	9,82% to 13,55%	526	563	526	563
		3 076	3 978	2 949	3 726
Maturity of foreign loans					
– due within one year		945	1 096	892	1 023
– due after one year but within five years		1 727	2 010	1 653	1 834
– due after five years		404	872	404	869
		3 076	3 978	2 949	3 726
Maturity of domestic loans					
– no set terms of repayment		–	–	7 152	7 508
– due within one year		412	1 127	–	–
– due after one year but within five years		24	17	–	–
– due after five years		15	43	–	–
		451	1 187	7 152	7 508

(R'm)	Interest rate	Group 2010	Group 2009	IDC 2010	IDC 2009
18. Loans continued					
Domestic loans continued	**Interest rate**				
Secured loans continued					
– Wesbank Corporate Finance – Division of FirstRand Bank Limited	Prime less 2%	–	1	–	–
This represents loans taken to purchase certain items of plant and equipment and motor vehicles. This loan is repayable in monthly instalments of approximately R365 000.					
– Mhlatuzi Water Board	14,4%	22	25	–	–
This represents loans taken to purchase certain items of plant and equipment. It is repayable in monthly instalments of approximately R736 000.					
– Loan from DEG		15			
The loan is repayable in annual instalments of EUR312 500 over eight years.	6 months EURIBOR rate + 2,75%				
– The Standard Bank of South Africa Limited as per Crossley	Prime	2		–	–
Mortgage bond registered over Section 42 Solace Place Durban, and Portion 6 of erf 731 Fourways Extension 12 Sandton. Repayable in monthly repayments of approximately R19 703.					
– Loan from Seardel Investment Corporation Limited		–	34	–	–
No dates for repayment have been set.					
		39	60	–	–
Domestic unsecured loans from subsidiaries				6 055	5 651
– Loans with no fixed terms of repayment	Interest-free			5 782	5 328
– Loans with no fixed terms of repayment	9,94%			273	323
Total long-term domestic loans		39	60	6 055	5 651
Short-term loans					
– Loans with no fixed terms of repayment	Money market related	405	227	557	422
– Loans with no fixed terms of repayment	Interest-free	–	–	540	535
– Loans with fixed terms of repayment	10,071%	7	900	–	900
		412	1 127	1 097	1 857
Interest and non-interest-bearing loans		3 527	5 131	3 779	5 371
– Long-term interest-bearing loans		2 177	2 908	2 331	3 026
– Short-term interest-bearing loans		1 350	2 223	1 448	2 345
		–	34	6 322	5 863
– Long-term interest-free loans		–	34	5 782	5 328
– Short-term interest-free loans		–	–	540	535
		3 527	5 165	10 101	11 234

(R'm)	Notes	Group 2010	Group 2009	IDC 2010	IDC 2009
19. Provisions					
Environmental rehabilitation liability		213	228	54	59
Liability and other closure costs		298	297	54	59
Balance at the beginning of the year		297	254	59	59
Additional provisions		5	33	–	2
Unwinding of discount		–	12		
Utilised during the year		(4)	(2)	(5)	(2)
Trust fund		(85)	(69)	–	–
Balance at the beginning of the year		(69)	(60)	–	–
Growth for the year		(16)	(9)	–	–
		213	228	54	59

Environmental rehabilitation liability

A Group company continually contributes to the Environmental Rehabilitation Trust to ensure that adequate funds are available to pay for mine closure and reclamation costs. The trust is regarded as a special purpose entity and is consolidated as part of the Group company. This note compares the net present value of the rehabilitation liability to the assets held by the trust.

The assets held by the trust are intended to fund the environmental rehabilitation liability of the Group company and are not available for general purposes of the Group.

The directors are aware of the estimated cost of rehabilitation and are satisfied that adequate provision is being made to meet this obligation. A contingent liability has been disclosed for the issuing of guarantees to the Department of Minerals and Energy (refer to note 35).

(R'm)	Notes	Group 2010	Group 2009	IDC 2010	IDC 2009
20. Revenue					
Dividends received on available-for-sale financial assets		1 494	2 520	917	3 690
– Listed		1 461	2 150	859	1 458
– Unlisted		33	370	33	1 475
– Associated companies		–	–	25	757
Interest income	21	1 693	1 877	1 623	1 637
Interest on preference shares		401	931	401	931
Fee income	22	238	177	238	176
Farming, manufacturing and mining income		3 959	9 480	12	15
		7 785	14 985	3 191	6 449
Dividends received from the investments made in terms of section 3 (a) of the Industrial Development Act					
Sasol Limited		601	692	–	–

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
21. Net interest income				
Interest income				
Cash and cash equivalents	380	633	321	438
Loans and advances to clients	1 294	1 223	1 287	1 199
Other	19	21	15	–
Total interest income	1 693	1 877	1 623	1 637
Financing costs				
Loans	225	367	225	421
Finance leases	4	5	–	–
Net exchange losses	249	110	237	89
Other	50	88	–	61
Total financing costs	528	570	462	571
Net interest income	1 165	1 307	1 161	1 066
Interest income on impaired financial assets (included in interest income shown above)	230	176	230	174
22. Fee income				
– Margin earned	23	40	23	40
– Guarantee fees	20	19	20	19
– Other contract related fees	84	101	84	101
– Other fees	111	17	111	16
Total fee income	238	177	238	176
23. Net capital gains				
Capital gains on disposal of available-for-sale investments	585	326	585	326
Capital losses on disposal of available-for-sale investments	(12)	(198)	(12)	(1)
Net capital gains	573	128	573	325

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
24. Net operating income				
Is arrived at after taking into account the following items, amongst others:				
Impairment of goodwill relating to subsidiaries	91	30	–	–
Amortisation of other intangible assets	1	1	–	–
Auditors' remuneration – fees	13	12	8	7
(Surplus)/deficit on revaluation of investment property	(59)	(1)	(2)	–
Depreciation of property, plant and equipment	235	198	26	16
Directors' emoluments (non-executive) – fees for services as directors (refer note 25)	2	2	2	2
Executive members' remuneration (refer note 25)	53	73	26	49
– Basic salary	31	24	15	13
– Performance bonuses	12	41	3	29
– Contributions to medical aid, retirement benefits, insurance and other benefits	10	8	8	7
Financing costs	528	570	462	571
Interest paid	279	460	225	482
Net exchange losses	249	110	237	89
Impairment of property, plant and equipment	–	606	2	–
Impairment reversal of property, plant and equipment	(320)	–	–	–
Project feasibility expenses	78	153	131	109
Net loss/(profit) on the disposal of property, plant and equipment	(20)	2	–	(2)
Operating lease rentals	20	9	4	3
Net movement in impairments	979	1 188	1 260	1 600
– Net increase in impairments	794	606	1 075	1 022
– Bad debts written off	185	582	185	578
Operating expenses incurred on investment property	1	16	–	1
Net movement in impairments				
Net increase in impairments:	794	606	1 075	1 022
Industry segment of investee/borrower				
Food, Beverage and Agro	24	5	28	16
Public Private Partnerships	(1)	(88)	(1)	(88)
Mining	200	299	232	316
Chemicals	71	47	118	49
Metals	104	(4)	193	(8)
Textiles and Clothing	55	(35)	88	94
Wood, Paper and Other	105	107	118	338
Media and Motion Pictures	(3)	(168)	(4)	(168)
Tourism	43	16	46	32
Healthcare and Education	68	(87)	101	(89)
Techno Industries	49	348	49	348
Franchising	5	14	5	14
Transportation, Financial Services and Other	4	(19)	4	(19)
2010! and Construction	25	76	25	78
Venture Capital	13	27	29	40
Other	32	68	44	69

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
24. Net operating income continued				
Bad debts written off:	185	582	185	578
Industry segment of investee/borrower				
Food, Beverage and Agro	3	3	3	3
Public Private Partnerships	–	108	–	108
Mining	97	31	97	31
Chemicals	14	24	14	24
Metals	7	5	7	4
Textiles and Clothing	1	5	1	2
Wood, Paper and Other	4	4	4	4
Media and Motion Pictures	5	183	5	183
Tourism	(1)	5	(1)	5
Healthcare and Education	–	82	–	82
Techno Industries	6	35	6	35
Franchising	43	67	43	67
Transportation, Financial Services and Other	5	24	5	24
2010! and Construction	1	5	1	5
Other	–	1	–	1
	979	1 188	1 260	1 600

(R'000)

25. Non-executive directors' remuneration

Fees for services as directors		2010	2009	
MC Nkuhlu***	Deputy Chairman*	344	273	
NG Nika		232	167	
WYN Luhabe	Chairman **	219	279	Resigned on 30 September 2009
JR Barton		210	176	
LR Pitot		185	89	
LI Bethlehem		165	87	
SK Mapetla		150	80	
JC Mtshali		142	152	
MS Moloko		134	120	
NN Nokwe		131	140	
BN Njobe		127	164	
LL Dhlamini		113	74	
MW Hlahla	Acting Chairman **	63	–	Appointed Acting Chairman on 30 September 2009
DH Lewis	Deputy Chairman*	–	102	
Adv FA du Plessis		–	91	
LT Kunene		–	64	
P Graham		–	64	
		2 215	2 122	

* *DH Lewis was Deputy Chairman until 30 September 2008 and MC Nkuhlu was appointed Deputy Chairman from 1 October 2008.*

