Annual Financial Statements **2022**

IDC

Industrial Development Corporation

Contents

Confirmation of accuracy and fair presentation

Integrated report and annual financial statements for the 2022 financial year-end

We hereby acknowledge that the Integrated Report and the Annual Financial Statements of the Industrial Development Corporation of South Africa Limited (The IDC or the Group or the Corporation) have been submitted to the Auditor-General for auditing in terms of section 55(1)(c) of the PFMA. We acknowledge our responsibility for the accuracy of the accounting records and the fair presentation of the financial statements and confirm, to the best of our knowledge, the following:

Annual financial statements

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

Performance information

The performance information fairly reflects the operations, and actual output against planned targets for performance indicators as per the Corporate Plan of the IDC and approved amendments for the financial year ended 31 March 2022. The performance information has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

Human resource management

The human resource information contained in the respective tables in the integrated report, fairly reflects the information of the IDC for the financial year ended 31 March 2022.

In respect of material issues

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

Preparation of the financial statements

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

TP Nchocho
Chief Executive Officer
30 August 2022

BA Mabuza
Chairperson of the Board
30 August 2022

Accounting officer's statement of responsibility for annual financial statements

The Accounting Authority is responsible for the preparation of the IDC's annual financial statements and for the judgements made in preparing these financial statements. The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements. In my opinion, the annual financial statements fairly reflect the operations of the IDC for the financial year ended 31 March 2022. The external auditors are engaged to express an independent opinion on the annual financial statements of the IDC. The IDC's annual financial statements for the year ended 31 March 2022 have been audited by the external auditors and their report is presented on page 12 to 19. The annual financial statements of the IDC set out on page 20 to page 107 have been approved.

TP Nchocho
Chief Executive Officer
30 August 2022

Report of the board audit committee

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

Background

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

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

Responsibilities, composition and functions of the committee

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

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

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

We meet at least four times per annum, with the authority to convene additional meetings as circumstances require. In executing its key functions and discharging its responsibilities as outlined in its Terms of Reference during the period under review, the Committee:

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

Internal control

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

No adverse findings have come to the attention of the Committee to indicate that any material breakdown in internal controls has occurred during the financial year under review. The Committee is of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the consolidated Annual Financial Statements, that accountability for assets and liabilities is maintained and that this is based on sound accounting policies, supported by reasonable and prudent judgments and estimates. The BAC is further of the opinion that except for the two internal control deficiencies mentioned in the Independent Auditors Report, the internal controls of the Corporation have been effective in all material respects in the year under review. This opinion is based on the information and explanations given by management regarding various processes and initiatives aimed at improving the internal control environment and the integrity of information, discussions with Internal Audit and the independent external auditors, on the results of their audits.

To formulate its opinion, the Committee:

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

External auditors

As a Committee, we recognise the importance of maintaining the independence of the Corporation's Independent Auditors, both in fact and appearance. Each year, the Committee evaluates the qualifications, performance and independence of the Corporation's Independent Auditors and determines whether to re-engage the current Independent Auditors. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' capabilities, technical expertise and knowledge of the Corporation's operations and industry. SNG-Grant Thornton and Nexia SABandT have remained in office as joint auditors. SNG-Grant Thornton will rotate off the IDC engagement during 2022 and a new joint auditor will be appointed in preparation for the 2023 audit.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the financial year ended 31 March 2022.

The Committee:

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

Expertise and experience of finance function

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

Duties assigned by the board

Integrated and sustainability reporting

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

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

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

Combined assurance

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

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

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

Going concern

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

Governance of risk

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

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

Internal audit

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

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

The BAC, with respect to its evaluation of the adequacy and effectiveness of internal controls, receives reports from Internal Audit on a quarterly basis, assesses the effectiveness of the internal audit function and reviews and approves the internal audit plan. The Audit Committee is responsible for ensuring that the Corporation's internal audit function is independent and has the necessary resources, standing and authority within the Corporation to discharge its duties. We approved the internal audit function's annual audit plan and as a Committee, monitored and challenged, where appropriate, action taken by management with regard to adverse internal audit findings.

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

Conclusion

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

- The internal controls of the Group were effective.
- Where areas for improvement have been identified, they are being addressed by management.
- These controls ensured that the Group's assets had been safeguarded;
- Proper accounting records had been maintained;
- Resources had been utilised efficiently; and
- The skills, independence, audit plan, reporting and overall performance of the external auditors were acceptable.

Following our review of the financial statements for the year ended 31 March 2022, we are of the opinion that they comply with the relevant provisions of the PFMA, as amended, and IFRS and that they present fairly the results of the operations, cash flow and financial position of the Corporation.

We have complied with all the King IV principles, with the inclusion of integrated reporting, evidenced by this issue of the Corporation's Integrated Report for the financial year ended March 2022. The Committee is satisfied that it has complied in all material respects, with its legal, regulatory and other responsibilities. The BAC recommended these Annual Financial Statements to the Board for approval.

NP Mnxasana
Chairperson of the Board Audit Committee
30 August 2022

Directors' report

Introduction

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

Nature of business

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

The IDC's purpose is to:

- Grow sustainable industries
- Support entrepreneurs
- Improve lives.

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

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

Public finance management act

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

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

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

The IDC as an organ of state and its subsidiaries are subject to the PFMA and in turn the Preferential Procurement Policy Framework Act (PPPFA), (Act No. 5 of 2000).

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

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

Performance management

The IDC's performance indicators reflect the Corporation's goals set out in our strategic objectives. Our primary performance evaluation focus is on our financing activities. The performance measurement system ensures that the IDC aligns with its mandated objectives. We review performance indicators annually to account for changes in our external and internal environments and ensure that we will achieve long-term objectives. Performance indicators and targets form part of our annual Corporate Plan and are agreed upon between the Board and the Shareholders Representative.

Performance indicators

The IDC adopted a balanced approach in its corporate scorecard and adapted the principles of the balanced scorecard to support its objectives and operations. Measures related to our key objective of industrial capacity development are complemented with other indicators that measure our development impact, financial sustainability, human capital and stakeholder relations.

Performance for the reporting period was measured in the following six perspectives:

- Lending, investment and fund management
- Industry planning, project development and development effectiveness
- Technical assistance programmes and policy support
- Financial sustainability
- Organisational effectiveness
- Profile and positioning among other stakeholders.

Performance against predetermined objectives for the reporting period is discussed below.

Performance overview

South Africa's economy rebounded strongly, albeit off a low base, as real GDP expanded by 4.9% in 2021 (following a -6.4% contraction in 2020). Activity levels rose sharply across almost all broad sectors of the economy as restrictions were gradually eased, the operating environment improved and sentiment levels recovered from historical lows. The July 2021 unrest was a setback to the recovery and disrupted businesses and livelihoods, mainly in the KwaZulu-Natal and Gauteng provinces.

IDC's funding activity increased and positively impacted its development impact in several areas. Higher dividend income and rebounding equity valuations resulted in strong financial performance. Key indicators for portfolio performance such as impairments and non-performing loans showed a positive trend but remained high.

Lending, investment and fund management

In response to the public unrest, the IDC launched the R1.5 billion business recovery fund, which included funding support for businesses and communities impacted by the unrest. This offering was part of the Economic Rebuilding Package, coordinated by the Department of Trade, Industry and Competition. The IDC fund offered qualifying businesses that were financially impacted an opportunity to access short-term funding to mitigate the effects of disruptions and retain jobs. The jobs saved through this fund contributed materially to IDC's performance indicators for the reporting period.

IDC approved R16.0 billion in funding over the reporting period, compared to R6.5 billion in 2020/21. This did result in an improvement in the funding disbursements by IDC, (2021/22: R7.2 billion; 2020/21: R6.3 billion), funds managed by the IDC on behalf of other parties (2021/22: R1.2 billion; 2020/21: R0.7 billion) as well as funding leveraged from other investors (2021/22: R7.3 billion; 2020/21: R2.8 billion). The increased rate of approvals demonstrated efforts to ramp up funding activity after the challenging environment of 2020/21. Investment activity remains on an upward trajectory. Despite the improvement in the trend for these indicators, the actual performance was below targeted levels. IDC had a large number of commitments cancelled during the previous reporting period. This left the IDC with low levels of undrawn commitments at the beginning of the financial year, from which to disburse funds. The significant improvement in approvals in the past year and the conclusion of a sizeable number of transactions to financial close places the IDC in good stead to ramp up its disbursements and support to industry in the current year.

Industry planning, project development and development effectiveness

The number of jobs expected to be created and saved from transactions for which funding was committed[1] during the reporting period is 27 130 (2020/21: 2 543), exceeding the target. The largest number of these jobs were saved jobs linked to the Business Recovery Fund (total saved jobs: 20 218).

IDC is committed to supporting government's industry Master Plans, and has identified additional priority industries that it is proactively developing. The total investment to be facilitated for these industries for committed transactions was R22.0 billion, significantly higher than the targeted R7.1 billion. The energy value chain was a major beneficiary, with R12.4 billion of investment to be facilitated. This industry is critical to South Africa's industrial development. Transactions in the steel and metal fabrication value chain will result in R2.7 billion worth of investment. Labour intensive industries such as clothing, textiles leather and footwear and agriculture and agro-processing will benefit from R1.0 billion and R0.5 billion of investment respectively.

IDC's renewed focus on proactive project development resulted in one material project graduating beyond the feasibility stage. IDC co-developed this project, to be situated in the Bojanala Platinum Valley, to commercialise a more environmentally friendly and efficient process to refine platinum ore.

[1] *A transaction is considered as committed if all conditions that need to be met by the client for IDC to be available to disburse funds have been cleared.*

IDC remains committed to support transformation. There has been a marked increase in the value of investment supporting priority groups of entrepreneurs to R6.6 billion (2020/21: R4.0 billion). This was however lower than the base target of R8.1 billion.

Financial sustainability

IDC's total equity was bolstered by valuations in its equity investments – both listed and unlisted – with total equity of R110.2 billion for the IDC mini-group as at 31 March 2022. This represented a 32% increase over the 31 March 2021 figure and was higher than the target. The carrying value for businesses in which IDC holds unlisted equity increased by 18.2%, also higher than the target.

During the year, the organisation made progress with the project to introduce a strategic equity partner (SEP) at Foskor, one of its subsidiaries that have faced operational and financial challenges for several years. The identified SEP process has however been impacted by international geo-political developments.

Despite higher profits and the growth in IDC's balance sheet, key indicators of sustainability remain challenged. The ratio of impairments as a percentage of the portfolio valued at cost improved to 36.1% but the targeted 32.6% was not reached. Non-performing loans showed an improvement with the ratio improving to 31.2% (2020/21: 40.3%) but not reaching the targeted 21.9%.

Organisational effectiveness; Profile and positioning among other stakeholders

Indicators for organisational effectiveness, customer satisfaction, and stakeholder perceptions showed higher than targeted performance. However, burning issues for customers such as dissatisfaction with turnaround time, continue to impair clients' experience of the Corporation.

Performance against predetermined objectives

The tables on the next pages show performance against objectives.