** *WYN Luhabe was Chairman until 30 September 2009 and MW Hlahla was appointed acting Chairman from 30 September 2009.*

*** *MC Nkhulu does not derive any financial benefit for services rendered to the IDC. His fees are paid through to Nedbank.*

(R'000)		Basic salary	Long-term incentive bonus	Performance bonuses**	Contributions to medical aid, retirement benefits, insurance and other benefits	Expense allowances	Total 2010
25. Executive members' remuneration							
MG Qhena		2 944	–	581	754	–	4 279
GS Gouws		2 003	–	544	1 350	–	3 897
SAU Meer		1 418	–	341	1 356	–	3 115
G van Wyk		1 369	–	294	812	–	2 475
U Khumalo		1 380	–	364	630	–	2 374
LWJ Matlhape	Resigned 28 February 2010	1 149	–	108	968	–	2 225
Ms NV Mokhesi		1 103	–	236	767	–	2 106
LP Mondi		1 118	–	251	549	–	1 918
Ms K Schumann		1 196	–	197	490	–	1 883
P Makwane	Appointed 1 April 2009	1 110	–	251	259	–	1 620
IDC		14 790	–	3 167	7 935	–	25 892
MA Pitse		2 928	–	1 648	414	1	4 991
G Skhosana		1 809	–	862	213	103	2 987
JW Horn		1 942	–	939	30	24	2 935
TJ Koekemoer		1 521	–	870	332	16	2 739
JWT Potgieter		1 524	–	831	322	15	2 692
K Cele		1 584	–	830	191	60	2 665
XS Luthuli		1 547	–	814	214	18	2 593
MP Mosweu		1 633	–	694	209	56	2 592
S Sibisi	Appointed 1 April 2009	1 501	–	746	248	–	2 495
Foskor		15 989	–	8 234	2 173	293	26 689
Group		30 779	–	11 401	10 108	293	52 581

** *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.*

(R'000)	Basic salary	Payments for conversion to fixed term contracts*	Long-term incentive bonus	Performance bonuses**	Contributions to medical aid, retirement benefits, insurance and other benefits	Total 2009
25. Executive members' remuneration continued						
MG Qhena	2 673	–	2 544	4 392	688	10 297
GS Gouws	1 826	–	1 413	2 354	1 347	6 940
G van Wyk	1 230	–	1 054	1 748	848	4 880
U Khumalo	1 210	–	1 018	1 705	579	4 512
SS Sibisi Resigned 31 March 2009	1 088	–	759	1 371	1 153	4 371
LWJ Matlhape	1 161	–	874	1 573	496	4 104
K Schumann	1 052	–	809	1 442	456	3 759
LP Mondi	955	–	764	1 407	517	3 643
SAU Meer	1 210	–	634	1 412	260	3 516
NV Mokhesi	935	–	688	1 254	437	3 314
IDC	13 340	–	10 557	18 658	6 781	49 336
MA Pitse	2 146	–	–	2 385	346	4 877
JW Horn	1 519	–	–	1 588	77	3 184
TJ Koekemoer	1 150	–	–	1 223	239	2 612
G Skhosana	1 040	–	–	1 222	243	2 505
K Cele	1 117	–	–	1 110	180	2 407
JWT Potgieter	1 091	–	–	987	256	2 334
J Vaidhiyanathan Retired 31 March 2009	990	52	–	988	117	2 147
XS Luthuli	960	–	–	961	133	2 054
H Malhotra Resigned 6 July 2008	278	40	–	1 092	50	1 460
MP Mosweu Appointed 1 February 2009	216	–	–	–	29	245
Foskor	10 507	92	–	11 556	1 670	23 825
Group	23 847	92	10 557	30 214	8 451	73 161

* *Represents amounts paid to certain executive members for migrating from permanent employment contracts to fixed term contracts.*

** *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.*

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
26. Taxation				
South African normal taxation:				
Current – current year	2	679	–	–
Current – prior year	(223)	1	(220)	1
Current – STC	–	19	–	–
Deferred – current year	45	145	(84)	21
Deferred – prior year	(5)	(20)	–	(14)
Foreign taxation	–	1	–	1
	(181)	825	(304)	9
Tax rate reconciliation	%	%	%	%
South African normal tax rate	28	28	28	28
The normal rate of taxation for the year has been adjusted as a consequence of:				
– dividend income	(24)	(9)	(35)	(33)
– capital gains and losses	(8)	(3)	(15)	(8)
– calculated taxation losses	–	(2)	–	–
– other permanent differences	(17)	(4)	(39)	5
– provisions and impairments	13	3	33	8
Effective tax rate	(8)	13	(28)	–
27. Finance and operating leases				
Finance leases – Group as lessee				
The Group has leases classified as finance leases principally for property. Future minimum lease payments payable under finance leases together with the present value of minimum lease payments are as follows:				
Land and buildings:				
– due within one year	6	7	–	–
– due after one year but within five years	19	21	–	–
– due after five years	24	28	–	–
Total minimum lease payments	49	56	–	–
Amount representing finance charges	(24)	(28)	–	–
Present value of minimum lease payments	25	28	–	–
Current portion	3	3	–	–
Long-term portion	22	25	–	–
	25	28	–	–

The finance lease is between Foskor (Pty) Limited and uMhlathuze Water Board for an effluent pipeline.

The lease liability is effectively secured, as the rights to the leased asset revert to the lessor in the event of default. The lease is over a 20-year period with 16 years remaining at 31 March 2010. 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.

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
27. Finance and operating leases continued				
Operating leases – Group as lessee				
Certain items of computer and office equipment are leased by the Group.				
Commitments for future minimum rentals payable under non-cancellable leases are as follows:				
– due within one year	5	7	2	4
– due after one year but within five years	3	12	–	3
	8	19	2	7
The company leases photocopiers and faxes under various agreements which terminate between 2008 and 2009.				
28. Cash (utilised by)/generated by operations				
Net profit before tax	2 048	6 446	1 060	3 566
Share of profit of equity-accounted investments	(40)	(1 132)	(96)	–
Net operating income	2 008	5 314	964	3 566
After providing for:				
Impairment of goodwill relating to subsidiaries	91	30		
Impairment of goodwill relating to associated entities	31	83		
Amortisation of other intangible assets	1	1	–	–
Depreciation of property, plant and equipment	235	198	26	16
(Profit)/loss on disposal of property, plant and equipment	(20)	2	–	(2)
Impairment/(reversal) of property, plant and equipment	(320)	606	2	–
Surplus on revaluation of investment property	(59)	(1)	(2)	–
Dividends received and preference share income	(1 895)	(3 451)	(1 318)	(4 621)
Interest received	(1 693)	(1 877)	(1 623)	(1 637)
Interest paid	279	460	225	482
Non-cash portion of project feasibility expenses	(116)	(27)	(51)	(23)
Net capital gains	(573)	(128)	(573)	(325)
Net exchange losses	249	110	237	89
Specific and portfolio impairments	979	1 188	1 260	1 600
	(803)	2 508	(853)	(855)
Changes in working capital:				
Decrease/(increase) in other receivables	961	(224)	100	206
(Increase)/decrease in inventories	(60)	216	(10)	5
(Increase)/Decrease in non-current assets held-for-sale	(15)	91	–	–
(Decrease)/increase in other payables	(100)	(272)	440	134
Increase/(decrease) in liabilities directly associated with non-current assets held-for-sale	1	(12)	–	–
	(16)	2 307	(323)	(510)
29. Taxation paid				
Net owing at the beginning of the year	24	(12)	122	(7)
Normal tax provided in income statement (refer note 26)	221	(700)	220	(2)
Net receivable at the end of the year	(460)	(24)	(450)	(122)
	(215)	(736)	(108)	(131)

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
30. Proceeds on realisation of investments				
Original cost	139	52	139	52
Net capital gain on disposal of investment	573	128	573	325
	712	180	712	377
31. Acquisition of subsidiaries				
Property, plant and equipment	96	45		
Other receivables	52	24		
Inventories	43	54		
Other payables	(21)	(41)		
Bank overdraft	(13)	(15)		
Loans	(169)	(67)		
Total purchase consideration	(12)	–		
Less: Cash and cash equivalents acquired	(13)	(15)		
Cash outflow on acquisition of shares	(25)	(15)		
32. Disposal of subsidiaries				
No subsidiaries were disposed of during the periods under review.				
33. Commitments				
In respect of:				
Undrawn financing facilities approved	19 816	22 103	19 816	22 103
Undrawn guarantee facilities approved	142	241	142	241
Capital expenditure approved by subsidiaries:	767	2 134		
– Contracted	761	2 131		
– Not contracted	6	3		
Capital expenditure approved by equity-accounted investments	922	243		
– Contracted	877	146		
– Not contracted	45	97		
Total commitments	21 647	24 721	19 958	22 344
Less: Counter-guarantees obtained from partners in respect of financing and guarantees to be provided to major projects	(94)	(121)	(94)	(121)
Commitments net of counter-guarantees	21 553	24 600	19 864	22 223
Commitments will be financed by loans and internally generated funds.				
34. Guarantees and counter-guarantees				
Guarantees in respect of foreign loans taken up by wholly owned subsidiaries	–	–	126	236
Guarantees issued in favour of third parties in respect of finance provided to industrialists	2 413	1 368	2 427	968
Total industrial financing guarantees	2 413	1 368	2 553	1 204
Less: Counter-guarantees obtained from partners in respect of financing and guarantees to be provided to major projects	(650)	(65)	(650)	(65)
	1 763	1 303	1 903	1 139
Sundry guarantees issued by subsidiaries	405	242		
Guarantees issued by equity-accounted investments	101	126		
Guarantees net of counter-guarantees	2 269	1 671	1 903	1 139