Perspective	Focus Areas	Performance Indicators	Base target	Stretch target	Actual Performance	Achievement
Lending, investment and fund management	a) Total investment flows facilitated/ unlocked	a) Total investment flows facilitated/unlocked (R'm) (a1+a2+a3)	25 118	27 784	15 740	Not achieved
	a1) IDC own balance sheet funding	a1) Value of on-balance sheet funding disbursed (R'm)	9 977	10 977	7 214	Not achieved
	a2) Managed development funds	a2) Value of off-balance sheet funding disbursed (R'm)	2 441	2 807	1 213	Not achieved
	a3) Co-funding leveraged/ syndicated/ catalysed	a3) Value of other disbursements to be facilitated by IDC (R'm)	12 700	14 000	7 313	Not achieved
Industry planning, project development and development effectiveness	b) Industrial policy inputs and implementation	b) Value of funds committed and facilitated for businesses that supports IDC priority sectors and Master Plans (R'm)	7 080	7 790	21 974	Achieved
	c) Project development	c) Investment value of projects that graduated from preparation to the investment phase (R'm)	1 200	1 800	2 074	Achieved
	d) Job creation and preservation	d) Number of jobs expected to be created/saved from committed funds (Number)	20 000	27 000	27 130	Achieved
	e) Change in levels of jobs supported by IDC clients	e) Percentage change in the number of people employed in RSA companies in IDC's portfolio (% change y-o-y)	Match growth in IDC sectors	Growth in IDC sectors + 5%	IDC clients achieved growth of 3.0% compared to -1.1% for relevant sectors in the economy	
	f) Transformation	f) Funds committed and facilitated for priority Groups of entrepreneurs (R'm)	8 100	9 200	6 594	Not achieved
		f1) Black Industrialists (R'm)	4 400	4 800	3 232	Not achieved
		f2) Black-owned businesses and broad-based ownership (R'm)	7 000	7 700	6 512	Not achieved
		f3) Women-entrepreneurs (R'm)	2 100	2 300	1 084	Not achieved
		f4) Youth-entrepreneurs (R'm)	900	1 000	394	Not achieved

Perspective	Focus Areas	Performance Indicators	Base target	Stretch target	Actual Performance	Achievement
Technical assistance programmes and policy support	g) Funding support for small businesses and businesses in SEZs and Industrial Zones	g1) Value of funding approved with agreements signed for businesses in spatial priorities including SEZs and Industrial Zones (R'm)	580	900	1 123	Achieved
		g2) Number of businesses supported through IDC's small industrial finance channel (number approved)	30	35	40	Achieved
		g3) Number of jobs created per R1 million approved by IDC for businesses supported through IDC's small industrial finance channel	2.0	2.4	0.8	Not achieved
	h) Funding support for localisation	h) Funds committed and facilitated for localisation (both public procurement and effective import replacement) (R'm)	5 678	6 246	4 613	Not achieved
	i) Funding support for intra-regional trade development	i) Value of funding approved with agreements signed for transactions that will lead to increased intra-regional exports (R'm)	Establish baseline		518	

Perspective	Focus Areas	Performance Indicators	Base target	Stretch target	Actual Performance	Achievement
Financial sustainability	j) Cleaning out non-performing assets and turning around recoverable assets	j1) Risk profile of the portfolio (predominantly medium risk portfolio)	47.0%	51.0%	38.3%	Not achieved
		j2) % non-performing loans (NPLs)	21.9%	19.9%	31.2%	Not achieved
		j3) Impairment ratio (total book) (%)	32.6%	28.8%	36.1%	Not achieved
		j4) Introduce i) new SEP at Foskor and ii) reduce IDC's shareholding in Cast Products SA and Grinding Media SA	i) Finalisation of the SEP process (preferred bidder selected) at Foskor and ii) PFMA approval request of the transaction	Obtaining the requisite regulatory approvals for the Foskor SEP preferred bidder	SEP process interrupted by global events	Not achieved
	k) Proactively driving and enabling the management of value increase of the IDC's unlisted portfolio	k) % appreciation in fair value of unlisted investments (excluding listed assets)	5.9% (CPI)	8.9% (CPI + 3%)	18.2%	Achieved
	l) Optimise the balance sheet for long term sustainability	l) Growth in the value of reserves (y-o-y; %)	9.0% (Nominal GDP growth)[2]	12.0% (Nominal GDP growth + 3%)	32.0%	Achieved
Organisational effectiveness	m) Drive a high-performance culture and ensure an engaged workforce	m) Employee Net Promoter Score	70% rates IDC at passive or higher	80% rates IDC at passive or higher	84% rated IDC neutral or positive	Achieved
	n) Streamline IDC's end-to-end client and deal engagement process to drive quality deals	n) Customer satisfaction index (scale of 1 to 10)	7.9	8.1	7.9	Achieved
Profile and positioning among other stakeholders	o) Enhance IDC's reputation and build trust amongst its stakeholders.	o) Reputation survey score (scale of 1 to 100)	70.8	72.8	72.4	Achieved

[2] *Based on estimated GDP growth figures for the financial year. Relevant economic data expected to be released in time for final results to be published.*

Corporate governance

The IDC's directors endorse the King IV Report on Corporate Governance and implemented the principles contained therein during the review period.

Dividends

Dividends were neither paid nor declared during the financial year.

Share capital

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

Audit committee information

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

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

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

Going concern

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

Directors and secretary

The current directors of the IDC are listed below:

Executive
- TP Nchocho (CEO)

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

M Kganedi is the company secretary.