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
35. Contingent liabilities				
Water cleanup and waste disposal*	38	24	38	24
Estimated costs to complete dismantling and decontamination of plant		8		8
Estimated costs to treat Cr6+ liquors		5		5
Estimated cost of rehabilitation agreement		3		3
Annual cost of abstraction and disposing of groundwater for approximately 14 years		8		8
Rates, taxes, water and electricity	2		2	
Monitoring of borehole pumping	7		7	
Golder and Ass groundwater modelling	15		15	
Security	1		1	
Insurance	8		8	
Contingency at 10%	5		5	

** As a result of the process used in the manufacturing of chemical products produced by a subsidiary, the groundwater has become contaminated with a by-product, Chrome 6. In terms of the minimum requirements of the Water Act No 37 of 1998 Part 5 section 20 and the Environment Conservation Act No 73 of 1989 Part V subsection 21, the subsidiary is required to remove the contamination and dispose of the waste material.*

Contingent liabilities of subsidiaries

Foskor (Pty) Limited

Guarantees in respect of mine rehabilitation

The Group had mine rehabilitation guarantees amounting to R365 million at year-end. In line with the requirements set by the Department of Minerals and Resources (DMR), this amount of R365 million (R215 million in 2009) was in place at 31 March 2010. These guarantees and the agreement reached with the DMR were based on the environmental rehabilitation and closure costs assessment that was performed during the 2010 financial year. The assessments are performed on a three-year rolling basis. The next assessment is due in 2013. Estimated scheduled closure costs for the mine are R362 million.

For unscheduled or premature closure, the DMR, in accordance with the Minerals and Petroleum Resources Development Act, requires Foskor (Pty) Limited to provide a liability of R473 million in the form of guarantees and cash.

Prilla 2000 (Pty) Limited

Cotton contracts entered into with various cotton suppliers are binding and could result in liabilities for the company if they are cancelled or if they are not utilised for operational purposes but instead realised for a price lower than their cost.

Contingent liabilities of joint ventures and partnerships

The disposal of the Shimoda Biotech and PlatCO Technologies has been structured such that there was an upfront payment, recorded in Bioventures financial statements, as well as the possibility of five milestone payments for each company. The value of these milestone payments are set in US dollars. The possibility of achieving the milestones and the timing thereof is highly uncertain. As such, these milestones are not accorded any value in the current financial statement of Bioventures. The milestones will be recognised only once they have been achieved.

Contingent liabilities of equity-accounted investments

Duferco (Pty) Limited

Absa Bank has provided guarantees of R2 110 000 for the Saldanha Bay Municipality, Transnet and Eskom accounts.

35. **Contingent liabilities** continued

Hans Merensky Holdings (Pty) Limited

Land claims against property held by the Group have been gazetted in terms of the Restitution of Land Rights Act, 1994. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions cannot be reliably predicted and measured at statement of financial position date and consequently no impairment charge has been recognised. Until the land claim has become gazetted, no assessment can be made of the possible impact of any such claims. Gazetted land claims will have a financial impact if it is probable that there will be an outflow of economic interest from the the Hans Merensky Group. When the financial loss becomes probable and can be reliably measured, an impairment charge will be recognised.

Hulamin Limited

The Department of Trade and Industry has raised a dispute with the Hulamin Group relating to previous GEIS claims in the amount of R4 794 000 (prior year: R4 671 000). A date for a court hearing for the matter is still to be set.

Karsten Group Holdings (Pty) Limited

The company provided warranties in favour of Eskom and Caltex Oil SA (Pty) Limited.

The company has given the following suretyship to Absa Bank Limited for related companies:
– Unlimited suretyship for Karsten Boerdery (Wes-Kaap) (Pty) Limited
– Unlimited suretyship for Karsten Boerdery (Pty) Limited
– Unlimited suretyship for Karsten SA Holdings (Pty) Limited
– Unlimited suretyship for New Vision Fruit (Pty) Limited
The company provided a limited suretyship for Gouda Fruit Packers (Pty) Limited.
New Vision Fruit provided warranty in favour of Absa Bank Limited for:
– Perishable Products Export Contractors (Pty) Limited;
– National Ports Authority;
– SARS Customs.

Keboes Fruit Farms (Pty) Limited

The company provided unlimited guarantee in relation to Eskom to the value of R441 850.
The company provided unlimited suretyship for the Absa Bank Limited facilities of Karsten Group Holdings (Pty) Limited.

Optimal Energy (Pty) Limited

The company entered into an agreement with Hi-Tech Automotive for the design, industrialisation and production of a demo fleet Joule Pre-Production Electric Vehicles. The company will pay the shutdown fees above when production is terminated or on cancellation of agreement.

The York Timber Organisation Limited (York)

- **Fire:** Several claims from third parties were lodged against York in respect of damages allegedly caused by the veld fire. York is fully insured for third-party claims.

- **Driekop fire claims damages:** Damages incurred to Driekop mills during the plantation fires amounted to R110 million with an additional loss of plant of R75 million and additional cost of working of R8 million.

- **Suretyship:** York participates in the pooled banking facilities granted by the FirstRand Bank Limited. As such, York has provided unlimited suretyship in favour of the FirstRand Bank Limited in respect of its obligations to the bank.

- **Global Forest Products Provident Fund Guarantee:** Some employees of York are members of the Global Forest Products Provident Fund. The Mondi Provident Fund valuation report had disclosed that part of the contingency reserves, after approval from the Financial Services Board, must be allocated to the employees who transferred from the Mondi Provident Fund to the Global Forest Products Provident Fund.

36. Retirement benefit information

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 No 24 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. Actuarial valuations are preformed every three years. 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 of 1956, as amended.

The fund is valued annually using the projected unit credit method. The actuarial valuation for purposes of IAS 19 was performed on 31 December 2009.

	Group				
(R'm)	2010	2009	2008	2007	2006
The amounts recognised in the statement of financial position are as follows:					
Present value of funded obligations	320	314	319	278	237
Fair value of plan assets	(328)	(298)	(324)	(314)	(270)
Present value of unfunded obligations	(8)	16	(5)	(36)	(33)
Unrecognised actuarial gains/(losses)	8	(16)	5	36	33
Liability recognised	–	–	–	–	–
Experience adjustments on plan liabilities	12	(7)	47	46	5
Experience adjustments on plan assets	19	(30)	9	35	42
The movement in the defined benefit obligation:					
Opening balance	314	319			
Current service cost	1	1			
Interest cost	22	27			
Actuarial losses/(gains)	11	(7)			
Benefits paid	(28)	(26)			
Closing balance	320	314			
Movement in plan asset:					
Fair value of plan assets at the beginning of the year	298	324			
Expected return on asset	23	30			
Actuarial (loss)/gain recognised during the year	19	(56)			
Contributions paid into plan	16	–			
Benefits paid	(28)	–			
Fair value of plan assets at the end of the year	328	298			

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
36. Retirement benefit information continued				
The amounts recognised in profit or loss are as follows:				
Current service cost	1	1	–	–
Interest cost	23	27	–	–
Expected return on assets	(23)	(30)	–	–
Net actuarial losses recognised during the year	7	23	–	–
Total included in operating expenses	8	21	–	–
The actual return on plan assets was:				
Expected return on plan assets	23	30		
Actuarial gains/(losses) on plan assets	19	(30)		
Actual return on plan assets	42	–		
Plan assets are comprised as follows:				
Equity instruments (%)	43	40		
Cash (%)	27	25		
Debt instruments (%)	10	17		
Other (%)	20	18		
	100	100		
The principal actuarial assumptions for accounting purposes were:				
Discount rate (%)	9	8	–	–
Expected return on plan assets (%)	8	9	–	–
Fund salary increases (%)	7	4	–	–
Future pension increases (%)	5	3	–	–
Normal retirement age	60	60	–	–

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

	Impact on overall liability 2010	Impact on overall liability 2009
Inflation rate (increase of 1%)	8% increase	9% increase
Inflation rate (decrease of 1%)	7% decrease	9% decrease

The expected contributions to the post-employment pension scheme for the year ending 31 March 2011 are R0,4 million (2010: R0,4 million).

Post-retirement medical benefits

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

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

(R'm)	Group 2010	Group 2009	IDC 2010	IDC 2009
36. Retirement benefit information continued				
Post-retirement medical benefits continued				
The amounts recognised in the statement of financial position are as follows:				
Present value of unfunded obligation:				
Discovery Health members**	192	206	100	139
Present value of unfunded obligation	192	206	100	139
Movement in the liability recognised in the statement of financial position:				
At the beginning of the year	206	200	139	133
Contributions paid	(9)	(12)	(6)	(6)
Current service costs	4	3	2	3
Interest cost	17	18	11	12
Curtailment payment	(55)	–	(56)	–
Subsidiary acquired	5	–	–	–
Additional members not previously included	10	–	–	–
(Surplus)/deficit	14	(3)	10	(3)
Balance at the end of the year	192	206	100	139
The principal actuarial assumptions used for accounting purposes were:				
– Discount rate (%)	9	8	9	8
– General inflation rate (%)	5	5	5	5
– Medical inflation rate (%)	7	7	7	7
– Normal retirement age	58/60/65	58/60/65	58/60/65	58/60/65
The amounts recognised in the statement of comprehensive income were as follows:				
Contributions paid	(9)	(12)	(6)	(6)
Current service costs	4	3	2	3
Interest cost	17	18	11	12
Additional members not previously included	10	–	–	–
Actuarial losses/(gains)	14	(3)	10	(3)

	Group	IDC
***Present value of unfunded obligation history*		
– 2006	190	191
– 2007	206	139
– 2008	200	133
– 2009	206	139
– 2010	192	100

	Change in past-service liability	Change in service cost plus interest
Inflation rate (increase of 1%)	12,9% increase	13,7% increase
Inflation rate (decrease of 1%)	10,6% decrease	11,1% decrease

The expected contributions to post-employment medical plans for the year ending 31 March 2011 are R3,4 million (2010: R13,13 million).

Notes to the Financial Statements continued

for the year ended 31 March 2010

37. Related party transactions

(R'm) Director	Company	Financing approved	Year of approval	Financing balance 2010	Financing balance 2009	Interest/funding rate	Type of financing	Directors' interest
WYN Luhabe*	Women's Private Equity Fund	50	2002	39	35	***N/A	Equity	Chairman of the fund 33% shareholder in the management company of the fund
LT Kunene**	Guma Tourism Holdings (Pty) Limited	537	2008	N/A**	537	Variable rate linked to prime	Redeemable preference shares	50% holding in Ziyazi Investment (Pty) Limited, which has a 5% stake in a consortium that holds 35% in Guma Tourism Holdings (Pty) Limited
MW Hlahla	Clidet 688 T/A Praxley Consortium Five (Pty) Limited	14	2007	14	14	RATIRR of 8%	Redeemable preference shares	14% in Praxley Consortium Five (Pty) Limited
	On Digital Media (Pty) Limited	100	2008	49	–	***N/A	Equity	5,56% holding in Lereko Investments (Pty) Limited, which has a 6,67% stake holding in First Aone which in turn has a 10% stake in On Digital Media (Pty) Limited. The directors' effective stake in On Digital Media (Pty) Limited, through Lereko is 0,37% and 3,7% in First Aone.
	First Aone Trade and Investments 12 (Pty) Limited	95	2010	45	–	RATIRR of 12% plus 50% upside	Redeemable preference shares	
LI Bethlehem	Hans Merensky Holdings (Pty) Limited	100	1999	83	83	***N/A	Equity	A trustee of the Hans Merensky Foundation, the controlling body with a 57,4% interest in Hans Merensky Holdings (Pty) Limited. The IDC holds the remaining 42,6% interest in Hans Merensky Holdings (Pty) Limited.
NN Nokwe	Neotel (Pty) Limited	600	2006	–	–	Three-month JIBAR rate + 1,25%	Redeemed March 2009	Nexus Connection (Pty) Limited's existing shareholding includes various provincial consortia. The director has an effective 0,333% shareholding in Nexus through the Western Cape provincial consortium, Prospects SA Investments 50, which has a 5% shareholding in Nexus. Nexus has a 19% shareholding in Neotel (Pty) Limited
		100	2008	73	47	Three-month JIBAR rate + 4,75%	Loan repayable after June 2013	
		800	2008	586	376	Three-month JIBAR rate + 6%	Loan repayable after June 2013	
		300	2008	239	141	Minimum of 8% of RATIRR + 50% of market value	Loan repayable after June 2019	
	Nexus Connection (Pty) Limited	151	2006	142	–	***N/A	Equity	
		90	2008	16	–	***N/A	Equity	
J Barton	Bell Equipment Company SA (Pty) Limited	595	2009	149	–	10% interest	Working capital facility	A director of Bell Equipment Company SA (Pty) Limited

* *Resigned on 30 September 2009.*
** *Resigned on 30 September 2008.*
*** *IDC invested in equity, hence no minimum return specified.*

37. Related party transactions continued

Related party within the national sphere of government

Financing transactions

(R'm) Director	Company	Financing approved	Year of approval	Financing balance 2010	2009	Interest/funding rate	Type of financing
Landbank		25	2000	1	5,4	7%	Monthly repayments of R0,416 million on loan

Non-financing transactions – 2010	Receiving of services	Purchase of goods
Eskom Limited	–	130
Transnet Limited	459	–
South African Airways (Pty) Limited	12	–
Telkom Limited	8	–
National Ports Authority	24	–
SA Post Office Limited	1	–
	504	130
Non-financing transactions – 2009		
Eskom Limited	–	140
Transnet Limited	418	–
South African Airways (Pty) Limited	19	–
Telkom Limited	4	–
	441	140

38. Share-based payments

On 7 July 2009 Foskor and the IDC, as the controlling shareholder of Foskor, have entered into a BEE transaction. In terms of the transaction the IDC has legally sold a 12% interest in Foskor to strategic business partners and special black groups (collectively, the BEE Partners), a 6% interest in Foskor to the Foskor Employee Share Option Plan (ESOP), and a 9% interest in Foskor to communities (the Community Trust) as part of Foskor's efforts to achieve the objectives set out in **the dti's** Broad-Based Black Economic Empowerment Codes of Good Practice (**the dti** Codes) and also to attain broad-based employee participation. The BEE partners, employee beneficiaries of the ESOP and beneficiaries of the Community Trust are collectively referred to as the BEE participants.

In the annual financial statements for the year ended 31 March 2010, the transaction has been recognised as a share-based payment in terms of the requirements of IFRS 2 – *Share-based Payment* and consequently the 26% interest in Foskor sold to the BEE participants has not been derecognised for accounting purposes in the company or Group. While certain rewards have been transferred to the BEE participants, the IDC remains substantially exposed to the risks of the Foskor shares through its funding of the transaction. The transaction will continue to be accounted for in this manner until such time as the preference shares have been redeemed by the BEE participants. The value of the share-based payment is determined using an appropriate valuation technique.

(R'000)	Group 2010	Group 2009	IDC 2010	IDC 2009
38. Share-based payments continued				
Amounts recognised in the statement of financial position and the statement of comprehensive income are as follows:				
Equity-settled share-based plan				
At the beginning of the year	–	188**	–	–
Granted	304*	–	327	–
Exercised	–	(188)	–	–
At the end of the year	304	–	327	–
Cash-settled share-based plan				
Cash-settled share-based payment expense	23	–	–	–
Total cash-settled share-based payment expense	23	–	–	–
Total share-based payment expense	327	–	–	-

* *This amount relates to the share-based payment expense that was incurred during the year.*

** *This amount relates to the Business Assistance Agreement (BAA) entered into with Coromandel International Limited in February 2005.*

Annexure A: Subsidiaries

for the year ended 31 March 2010

(R'm)	Share class	Nature of business	Issued share capital	Percentage interest	Shares at cost and fair value 2010	Shares at cost and fair value 2009	IDC net indebtedness to holding company 2010	IDC net indebtedness to holding company 2009	IDC net indebtedness by holding company 2010	IDC net indebtedness by holding company 2009
IDC subsidiaries										
Arengo 316 (Pty) Limited	Ordinary	Sugar beet project	–	100	–	–	35	9	5	–
Crossley Holdings (Pty) Limited	Ordinary	Manufactures woven carpets	–	59	–	–	101	–		–
Dymson Nominee (Pty) Limited	Ordinary	Property holding company	–	100	2	2	31	17	–	–
Findevco (Pty) Limited	Ordinary	Financing company	–	100	–	–	–	–	(377)	(323)
Foskor Limited	Ordinary	Mining	9	59*	8	8	–	–	–	–
Herdmans SA (Pty) Limited	Ordinary	Linen yarn spinner	–	100	–	–	71	63	–	–
Impofin (Pty) Limited	Ordinary	Financing company	–	100	–	–	–	–	(88)	(87)
Kindoc Investments Limited	Ordinary	Financing company	–	100	–	–	154	154	–	–
Kindoc Sandton Properties (Pty) Limited	Ordinary	Property holding company	–	100	–	–	170	93	–	–
Konbel (Pty) Limited	Ordinary	Financing company	–	100	–	–	–	–	(10)	(10)
Konoil (Pty) Limited	Ordinary	Financing company	–	100	–	–	–	–	(5 668)	(5 215)
Prilla 2000 (Pty) Limited	Ordinary	Yarn spinner	4	100	14	14	202	174	–	–
Sustainable Fibre Solutions (Pty) Limited	Ordinary	Decortification of kenaf stalk	–	67	4	–	110	85	–	–
South African Fibre Yarn Rugs (Pty) Limited	Ordinary	Manufactures textiles	37	69	15	15	251	172		
WM Eachus (Pty) Limited	Ordinary	Manufactures household textiles	–	80	–	–	47	–		
Other subsidiaries	Ordinary	Various	–	100	1	1	286	306	(22)	(16)
					44	40	1 458	1 073	(6 160)	(5 651)
Fair value adjustment					24 949	29 115				
Impairment adjustment					(58)	(30)	(495)	(382)		
Fair value					24 935	29 125	963	691	(6 160)	(5 651)
The aggregate net profits and losses after taxation of subsidiaries attributable to the IDC were as follows:										
Profits					935	2 957				
Losses					(121)	(110)				
					814	2 847				

All subsidiaries have the same reporting date as the holding company, except for Sustainable Fibre Solutions which has a year end of June.