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

Independent Auditor's Report to Parliament

Report on the audit of the Consolidated and Separate Financial Statements

Opinion

1. We have audited the consolidated and separate financial statements of the Industrial Development Corporation of South Africa Limited, and its subsidiaries (the Group) set out on pages 24 to 119, which comprise the consolidated and separate statements of financial position as at 31 March 2022. It includes the consolidated and separate statements of profit or loss and other comprehensive income, a statement of changes in equity and the statements of cash flows for the period ended and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act of South Africa (Act No. 1 of 1999) (PFMA) and the Industrial Development Corporation Act of South Africa , 1940 (Act No 22, 1940 as amended) (IDC Act).

Basis For Opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of this auditor's report.

4. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

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

Key Audit Matters

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

Key audit matter	How the matter was addressed in the audit
Expected credit losses on Solely Payments of Principal and Interest investments (SPPI) Refer to notes 1.4.3, 8, 9, 11, and 23 of the consolidated and separate financial statements. This key audit matter is applicable to both the consolidated and separate financial statements.	
SPPI investments represent 32% and 33% of the total assets of the Group and Company respectively and are considered significant to the separate and consolidated financial statements. The estimation of credit losses is inherently uncertain and is subject to significant judgement. Furthermore, models used by the Accounting Authority to determine expected credit losses require certain inputs that are not fully observable. The key areas of significant management judgement within the ECL calculations include: • Evaluation of significant increase in credit risk (SICR); • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement; and • Input assumptions applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL measurement. This estimation uncertainty is increased due to the ongoing volatility in South Africa, the wider regional economic market, and the impact of COVID-19.	Our audit procedures included the following: • We reviewed the IFRS 9 framework (classification) and assessed whether investments are classified in terms of the Company's business model. • We evaluated the expected credit loss model used by the Group and Company with specific emphasis on the assumptions used, and determined whether the expected credit losses on SSPI investments has been calculated in accordance with the relevant accounting standards. • We paid particular attention to the valuation of, and rights to, security held by the Group and Company by inspecting relevant supporting documentation on these securities. • Where management has used specialists to provide valuations, we assessed their competence, independence, professional qualifications and experience. We assessed whether the inputs used to calculate the expected credit losses by the Accounting Authority are in accordance with the Group's and Company's Investment Monitoring Committee Policy, by comparing the policy requirements against what has been applied during the year and assessed whether the conclusions reached were appropriate. We evaluated the adequacy of the presentation and disclosure in relation to this key audit matter given the likelihood of management judgement that may be applied.

Key audit matter	How the matter was addressed in the audit
Valuation of unlisted investments and non-solely payments of principal and interest loans (non SSPI)	
Refer to notes 1.4.1, 4, and 12 of the consolidated and separate financial statements for detailed disclosure of investments in unlisted shares and non SPPI loans respectively. This key audit matter is applicable to both the consolidated and separate financial statements.	
Unlisted investments are classified as at fair value through other comprehensive income and are significant in context of the consolidated and separate financial statements. Non SPPI loans are classified as at fair value through profit and loss and are significant in context of the consolidated and separate financial statements. For the Company, significant judgement is applied by management in the valuation of unlisted equities and non SPPI loans in: 1. subsidiaries, 2. associates, joint ventures and partnerships and 3. other entities. For the Group, significant judgement is applied by management in the valuation of unlisted equities and non SPPI loans in other entities. Significant judgements and assumptions are applied by management in valuing these investments include the following: • Free cash flows of investees; • Replacement values; • Discount or premium applied on the stake held in investee companies; • Debt weighting – this is the target interest-bearing debt level; • Realizable value of assets; and • Probabilities of failure in using the Net Asset Value-model. Due to the significant judgement applied by the Group and the extensive audit work that had to be performed, the valuation of unlisted investments and non SPPI loans was considered a key audit matter.	Our audit procedures included the following: • We assessed the models used by the Group and discount rates applied at year-end, and reperformed a sample of the valuations by agreeing valuation inputs to independently sourced data; • We benchmarked inputs used for valuations to current market best practice in assessing the appropriateness of the methodologies applied; • We assessed and challenged the reasonability of cash flows and discount rates used in valuing unlisted investments by comparing them to similar instruments; • We independently recalculated the expected fair values to evaluate if the Group's estimates are within a reasonable range in comparison with our independent expectation; • We also assessed the disclosures made relating to the valuation of unlisted investments to ensure consistency with the requirements of the relevant accounting standards and with the methodologies applied by the Group.

Key audit matter	How the matter was addressed in the audit
Impairment of cash generating units at Foskor Refer to note 1.10 and note 5 of the consolidated financial statements for detailed disclosure of the impairments of assets. This key audit matter is applicable to the consolidated financial statements.	
Included in (account balance) is a cash-generating unit (CGU) at Foskor, a subsidiary of the Industrial Development Corporation of South Africa Limited. Significant judgements and assumptions applied by the Group, in the impairment of the CGU include the following: • Risk-free rate • Equity risk premium • Specific risk premium • Levered beta This estimation uncertainty is increased due to the ongoing volatility in South Africa and wider regional economic markets. Due to the significant judgement applied by management and the extensive audit work that had to be performed, the impairment of cash-generating unit at Foskor, was considered a key audit matter.	Our audit procedures included the following: • We engaged our valuation specialist to assess the appropriateness of the valuation model and discount rate used including key assumptions; • We discussed the process used by management and challenged the judgements and assumptions used in their assessment of the impairment indicators; • We reviewed analyst commentaries and consensus forecasts to evaluate the statements made by management in their assessment; • We performed a retrospective assessment to validate the reasonability of performance against the projections made by management; • We evaluated the impact of the changes in Rand/US Dollar exchange rate, the volatility of sales prices and production inputs used by management in their calculation; • We compared the forecast to the historical data to assess reasonability and probability thereof; • We compared the planned capital expenditure projections to existing planned works, available funding options and the capital development work required; • We tested the reliability and relevance of data used in the assessment We evaluated whether the accounting treatment applied in determining the impairment and the related disclosures are in accordance with the applicable financial reporting framework.