**Legally the IDC owns 59% but for accounting purposes 85% of Foskor is consolidated into the IDC as disclosed in Note 38.*

Annexure B: Equity-accounted Associated Entities

for the year ended 31 March 2010

(R'm)		Accounting periods*	Percentage interest	Total exposure 2010	Total exposure 2009
Companies					
Broadband Infraco (Pty) Limited	Provides telecommunication infrastructure	1/3/09 - 28/2/10	26	**411**	337
Broodkraal Landgoed (Pty) Limited	Farms table grapes	1/7/08 - 30/6/09	32	**129**	120
Capensis Management (Pty) Limited	Operates a hospital		30	**204**	210
Chuma/Malibongwe/ Savannah Platinum SPV (Pty) Limited	Mining and processing platinum metals	1/7/08 - 30/6/09	29	**590**	681
Duferco Steel Processing (Pty) Limited	Processing steel coil	1/10/08 - 30/9/09	50	**156**	152
Eastern Produce Malawi Limited	Farms tea, coffee and macadamia nuts	1/1/09 - 31/12/09	27	**77**	90
Hans Merensky Holdings (Pty) Limited	Holds investments in timber and agricultural industries	1/1/09 - 31/12/09	43	**387**	387
Hernic Ferrochrome (Pty) Limited	Operates a ferrochrome plant		21	**530**	567
Hulett Aluminium (Pty) Limited	Asset-leasing company	1/1/09 - 31/12/09	30	**1 009**	966
Imbani Platinum SPV (Pty) Limited	Platinum mining	1/1/09 - 31/12/09	25	**350**	–
Incwala Resources (Pty) Limited	Platinum mining	1/10/08 - 30/9/09	24	**2 159**	1 878
Karsten Group Holdings (Pty) Limited	Farms table grapes and dates	1/6/08 - 31/5/09	37	**187**	152
Merafe Limited	Operates chrome and alloys plant	1/1/09 - 31/12/09	22	**534**	566
Mozal S.A.R.L.	Produces primary aluminium metal	1/7/08 - 30/6/09	24	**2 543**	2 913
Sheba's Ridge Platinum	Produces base metals and platinum group metals	1/1/09 - 31/12/09	26	**45**	16
Umicore Autocat South Africa (Pty) Limited	Manufactures automotive catalysts	1/1/09 - 31/12/09	45	**401**	441
York Timber Limited	Sawmilling	1/7/08 - 30/6/09	29	**499**	470
Other associates			various	**481**	585
				10 692	10 531

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

(R'm)	Total exposure 2010	Total exposure 2009
Opening fair value	7 631	14 285
Movement in fair value during the year	3 937	(6 654)
Chuma/Malibongwe/Savannah Platinum SPV (Pty) Limited	449	(916)
Atholl Developments (Pty) Limited	(9)	(35)
Duferco Steel Processing (Pty) Limited	–	–
Eastern Produce Malawi	16	(15)
Global Forest Products (Pty) Limited	–	–
Hans Merensky Holdings (Pty) Limited	13	(190)
Hernic Ferrochrome (Pty) Limited	25	(111)
Hulett Aluminium (Pty) Limited	63	(903)
Imbani Platinum SPV (Pty) Limited	604	–
Incwala Resources (Pty) Limited	377	(1 298)
Merafe Limited	514	(1 351)
Micawber 325 (Pty) Limited	–	(515)
Mozal S.A.R.L.	1 362	(663)
Umicore SA (Pty) Limited	51	(205)
York Timber Limited	179	(448)
Other	293	(4)
Closing fair value	11 568	7 631
The aggregate amounts attributable to the IDC were as follows:		
Statement of financial position		
Non-current assets	46 081	41 608
Current assets	18 907	16 859
	64 988	58 467
Equity	37 753	31 890
Non-current liabilities	18 259	15 668
Current liabilities	8 976	10 909
	64 988	58 467
Statement of comprehensive income		
Revenue	27 202	33 541
Profits	1 422	4 203
Losses	(997)	(578)

Annexure C: Partnerships and Joint Ventures

for the year ended 31 March 2010

(R'm)	Percentage interest	Total exposure 2010	Total exposure 2009
Partnerships and joint ventures*			
Horison TechVentures Partnership	52	75	45
New Africa Mining Fund	20	87	63
Other Wholesale Venture Capital Funds	various	88	65
		250	173
The aggregate net profits and losses after taxation of partnerships and joint ventures attributable to the IDC were as follows:			
Profits		98	15
Losses		(2)	(15)
		96	–

** Carrying value includes long-term interest-free partners' loans.*

Annexure D: Financial Risk Management

for the year ended 31 March 2010

Introduction and overview

A fundamental shift in the perception of risk management has taken place globally over the past few years. It has moved from a back-office reporting/control/cost centre into a strategic competitive weapon. Modern risk management is now perceived as playing a key role in the major strategic decisions of an organisation.

Risk management approach

Enterprise risk management

In line with sectoral best practice, the IDC has instituted a robust Enterprise Risk Management (ERM) process, founded on a framework that is shareholder value based, organisationally embedded, supported and assured, and reviewed on a continuous basis. ERM is a process that involves staff members at every level of the Corporation in setting strategy and making operational decisions, based on an analysis of events that may impact the IDC. Accordingly, risk management at the IDC is both decentralised and centralised, with every staff member of the Corporation being responsible for risk management. ERM is designed to assist the IDC with the identification, quantification and prioritisation of material risks that have the ability to impact the business. The ERM methodology implemented encompasses the following components:

- shareholder based risk identification and prioritisation;
- risk framework embedding;
- risk assurance; and
- board risk review.

The objective of ERM is to ensure that these components provide a continuous, reiterative process of risk identification, validation, management and review. The ERM process focuses on the main strategic risks that IDC is exposed to.

A common "risk universe" comprising five major categories – Strategic, Financial, Operational, Compliance as well as Information Technology Governance risks has been identified and clearly communicated to all stakeholders. Moreover, the alignment of the three-year audit plan of the Internal Audit Department to the annual risk assessment findings further entrenches the risk assurance process.

The IDC's business model strives to maximise financial and developmental returns while maintaining an acceptable risk profile.

Risk appetite

One of the key practices of risk management is the determination/quantification of an organisation's risk appetite (also known as its risk tolerance) on an enterprise basis. Risk appetite is defined by the extent to which an organisation tolerates risks as described by performance indicators, operational parameters and process controls in the pursuit of increased shareholders' value. The determination of the IDC's risk appetite plays an important role in the successful implementation of its ERM framework. It is also considered by the IDC to be a leading best practice methodology to assist the Corporation 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 Management Department

The Risk Management Department (RMD) of the IDC proactively promotes risk awareness, while monitoring and overseeing the management of key risks facing the Corporation on the basis of the ERM Framework mentioned above. RMD's primary objectives are:

- to support the receipt of appropriate financial and development returns while maintaining an acceptable risk profile;
- to support the application of best practice principles in order to analyse and manage risks, so as to ensure the strongest protection for the Corporation's assets, its financial results, and consequently its capital;
- promoting a culture of increased risk awareness throughout the Corporation utilising/applying ERM activities and techniques; and
- to establish, review and implement various risk management policies, systems, and/or frameworks.

The key roles and responsibilities of RMD include:

- playing a catalytic role in instituting and promoting a sustainable and robust ERM process;
- co-ordinating the ERM programme throughout the Corporation, including the annual review and assessment of the IDC's risk profile;
- inculcating a corporate-wide culture of risk awareness;
- developing corporate-wide monitoring, assurance and reporting processes for risk management;
- regularly reporting to the Chief Risk Officer, IDC Executive Management, the Board Risk Committee and the IDC Board on critical risk areas identified, on progress with regard to the mitigation of these risks, and on any fundamental breaches of approved risk management policy guidelines;

- assisting in refining the IDC's risk appetite and aligning it to the IDC's mandate as well as to corporate and operational targets, whilst ensuring the translation of such a risk appetite into appropriate systems of control;
- creating awareness of the long-term effects of investment decisions and setting investment, exposure and risk limits;
- advising Strategic Business Units and Support Departments within the IDC on risk management matters, including mitigating controls, processes and procedures;
- providing independent investment analysis for all investment proposals on a formal and informal basis;
- measuring and assessing the investment portfolio;
- trend and migration identification including stress testing and analysis of the results;
- concentration identification and analysis;
- providing support, training and risk identification assistance to development finance institutions with whom the IDC has entered into co-operation agreements; and
- benchmarking of best practice risk management activities and application thereof where appropriate.

Major risk categories identified at IDC

The key risks facing the IDC have been classified according to the following five broad risk categories:

- Strategic;
- Financial;
- Operational;
- Compliance; and
- Information Technology Governance.

Strategic risk

This category refers to the risk of an organisation's value collapsing, stagnating or migrating as a result of a failure to adapt to changing industry profit patterns. Key risks include macro-economic risk, which has increased significantly over the past few years due to geographical developments, lower economic growth for both advanced and emerging economies, weaker commodity prices, a general decline in equity markets around the globe, changes in access to financial capital and changing customer priorities. In response to the global economic crisis, the IDC identified sectors where assistance would be most critical and considers intervening in businesses that are experiencing difficulties. In line with its mandate, each application is considered on its own merit and no blanket bailouts at broad industry level are accorded. Specific criteria and considerations will have to be met before funding is approved.

Other risks included in this category are reputational risk, knowledge management risk, people risk, developmental risk and stakeholder management risk i.e. failing to meet the Corporation's mandate.