Key audit matter	How the matter was addressed in the audit
Deferred tax asset impairment	
Refer to note 1.17 and note 31 of the consolidated financial statements for detailed disclosure of the deferred tax assets. This key audit matter is applicable to the consolidated financial statements.	
Deferred tax assets may only be recognized to the extent that it is probable that future taxable profits will be available. The calculation of future taxable profits is subject to significant judgement and the key areas of significant judgement include: • Assumptions applied by management in projecting future taxable income • Probability of meeting income projections Judgement had to be applied in determining the amount of adjustment to be made to deferred tax asset balance. The proposed adjustment amount of R276.6 million was significant to the financial statements of Foskor. Due to the significant judgement applied in assessing the probability of future taxable income of the Group and the extensive audit work that had to be performed, the recognition of deferred tax assets was considered a key audit matter.	We reviewed management's assessment on the recognition of the deferred tax asset. In our assessment we checked for: • Assumptions made by management in projecting future taxable income • Consistency of application of assumptions made in other financial statement items • Review the justification or the reversal or non-reversal of the deferred tax asset Reviewed the work of Foskor's tax specialists and deferred tax workings. We assessed the audit work performed on other sections to confirm consistency with other matters identified during the audit in respect of the reasonability of management's projections for example the treatment cash-generating unit (CGU). Considered Foskor's historical and current performance results to evaluate the reasonability and probability of the projections of future taxable income being met.

Responsibility of the Accounting Authority for the financial statements

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

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

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

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

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

Report on the Audit of the Performance Report*

Introduction and Scope

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

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

13. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2022:

Predetermined objectives	Pages in the Annual Performance Report
Industrial policy inputs and implementation	10
Project development	10
Job creation and preservation	10
Change in levels of jobs supported by IDC clients	10
Transformation	10

* *As reported in the directors' report*

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

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

- Industrial policy inputs and implementation
- Project development
- Job creation and preservation
- Change in levels of jobs supported by IDC clients
- Transformation

Other Matter

16. We draw attention to the matter below.

Achievement of planned targets

Refer to the annual performance report on pages 10 to 12 for information on the achievement of planned targets for the year and management's explanations provided for the under/ over achievement of targets.

Report on the Audit of Compliance with Legislation

Introduction and Scope

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

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

Annual financial statements

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

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

Other Information

19. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the confirmation of accuracy and fair presentation, the accounting officer's statement of responsibility of annual financial statements, the report of the board audit committee and the directors' report. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected objective presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

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

Internal Control Deficiencies

23. We considered internal control relevant to our audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation included in this report.

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

Report on Other Legal and Regulatory Requirements

25. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SABandT and SizweNtsalubaGobodo Grant Thornton Inc. have been the auditors of the Industrial Development Corporation of South Africa Limited for 3 years and 15 years respectively.

26. In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity is as follows:

    During our audit engagement for the financial year ended 31 March 2022, we noted that a Financial Intelligence Centre ("FIC") off-site inspection was performed by the Financial Intelligence Centre. The inspection noted that the IDC's Risk Management and Compliance Program (RMCP) does not comply with provisions of the Financial Intelligence Centre Amendment Act, Act 1 of 2017. We noted that these areas of non-compliance at the time had not yet been rectified by management.

    Management have subsequently rectified the non-compliance, and the reportable irregularity is no longer continuing.

NexiaSAB&T

Nexia SABandT
Registered Auditor

Per Aneel Darmalingam
Director
Chartered Accountant (SA)
Registered Auditor
5 September 2022

Nexia SABandT
119 Witch-Hazel Avenue
Highveld Technopark
Centurion
0169

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Registered Auditor

Per Patience Bhebhe
Director
Chartered Accountant (SA)
Registered Auditor
5 September 2022

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

Annexure – Auditor's Responsibility for the Audit

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

Financial statements

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

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

Communication with those charged with governance

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

4. We also confirm to the Accounting Authority that we have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Statements of financial position

Figures in Rand million	Note(s)	Group 2022	Group 2021	Company 2022	Company 2021
Assets					
Cash and cash equivalents	15	18 354	16 037	14 842	12 637
Trade and other receivables	14	2 706	2 625	382	608
Inventories	13	3 382	2 922	1	1
Current tax receivable		451	79	450	78
Loans and advances	11	24 304	25 505	21 982	24 520
Investments	12	72 899	56 314	53 947	44 995
Non-current assets held for sale and assets of disposal Groups	26	–	14	–	–
Investments in subsidiaries	8	–	–	39 984	33 956
Investments accounted for using the equity method	9	39 876	32 401	40 270	29 850
Deferred tax asset	31	6 285	881	4 870	–
Investment property	6	291	304	27	41
Property, plant and equipment	5	5 404	6 122	280	318
Right of use assets	32	113	475	360	406
Intangible assets	7	37	33	25	19
Total Assets		**174 102**	**143 712**	**177 420**	**147 429**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital	17	1 393	1 393	1 393	1 393
Reserves		67 693	45 435	82 238	58 122
Retained income		46 378	40 010	26 139	23 475
Non-controlling interest		(898)	(821)	–	–
Total Equity		**114 566**	**86 017**	**109 770**	**82 990**
Liabilities					
Bank overdraft	15	70	118	–	–
Derivative financial instruments liabilities	10	6	7	–	1
Trade and other payables	34	8 111	6 259	1 101	927
Lease liabilities	32	160	597	428	452
Current tax payable		16	298	–	–
Retirement benefit obligation	35	348	374	183	178
Borrowings	18	37 541	42 682	52 052	56 910
Deferred tax liability	31	12 383	6 448	13 238	5 409
Financial guarantees	23	569	515	611	515
Provisions	27	332	397	37	47
Total Liabilities		**59 536**	**57 695**	**67 650**	**64 439**
Total Equity and Liabilities		**174 102**	**143 712**	**177 420**	**147 429**