The IDC Board and Executive Management have the responsibility for defining the strategic direction of the IDC and ensuring that it is managed in a manner consistent with strategy. The challenge is for the global strategic and risk perspectives to be communicated to and understood by staff at all levels of the Corporation such that combined, there is sufficient information to reflect the overall attitude to risk and to determine whether or not risks should be accepted, mitigated or avoided. This challenge can be addressed through the definition and measurement of the Corporation's risk appetite mentioned above.

Approach to managing strategic risk

The management of the Corporation's strategic risks includes:

- ongoing review and analysis of the Corporation's risk appetite including determining whether or not risks should be accepted, mitigated or avoided;
- undertaking and reviewing on an annual basis, the ERM assessment which includes shareholder based risk identification and prioritisation, risk framework embedding, risk assurance and risk review;
- evaluating the adequacy and efficiency of the risk policies, procedures, practices and controls applied within the Corporation in the day-to-day management of its business;
- developing a risk mitigation strategy to ensure that the Corporation manages the risks in an optimum manner;
- introducing measures that may serve to enhance the adequacy and efficiency of the risk management policies, procedures, practices and controls applied within the Corporation; and
- determining and reviewing the maximum mandate levels for the various credit and asset liability committees.

Financial risk

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

Financial: Credit risk

This refers to the risk that a counterparty to a financial transaction will fail to meet its obligations in accordance with the agreed terms and conditions of the contract, either because of bankruptcy or for any other reason, thereby causing the asset holder to suffer a financial loss.

Approach to managing credit risk

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

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. IDC currently has various established methodologies for the management of the credit concentrations it is exposed to including counterparty (individual and group), and regional/country exposure. The IDC has established risk concentration limits and policies on individual and group counterparties, geographical locations and economic sectors in accordance with its credit risk strategy. The limits are reviewed on an annual basis or sooner should the need arise. The status of the IDC investment book is reported to IDC Executive Management, the Board Risk Committee and the IDC Board on a regular basis.

Credit approval committees

Credit risk, be it a loan, guarantee or equity investment is managed by means of clearly defined mandates and delegated authorities. The IDC Board's responsibilities include considering significant financial applications and monitoring significant investment decisions. In terms of the IDC's delegation matrix, the IDC Board has delegated credit approving authority to two committees, i.e. the Credit Committee and Special Credit Committee which each has its own mandate. No applications for, or material amendments to funding are considered outside of these committees. All transactions above R250 million, exceptions to policies and limits as well as applications with major strategic implications are considered by the IDC Board.

Due diligence and investment screening

The IDC completes a thorough due diligence process, by a multidisciplinary team, prior to approving a facility. This covers financial, technical, legal, marketing, management and, where appropriate, environmental risks, which are reported on as part of the submission for approval to the relevant decision-making structures. Financial viability of a business and owners' commitment are some of the key factors when considering an application for finance. Prior to a due diligence commencing, all applications for funding are subject to a screening process to determine whether it meets the basic criteria of IDC finance.

When feasibility studies are completed on larger projects, risks taken into consideration include marketing, management, technology, financial and environmental/social risks. The robustness of the project is evaluated and sensitivity analyses are performed on various aspects. Financial viability of a project, a strong financial structure and committed project sponsors are key factors for project approval. Once project finance has been approved, the IDC appoints representatives to the project steering and finance committees during the construction period. The IDC's employees subsequently closely monitor project and other investments.

Post-investment monitoring

The IDC's loans, guarantees, quasi-equity and equity investments are reviewed on a continuous basis so as to proactively monitor and manage the quality of the book and to identify early warning signals of deterioration. A number of pre-emptive signals are reviewed to ensure timeous action to prevent/limit financial losses. This includes the receipt and analysis of clients' financial statements to compare against projections and monitoring of adherence to predetermined covenants and milestones. Where considered necessary, the IDC may appoint directors to the boards of directors of companies where the IDC has an equity investment.

The Post Investment Monitoring Department (PIMD) becomes involved in the post-investment monitoring process subsequent to the approval of the application for finance and finalisation of the contractual agreements between the IDC and the client. The aim is to ensure the correct and timeous implementation of approved transactions, monitoring of clients and protecting the IDC's interests until such time as the relationship between the IDC and the client terminates.

Clients with high-risk profiles are identified and given special attention within the Strategic Business Units and PIMD and ailing companies are transferred to the Workout and Restructuring Department to manage the IDC's exposure and minimise potential losses and maximise sustainable development returns. This department also assists companies in recovering from difficulties in order to limit job losses due to business closures. Two investment monitoring committees (IMC), namely IMC Equity and IMC Loans, meet regularly to monitor the performance of IDC's equity, quasi-equity and loan investments and guarantees and to decide on the appropriate course of action to be taken with regard to non-performing or potential non-performing clients.

Annexure D: Financial Risk Management continued

for the year ended 31 March 2010

Other measures to ensure that credit risk is effectively managed include:

- reviewing the impairment policy and reviewing the adequacy of impairments and the related accounting policy in consultation with the Board Audit Committee where necessary;
- reviewing the status of the investment book in line with the risk appetite of the Corporation;
- determining and reviewing credit collection policies;
- recommending credit mandates to the IDC Board; and
- ensuring that investment products are adequately priced for risk while incorporating development returns.

Sectoral analysis

	Group				IDC			
	Loans and advances to clients		Investment securities		Loans and advances to clients		Investment securities	
(R'm)	2010	2009	2010	2009	2010	2009	2010	2009
Carrying amount	**10 374**	8 820	**57 949**	42 355	**8 208**	7 011	**41 701**	27 665
Concentration by sector:								
Agriculture, forestry and fishing	**516**	331	**181**	68	**349**	264	**181**	68
Basic chemicals	**61**	48	**29**		**62**	38	**29**	
Basic iron and steel	**80**	22	**4 686**	4 009	**55**	18	**4 686**	4 009
Basic non-ferrous metals		18	**8 519**	6 344			**8 519**	6 344
Beverages	**25**	35			**23**	29		
Building construction	**535**	441	**290**	275	**378**	364	**290**	275
Business services	**25**	81	**186**	203	**10**	56	**186**	203
Catering and accommodation services	**2 035**	1 788	**35**	32	**1 527**	1 467	**35**	32
Coal mining		7	**4 535**	2 687		5	**4 535**	2 687
Coke and refined petroleum products								
Communication	**1 951**	985	**268**	310	**1 391**	786	**268**	310
Electrical machinery	**57**	46			**44**	35		
Electricity, gas and steam	**787**	1 294			**843**	993		
Finance and insurance	**516**	175	**1 206**	995	**338**	146	**1 206**	995
Food	**378**	353	**33**	35	**277**	289	**33**	35
Footwear	**2**	2			**2**	1		
Furniture	**6**	9			**4**	8		
Glass and glass products	**7**	6			**5**	5		
Gold and uranium ore mining	**306**	250	**515**	552	**204**	207	**515**	552
Government	**9**	7	**13**	15	**6**	6	**13**	15
Machinery and equipment	**380**	45	**14**	3	**251**	37	**14**	3
Medical, dental and other health and veterinary services	**355**	218	**1 096**	953	**279**	181	**1 096**	953
Metal products excluding machinery	**299**	224	**16**	16	**209**	184	**16**	16
Motor vehicles, parts and accessories	**75**	16	**9**	30	**49**	13	**9**	30
Non-metallic minerals	**18**	64	**57**		**44**	47	**57**	
Other community, social and personal services	**204**	60	**967**	876	**240**	25	**967**	876
Other chemicals and man-made fibres	**235**	200	**17 631**	16 025	**178**	161	**1 382**	1 334
Other industries	**31**	48			**23**	28		
Other mining	**358**	898	**16 908**	8 471	**441**	707	**16 908**	8 471
Other services	**4**	1			**2**	1		
Other transport equipment	**120**	169	**3**	3	**100**	140	**3**	3
Paper and paper products	**81**	83	**89**	43	**59**	68	**89**	43
Plastic products	**51**	69	**63**	45	**46**	55	**63**	45
Printing, publishing and recorded media		8	**17**	5	**2**	4	**17**	5
Professional and scientific equipment		25			**19**	18		
Rubber products		3				1		
Television, radio and communication equipment	**45**	67	**3**	3	**33**	55	**3**	3
Textiles	**102**	88	**17**	31	**133**	61	**17**	31
Transport and storage	**84**	113	**2**	4	**66**	92	**2**	4
Water supply	**261**	174	**3**		**171**	145	**3**	
Wearing apparel	**88**	49	**20**		**80**	40	**20**	
Wholesale and retail trade	**210**	164	**33**	39	**152**	134	**33**	39
Wood and wood products	**77**	136	**505**	283	**113**	97	**506**	284
	10 374	8 820	**57 949**	42 355	**8 208**	7 011	**41 701**	27 665

Geographical analysis

(R'm)	Group: Loans and advances to clients 2010	2009	Group: Investment securities 2010	2009	IDC: Loans and advances to clients 2010	2009	IDC: Investment securities 2010	2009
Carrying amount	10 374	8 820	57 949	42 355	8 208	7 011	41 701	27 665
Concentration by location:								
South Africa	7 019	5 076	55 745	40 990	5 476	3 940	39 497	26 300
SADC	2 049	2 524	1 087	511	1 672	2 082	1 087	511
Rest of Africa	1 137	966		–	921	778		–
Outside Africa	169	254	1 117	854	139	211	1 117	854
	10 374	8 820	57 949	42 355	8 208	7 011	41 701	27 665

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

Internal rating model and pricing

The IDC is progressing well in developing internal credit rating and probability of default calculation methodologies. To date internal rating templates (IRTs) have been developed and implemented for small and medium enterprises and middle market clients in South Africa. The methodologies are principally based on Moody's KMV products, including RiskAnalyst, RiskCalc South Africa, together with the IRTs. The probabilities of default produced by the models are one of the tools utilised in determining the credit risk and appropriate pricing structure for facilities whilst including consideration for the investment or loans' development returns. During the year under review an IRT for the rating of projects in South Africa was developed internally. An IRT for leveraged buy-out transactions will be developed in the near future.