Statements of profit or loss and other comprehensive income

Figures in Rand million	Note(s)	Group 2022	Group ^Restated 2021	Company 2022	Company 2021
Continuing operations					
Revenue	19	18 245	11 449	9 282	4 661
Interest income	20	3 432	4 633	3 516	4 905
Total Revenue		**21 677**	**16 082**	**12 798**	**9 566**
Cost of sales		(8 595)	(6 667)	–	–
Finance costs	21	(2 742)	(3 288)	(2 580)	(3 272)
Other income		377	385	4	4
Profit/(loss) on financial assets classified as FVTPL		834	687	505	(520)
Expected credit losses on financial assets*	8,9,11,14,15	(188)	(1 900)	(796)	(263)
Financial assets written off	11	(2 524)	(311)	(4 010)	(255)
Operating expenses		(4 837)	(4 775)	(2 067)	(1 681)
Operating profit/(loss)	29	**4 002**	**213**	**3 854**	**3 579**
Income from equity accounted investments	9	4 434	1 200	–	–
Profit (loss) before taxation		**8 436**	**1 413**	**3 854**	**3 579**
Taxation	30	(1 171)	(1 127)	(1 190)	(282)
Profit/(loss) for the year from continuing operations		**7 265**	**286**	**2 664**	**3 297**
Loss from discontinued operations#	8	(405)	(319)	–	–
Profit/(Loss) on loss of control		(569)	–	–	–
Profit/(Loss) for the year		**6 291**	**(33)**	**2 664**	**3 297**
Other comprehensive income/(loss):					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset	37	15	(1)	15	1
Fair value movements on equity instruments	37	19 435	31 699	26 248	31 198
Income tax relating to items that will not be reclassified		1 484	(6 526)	(1 945)	(5 487)
Total items that will not be reclassified to profit or loss		**20 934**	**25 172**	**24 318**	**25 712**
Items that may be reclassified to profit or loss:					
Share of comprehensive income of equity accounted investments	9	1 516	1 383	–	130
Exchange differences on translating foreign operations		9	(665)	–	–
Total items that may be reclassified to profit or loss		**1 525**	**718**	**–**	**130**
Other comprehensive income for the year net of taxation	37	22 459	25 890	24 318	25 842
Total comprehensive income for the year		**28 750**	**25 857**	**26 982**	**29 139**
Profit/(loss) for the year attributable to:					
Owners of the Parent (P/L)		6 368	244	2 664	3 297
Non-controlling interest (P/L)		(77)	(277)	–	–
		6 291	**(33)**	**2 664**	**3 297**
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Parent (OCI)		28 827	26 134	26 982	29 139
Non-controlling interest (OCI)		(77)	(277)	–	–
		28 750	**25 857**	**26 982**	**29 139**

* *Financial assets include loans and advances, financial guarantees, cash and cash equivalents and trade receivables.*

\# *The discontinued operation relates to Cast Products (Pty) Ltd who was placed into business rescue on 29 January 2022. Refer to note 8 for more information.*

^ *2021 Group figures have been restated to comply with IFRS 5.34 in relation to Cast Products which is presented as a discontinued operation in the current and prior year. No change to total profit or loss nor to other comprehensive income occurred. Refer to note 8 for further information.*

Statements of changes in equity

Group

Figures in Rand million	Share capital	Foreign currency translation reserve	Associated entities Reserves	Revaluation Reserve	Common control reserve	Other reserves*	Share-based payment Reserve	Retained Earnings	Non-controlling Interest	Total Equity
Balance at 01 April 2020	**1 393**	**2 301**	**2 814**	**12 404**	**1 657**	**65**	**304**	**39 766**	**(514)**	**60 190**
Profit for the year	–	–	–	–	–	–	–	244	(277)	(33)
Other comprehensive Income	–	(665)	1 383	24 734	–	(1)	–		(30)	25 421
Directly within equity				439						439
Total comprehensive income for the year	**–**	**(665)**	**1 383**	**25 173**	**–**	**(1)**	**–**	**244**	**(307)**	**25 827**
Balance at 01 April 2021	**1 393**	**1 636**	**4 197**	**37 577**	**1 657**	**64**	**304**	**40 010**	**(821)**	**86 017**
Profit for the year	–	–	–	–	–	–	–	6 368	(77)	6 291
Other comprehensive Income	–	9	1 516	20 920	–	15	–	–	–	22 460
Directly within equity				(202)						(202)
Total comprehensive income for the year	**–**	**9**	**1 516**	**20 718**	**–**	**15**	**–**	**6 368**	**(77)**	**28 549**
Balance at 31 March 2022	**1 393**	**1 645**	**5 713**	**58 295**	**1 657**	**79**	**304**	**46 378**	**(898)**	**114 566**