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.

Annexure D: Financial Risk Management continued

for the year ended 31 March 2010

Credit risk exposure

	Group				IDC			
	Loans and advances to clients		Investment securities		Loans and advances to clients		Investment securities	
(R'm)	2010	2009	2010	2009	2010	2009	2010	2009
Carrying amount*	**10 374**	8 820	**57 949**	42 355	**8 208**	7 011	**41 701**	27 665
Individually impaired								
Low risk	**867**	959	**1 444**	1 690	**867**	959	**1 444**	1 690
Medium risk	**899**	560	**396**	537	**899**	560	**396**	537
High risk	**668**	385	**67**	14	**668**	385	**67**	14
Gross amount	**2 434**	1 904	**1 907**	2 241	**2 434**	1 904	**1 907**	2 241
Allowance for impairment	**(1 997)**	(1 637)	**(974)**	(903)	**(1 997)**	(1 637)	**(982)**	(903)
Carrying amount	**437**	267	**933**	1 338	**437**	267	**925**	1 338
Past due but not impaired								
Low risk	**3**	40			**3**	40		
Medium risk	**99**	39			**99**	37		
High risk	**112**	58			**112**	58		
Carrying amount	**214**	137			**214**	135		
Past due comprises:								
0 - 30 days	**2**	36			**2**	36		
31- 60 days	**2**	27			**2**	25		
61- 90 days	**38**	3			**38**	3		
91- 120 days	**2**	3			**2**	3		
120 days +	**170**	68			**170**	68		
Carrying amount	**214**	137			**214**	135		
Neither past due nor impaired								
Low risk	**4 696**	4 908	**41 723**	29 163	**3 743**	3 873	**25 474**	14 473
Medium risk	**4 373**	3 332	**15 275**	11 854	**3 410**	2 628	**15 275**	11 854
High risk	**824**	340	**18**		**573**	269	**27**	
Carrying amount	**9 893**	8 580	**57 016**	41 017	**7 726**	6 770	**40 776**	26 327
Portfolio impairment	**(170)**	(164)			**(169)**	(161)		
Total carrying amount	**10 374**	8 820	**57 949**	42 355	**8 208**	7 011	**41 701**	27 665
Carrying value of renegotiated loans	**851**	928			**812**	864		

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

Impaired loans and investments

Impaired loans and investments are loans and investments for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/investment agreements.

Past due but not impaired loans

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

Allowances for impairment

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

Renegotiated loans

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

Collateral

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

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

IDC Mini-Group (R'm)	2010	2009
Against impaired assets		
General notarial bond	434	95
Mortgage bond	329	346
Special notarial bond	78	19
Other	83	25
	924	485
Gross value of impaired loans as at 31 March	2 434	1 904
Against loans in arrears and not impaired		
General notarial bond	39	32
Mortgage bond	343	–
Pledged shares	54	–
Special notarial bond	–	31
	436	63
Gross value of loans in arrears not impaired as at 31 March	214	137

Valuation of financial instruments

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
This category includes instruments valued using:
- quoted instruments where the valuation technique includes inputs not based on observable data and includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions reflect differences between the instruments.

	Group				IDC			
(R'000)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
2010								
Derivative assets held for risk management	–	4	–	4	–	3	–	3
Loans and advances	–	10 374	–	10 374	–	8 208	–	8 208
Listed equities	44 998	–	–	44 998	28 873	–	–	28 873
Unlisted equities	–	5 982	–	5 982	–	5 859	–	5 859
Preference shares	–	6 969	–	6 969	–	6 969	–	6 969
	44 998	23 329	–	68 327	28 873	21 039	–	49 912
Derivative liabilities held for risk management	–	69	–	69	–	63	–	63
	–	69	–	69	–	63	–	63

Financial: Market risk

Market risk is the risk that the value of a financial position or portfolio will decline due to adverse movements in market rates. The movements are mainly as a result of changes in interest rates, foreign exchange rates, liquidity position and equity prices. Also, factors such as political, social and regulatory environments may have an impact on the financial position and portfolio.

The Asset and Liability Committee (ALCO) provides the objective oversight and makes delegated decisions on all financial market risk information. The ALCO ensures that scenario planning and an analysis process on IDC's statement of financial position in respect of all key financial market risks is executed, as well as optimising the statement of financial position in that the likely effects of risk exposures on the IDC's earnings are assessed and appropriate actions taken; with particular analytical emphasis on:

- monitoring and managing the composition, size and maturity of the IDC asset-liability portfolio;
- monitoring the investment products in terms of statement of financial position structure and risk;
- reviewing cash flow forecasts and performing liquidity, interest rates, foreign exchange rates and equity price stress testing; and
- ensuring that the asset-liability portfolio complies with approved policies.

Equity sensitivity analysis

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

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

- discounted cash flow: Net income before interest and tax
- price earnings: Net income
- listed companies: Share price
- forced sale net asset value: Net asset value.

From the table below it is evident that a 10% increase in the relevant variables, will have a R7 645 billion increase in the equity values as at 31 March 2010 (2009: R6 792 billion) and a 10% decrease will lead to a R7 662 billion decrease in the equity values (2009: R2 925 billion).

Period	10% increase	10% decrease
31 March 2010	R7 645 million	-R7 662 million
31 March 2009	R6 792 million	-R2 925 million

Liquidity risk

Liquidity risk is the probability that the Group will not be able to meet its obligation promptly for all maturing liabilities, increase in financing assets, including off-balance sheet commitments or any other financial obligations the IDC may have on a cost effective and timely basis.

The liquidity risk is governed by the Asset and Liability Management policy and measured against the risk tolerance. The daily and short-term (up to 12 months) liquidity investment management is performed by Corporate Treasury, within the IDC Board approved Treasury limits. The bank account liquidity buffer is determined as the aggregate of the rolling next three months' net cash flows. The IDC holds sufficient liquid assets to meet any shortfall in cash flow requirements.

The exposure to liquidity risk has been covered during the period ending March 2010; the performance has decreased since March 2009 due to the decline in the cash balance in the bank account.

Exposure to liquidity risk

IDC Mini-Group		
Period	Liquidity cover required	Performance
31 March 2010	R1 708 million	2,2 times
31 March 2009	R1 245 million	5,4 times

Repricing risk of assets in the liquidity buffer portfolio is kept to a minimum as it is designed to protect the cash values in a three-month horizon.

Interest rate risk management

Interest rate risk is the risk that the net value of the IDC's asset portfolio and that of the liability portfolio are negatively affected by changes in interest rates. The interest rate risk is governed by the Asset and Liability Management Policy. The principal analytical technique used to quantify and measure IDC's interest rate risk is "Gap Analysis".

All assets, liabilities and derivative instruments are categorised in gap intervals/time buckets based on their repricing characteristics. Assets and liabilities for which no specific contractual repricing or maturity dates exist, are placed in gap maturity buckets based on management's discretion and the most likely repricing behaviour.

Comparing the repricing gaps/interest rate mismatches as at March 2010 and March 2009 below, it is evident that IDC is asset sensitive; however the sensitivity has decreased from March 2009. The decrease is due in part to the decline in the cash balance in the bank account.

Interest rate sensitivity mismatch – Finance activities

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

Interest rate sensitivity mismatch – March 2010

(R'm)	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year
Assets	1 984	325	1 033	7 808
Liabilities	(103)	(13)	(795)	(2 546)
Interest rate sensitivity mismatch	1 881	312	238	5 262
Cumulative interest rate sensitivity mismatch	1 881	2 193	2 430	7 692
Cumulative interest rate sensitivity mismatch as a percentage of total assets (%)	2,0	2,4	2,6	8,3

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

Interest rate sensitivity mismatch – March 2009

(R'm)	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year
Assets	5 618	460	874	5 501
Liabilities	(753)	(108)	(1 137)	(3 022)
Interest rate sensitivity mismatch	4 865	352	(263)	2 479
Cumulative interest rate sensitivity mismatch	4 865	5 217	4 954	7 433
Cumulative interest rate sensitivity mismatch as a percentage of total assets (%)	6,1	6,5	6,2	9,3

Furthermore, interest rate risk management is monitored through the sensitivity analysis done to the financial assets and liabilities. A 100 basis points (bps) increase/(decrease) in market interest rates resulted in the following sensitivities:

Interest rate sensitivity

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

March 2010 (R'm)	Rand	US dollar	Euro	Pound sterling	Yen	Total
+100 bps rate shock	120,0	2,4	0,06	–	–	122,7
- 100 bps rate shock	(10,8)	(2,4)	(0,7)	–	–	(13,9)

Net effect March 2010 (R'm)	Rand	US dollar	Euro	Pound sterling	Yen	Total
+100 bps rate shock	109,4	–	(0,6)	–	–	108,8
- 100 bps rate shock	(109,4)	–	0,6	–	–	(108,8)

March 2009 (R'm)	Rand	US dollar	Euro	Pound sterling	Yen	Total
+100 bps rate shock	125,6	11,8	0,3	–	–	137,7
- 100 bps rate shock	(50,9)	(15,3)	(9,6)	–	–	(75,8)

Net effect March 2009 (R'm)	Rand	US dollar	Euro	Pound sterling	Yen	Total
+100 bps rate shock	74,7	(3,5)	(9,3)	–	–	61,9
- 100 bps rate shock	(74,7)	3,5	9,6	–	–	(61,6)

A 100 bps increase in all rates would increase the forecasted net interest income of the IDC by R108,8 million (2009: R61,9 million) for the next financial year. A 100 bps decrease in all rates would result in a decrease of forecasted net interest income by R108,8 million (2009: R61,9 million).

Foreign exchange risk

Foreign exchange risk is the risk that adverse changes in exchange rates have a negative impact on the economic value of the IDC. Foreign currency risk is governed by the Asset and Liability Management policy and is also limited by the IDC Board policy which states that 100% forward exchange cover is required for all foreign currency exposure, unless the financing is made available in foreign currency and matched to foreign borrowings.

All foreign currency risk is hedged through the utilisation of FECs or cross currency swaps where appropriate, except where there is a natural hedge.

Annexure D: Financial Risk Management continued

for the year ended 31 March 2010

Currency: US dollar mismatch – March 2010

(R'm)	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year	Total
Assets	6,4	8,3	17,5	209,4	241,6
Liabilities	(3,7)	(0,2)	(4,9)	(22,3)	(31,1)
On lent/back to back	(2,2)	(0,4)	(42,1)	(163,4)	(208,1)
Currency mismatch before hedging	0,5	7,7	(29,5)	23,7	2,4
Hedging – FECs	(6,9)	(7,8)	–	–	(14,7)
Currency mismatch after hedging	(6,4)	(0,1)	(29,5)	23,7	(12,3)
Cumulative currency mismatch	(6,4)	(6,5)	(36,0)	(12,3)	–
March 2009					
Assets	7,2	9,1	21,6	208,2	246,1
Liabilities	(71,2)	(9,5)	(12,8)	(135,1)	(228,6)
Currency mismatch before hedging	(64,0)	(0,4)	8,8	73,1	17,5
Hedging – FECs	4,7	10,4	–	–	15,1
Currency mismatch after hedging	(59,3)	10,0	8,8	73,1	32,6
Cumulative currency mismatch	(59,3)	(49,3)	(40,5)	32,6	–

Currency: Euro mismatch – March 2010

(R'm)	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year	Total
Assets	–	0,4	0,5	4,9	5,8
Liabilities	(5,4)	(0,8)	(8,3)	(52,6)	(67,1)
On lent/back to back	(0,6)	–	(0,6)	(4,6)	(5,8)
Currency mismatch before hedging	(6,0)	(0,4)	(8,4)	(52,3)	(67,1)
Hedging – FECs	34,8	33,0	–	–	67,8
Currency mismatch after hedging	28,8	32,6	(8,4)	(52,3)	0,7
Cumulative currency mismatch	28,8	61,4	53,0	0,7	–
March 2009					
Assets	–	–	–	–	–
Liabilities	8,0	1,0	7,0	69,0	85,0
Currency mismatch before hedging	(8,0)	(1,0)	(7,0)	(69,0)	(85,0)
Hedging – FECs	50,0	35,0	–	–	85,0
Currency mismatch after hedging	42,0	34,0	(7,0)	(69,0)	–
Cumulative currency mismatch	42,0	76,0	69,0	–	–

Currency: Japanese yen mismatch – March 2010

(R'm)	Within 3 months	After 3 months but within 6 months	After 6 months but within a year	Greater than a year	Total
Assets	–	–	–	–	–
Liabilities	(237)	–	(237)	(457)	(931)
Currency mismatch before hedging	(237)	–	(237)	(457)	(931)
Hedging – cross-currency swap	237	–	237	457	931
Currency mismatch after hedging	–	–	–	–	–
Cumulative currency mismatch	–	–	–	–	–
March 2009					
Assets	–	–	–	–	–
Liabilities	237	–	237	930	1 404
Currency mismatch before hedging	(237)	–	(237)	(930)	(1 404)
Hedging – cross-currency swap	237	–	237	930	1 404
Currency mismatch after hedging	–	–	–	–	–
Cumulative currency mismatch	–	–	–	–	–

Residual contractual maturities of financial liabilities
31 March 2010

Group	Euro	SA rand	Foreign rand	USD	Japanese yen
Principal	73	326	200	239	930
Interest	7	12	56	9	16
	80	338	256	248	946
Payable within 1 year	18	338	53	57	485
Due after 1 year but within 5 years	45	–	170	162	462
Due after 5 years	17	–	34	30	–
31 March 2009					
Principal	86	1 226	236	229	1 403
Interest	10	284	91	15	35
	96	1 510	327	244	1 438
Payable within 1 year	10	1 510	73	99	491
Due after 1 year but within 5 years	49	–	208	118	947
Due after 5 years	37	–	46	27	–

Foreign rand – Rand facilities arranged with counterparties outside South Africa.
USD – Included in the USD principal amounts are short-term dollar liabilities (US$77 962) arranged with local counterparties with a maximum 180 days maturity period.

Interest rates	Range
JPY = 1,45%	1,400% – 1,450%
SA rand = 3M JIBAR	7,545% – 9,003%
EUR = 3M EURIBOR	0,250% – 5,738%*
USD = 6M LIBOR	0,444% –2,518%

** Includes a fixed all-in interest rate portion.*

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;
- the operational risk capital charge;
- determining and monitoring key risk indicators;
- risk reporting; and
- risk mitigation/controls.

At the IDC, we safeguard ourselves 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;
- 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,
- recovery of IT is addressed in the Data Recovery Plan (DRP) 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;
- insurance of fidelity guarantees, legal risks, public liability and other identified insurable risks including those of fixed assets, which coverage is reviewed annually; and
- the commitment of all employees to a code of conduct that encourages honesty, integrity and effectiveness.

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 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 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.

The IDC has a fraud prevention plan in place and a Fraud and Corruption Prevention Committee comprising staff from the Legal Services, Internal Audit, Financial Management, Risk Management and Human Resources Departments meets regularly. The IDC's fraud prevention plan forms part of its Corporate Crime Prevention and Detection Plan.

Capital management

The IDC is accountable to its sole Shareholder, the Department of Trade and Industry. 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 Compact which outlines the agreements between the two parties.

Regulatory capital

IDC is not required by law to maintain any level of capital but has to utilise its capital to achieve the Shareholder's mandate. The IDC Act of 1956 states that IDC may be geared up to 100% of its capital.

Risk appetite

The Board approved risk appetite limit serves as a monitoring tool to ensure that the impact of investment activities in the Corporation do not have a negative impact on the Corporation's financial position.

There were no changes to the Group's approach to capital management during the year.

Abbreviations

ADS	Agency Development and Support department
AMD	Acid Mine Drainage
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BPs	Business partners
BPO	Business Process Outsourcing
BSP	Business Support Programme
CA	Chartered Accountant
CC	Close Corporation
CDM	Cleaner Development Mechanism
CSI	Corporate Social Investment
CTCP	Clothing and Textiles Competitiveness Programme
CTCIP	Clothing and Textiles Competitiveness Improvement Programme
DBSA	Development Bank of Southern Africa
DFIs	Development finance institution
dti	Department of Trade and Industry **(the dti)**
ECDC	Eastern Cape Development Corporation
EDD	Economic Development Department
EHS	Environmental, Health and Safety
EPM	Eastern Produce Malawi Limited
EU	European Union
GDP	Gross domestic product
HMH	Hans Merensky Holdings
IDC	Industrial Development Corporation
IDZ	Industrial Development Zone
IPAP	Industrial Policy Action Plan
IPAP2	Industrial Policy Action Plan 2
IRP2	Integrated Resource Plan 2
kW	Kilowatt(s)
LED	Local economic development
LPG	Liquid Petroleum Gas
MIDP	Motor Industry Development Programme
MIS	Management Information System
MK	Malawian kwacha
MoU	Memorandum of Understanding
MW	Megawatt
NEF	National Empowerment Fund
NEPAD	New Partnership for Africa's Development
NFA	National Framework Agreement
NHI	Natural Health Insurance
NIPF	National Industrial Policy Framework
PBMR	Pebble Bed Modular Reactor
PBO	Public Benefit Organisation
PFMA	Public Finance Management Act
PIMD	Post Investment Monitoring Department
PPP	Public Private Partnership
RCF	Risk Capital Facility
SADC	Southern African Development Community
SBU	Strategic Business Unit
SED	Socio-Economic Development
SEDA	Small Enterprise Development Agency
SHIP	Strategic High-impact Projects
SMEs	Small and medium enterprises
SMMEs	Small, medium and micro enterprises
SOE	State-owned enterprise
SPII	Support Programme for Industrial Innovation
TES	Transformation and Entrepreneurial Scheme
the Codes	B-BBEE Codes of Good Practice
TOPP	Training Outside Public Practice
UIF	Unemployment Insurance Fund
VC	Venture Capital
VER	Verified Emissions Reduction
WMS	Warehouse Management System

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