Company

Figures in Rand million	Share capital	Associated entities Reserves	Revaluation Reserve	Common control reserve	Other reserve*	Share-based payment Reserve	Retained Earnings	Total Equity
Balance at 01 April 2020	**1 393**	**26**	**30 934**	**1 222**	**98**	**–**	**20 178**	**53 851**
Profit for the year	–	–	–	–	–	–	3 297	3 297
Other comprehensive Income	–	130	25 272	–	1	–	–	25 403
Directly within equity			439					439
Total comprehensive income for the year	**–**	**130**	**25 711**	**–**	**1**	**–**	**3 297**	**29 139**
Balance at 01 April 2021	**1 393**	**156**	**56 645**	**1 222**	**99**	**–**	**23 475**	**82 990**
Profit for the year	–	–	–	–	–	–	2 664	2 664
Other comprehensive Income	–	–	24 303	–	15	–	–	24 318
Directly within equity			(202)					(202)
Total comprehensive income for the year	**–**	**–**	**24 101**	**–**	**15**	**–**	**2 664**	**26 780**
Balance at 31 March 2022	**1 393**	**156**	**80 746**	**1 222**	**114**	**–**	**26 139**	**109 770**

Prior year was restated to account for transactions occurring directly within equity.

Statements of cash flows

Figures in Rand million	Note(s)	Group 2022	Group 2021	Company 2022	Company 2021
Cash flows from operating activities					
Cash (used in)/generated from operations	22	(4 762)	2 610	(6 193)	1 798
Grant income received		1 849	1 760	4	7
Interest received	20	2 135	1 929	1 987	1 524
Dividends received		6 254	3 467	8 653	4 314
Interest Paid	21	(2 675)	(2 642)	(2 486)	(2 550)
Tax (paid) refunded	33	(606)	121	(548)	135
Net cash from operating activities		**2 195**	**7 245**	**1 417**	**5 228**
Cash flows from investing activities					
Purchase of property, plant and equipment		(408)	(347)	(14)	–
Purchase of intangible assets		(14)	–	(11)	–
Acquisition of investments		(86)	(309)	(43)	(273)
Sale of other financial assets		51	–	–	–
Proceeds on realisation of investments		713	758	685	758
Deconsolidation of cash due to loss of control	12	(34)	–	–	–
Net cash from investing activities		**222**	**102**	**617**	**485**
Cash flows from financing activities					
Repayments of lease liabilities	32	(52)	(81)	(59)	(55)
Net cash from financing activities		**(52)**	**(81)**	**(59)**	**(55)**
Total cash movement for the year		**2 365**	**7 266**	**1 975**	**5 658**
Cash at the beginning of the year		15 919	8 860	12 867	7 209
Effect of foreign exchange rate movements on cash and cash equivalents		–	23	–	–
Total cash at end of the year	15	**18 284**	**16 149**	**14 842**	**12 867**
Expected credit loss on cash and cash equivalents		–	(230)	–	(230)
Cash as disclosed per note*	**15**	**18 284**	**15 919**	**14 842**	**12 637**

* *Includes bank overdraft.*

Reportable segments

Figures in Rand million	Industrial Development Corporation		sefa, Konoil, Findevco and Impofin		Foskor (Pty) Ltd	
	2022	2021	2022	2021	2022	2021
Income						
Interest received	3 516	4 905	209	117	36	55
Dividends received	8 903	4 314	–	–	–	–
Fee income	379	347	15	13	–	–
Mining Income: phosphate rock and magnetite	–	–	–	–	1 848	1 077
Fertiliser and acid sales	–	–	–	–	5 136	3 379
Sales of Highchrome	–	–	–	–	–	–
Sales of Ball Forge	–	–	–	–	–	–
Other Revenue	–	–	338	16	1	–
Revenue	**12 798**	**9 566**	**562**	**146**	**7 021**	**4 511**
Share of profits of equity-accounted investments	–	–	46	44	–	–
Other income	4	4	22	147	262	343
Expenses						
Financing costs	(2 580)	(3 272)	(58)	(54)	(427)	(356)
Cost of sales	–	–	–	–	(5 542)	(4 346)
Operating expenses	(1 944)	(1 522)	(399)	(368)	(1 292)	(783)
Taxation	(1 190)	(282)	269	(270)	(207)	(273)
Depreciation	(71)	(71)	(3)	(15)	(284)	(333)
Project feasibility expenses	(52)	(88)	–	–	–	–
Net movement in impairments	(4 301)	(1 038)	(328)	(191)	(53)	(73)
Loss from discontinued operations	–	–	–	–	–	–
Profit/(Loss) on loss of control	–	–	–	–	–	–
Impairment of property, plant and equipment	–	–	–	–	45	(893)
Profit for the year	**2 664**	**3 297**	**111**	**(561)**	**(477)**	**(2 203)**
Total assets	177 420	147 429	39 378	29 948	8 280	7 852
Interest in equity-accounted investments	40 270	29 850	939	922	–	–
Total liabilities	67 650	64 439	7 433	5 126	7 393	6 489
Capital expenditure	30	314	5	2	213	150
Capital expenditure commitments	–	–	–	–	105	81
All revenue is from external customers						

The IDC Group reportable segments are subsidiaries that offer different products and services. These subsidiaries are managed as separate entities and require different managerial, technological and marketing strategies. The subsidiaries are aggregated based on the nature of the products and services produced, the production processes and the type of customers for each subsidiary.

The IDC Group has five reportable segments: IDC; sefa, Konoil, Findevco and Impofin; Foskor; Grinding Media and Cast Products and Other. The IDC segment provides industrial funding to medium and large corporations. The sefa, Konoil, Findevco and Impofin segment also provides funding, however, focuses on small and medium enterprises. The Foskor segment focuses on two divisions, the mining division that processes Phosphate Rock and Magnesite and the Acid division that manufactures Granular fertiliser, Phosphoric acid, sulphuric acid and Sulphur, ammonia and gypsum for sale to mining and acid companies.

Grinding Media and Cast Products segments are subsidiaries that manufacture cast products, forged grinding balls and high chrome grinding media products for sale to mining, railway, metals and power industries. Other segments focuses mainly on investment properties by renting out buildings and other assets to different entities and includes the consolidation journals processed at a Group level. Cast Products was placed in business rescue on 26th of January 2022 and the IDC lost control of the subsidiary. The 10-month results to the date Cast Products went into business rescue are included in the above. Refer to note 8 for more information.

***Reportable segments** continued*

Figures in Rand million	Grinding Media and Cast Products		Other		Total	
	2022	2021	2022	2021	2022	2021
Income						
Interest received	(1)	–	(328)	(444)	3 432	4 633
Dividends received	–	–	(2 399)	(847)	6 504	3 467
Fee income	–	–	33	25	427	385
Mining Income: phosphate rock and magnetite	–	–	–	–	1 848	1 077
Fertiliser and acid sales	–	–	–	–	5 136	3 379
Sales of Highchrome	1 567	1 156	–	–	1 567	1 156
Sales of Ball Forge	1 296	931	–	–	1 296	931
Other Revenue	–	–	1 128	1 038	1 467	1 054
Revenue	**2 862**	**2 087**	**(1 566)**	**(228)**	**21 677**	**16 082**
Share of profits of equity-accounted investments	–	–	4 388	1 156	4 434	1 200
Other income	–	–	89	(109)	377	385
Expenses						
Financing costs	(31)	(22)	354	416	(2 742)	(3 288)
Cost of sales	(2 409)	(1 753)	(644)	(568)	(8 595)	(6 667)
Operating expenses	(330)	(233)	(351)	(296)	(4 316)	(3 202)
Taxation	(25)	(32)	(18)	(270)	(1 171)	(1 127)
Depreciation	(27)	(39)	(129)	(134)	(514)	(592)
Project feasibility expenses	–	–	–	–	(52)	(88)
Net movement in impairments	–	1	2 804	(223)	(1 878)	(1 524)
Loss from discontinued operations	(395)	(319)	(10)	–	(405)	(319)
Profit/(Loss) on loss of control	–	–	(569)	–	(569)	–
Impairment of property, plant and equipment	–	–	–	–	45	(893)
Profit for the year	**(355)**	**(310)**	**4 348**	**(256)**	**6 291**	**(33)**
Total assets	1 337	2 493	(52 313)	(44 010)	174 102	143 712
Interest in equity-accounted investments	–	–	(1 333)	1 629	39 876	32 401
Total liabilities	2 702	1 381	(20 939)	(19 740)	64 239	57 695
Capital expenditure	41	135	138	187	427	788
Capital expenditure commitments	–	–	–	141	105	222
All revenue is from external customers						

Geographical segments

	South Africa		Rest of Africa		Other*		Total	
Figures in Rand million	2022	2021	2022	2021	2022	2021	2022	2021
Income								
Interest received	3 145	3 676	287	957	–	–	3 432	4 633
Dividends received	5 106	3 145	–	241	1 398	81	6 504	3 467
Fee income	427	385	–	–	–	–	427	385
Mining Income: phospate rock and magnetite	1 848	1 077	–	–	–	–	1 848	1 077
Fertiliser and acid sales	5 136	3 379	–	–	–	–	5 136	3 379
Sales of Highchrome	1 567	1 156	–	–	–	–	1 567	1 156
Sales of Ball Forge	1 296	931	–	–	–	–	1 296	931
Other Revenue	1 303	982	164	–	–	72	1 467	1 054
Revenue	19 828	14 731	451	1 198	1 398	153	21 677	16 082
Share of profits of equity-accounted investments	3 278	1 200	1 156	–	–	–	4 434	1 200
Other income	326	385	51	–	–	–	377	385
Expenses								
Financing expenses	(2 700)	(3 288)	(42)	–	–	–	(2 742)	(3 288)
Cost of sales	(8 595)	(6 667)	–	–	–	–	(8 595)	(6 667)
Operating expenses	(4 235)	(3 245)	(81)	–	–	–	(4 316)	(3 245)
Taxation	(1 156)	(1 127)	(15)	–	–	–	(1 171)	(1 127)
Depreciation	(466)	(549)	(48)	–	–	–	(514)	(549)
Impairment of property, plant and equipment	45	(893)	–	–	–	–	45	(893)
Net movement in impairments	(1 878)	(1 524)	–	–	–	–	(1 878)	(1 524)
Loss from discontinued operations	(411)	(299)	–	–	6	(20)	(405)	(319)
Profit/(Loss) on loss of control	(555)	–	–	–	(14)	–	(569)	–
Project feasibility expenses	(52)	(88)	–	–	–	–	(52)	(88)
Profit for the year	**3 429**	**(1 364)**	**1 472**	**1 198**	**1 390**	**133**	**6 291**	**(33)**
Total assets	173 148	140 761	954	1 223	–	1 728	174 102	143 712
Interest in equity-accounted investments	39 876	28 626	–	3 775	–	–	39 876	32 401
Total liabilities	63 380	57 674	859	–	–	21	64 239	57 695
Capital expenditure	427	788	–	–	–	–	427	788
Capital expenditure commitments	105	222	–	–	–	–	105	222

* *Other – includes all countries outside the African continent*

Accounting policies

1. Accounting policies

The Industrial Development Corporation of South Africa Limited (IDC, Company or Corporation) is domiciled in South Africa. The consolidated financial statements for the year ended 31 March 2022 comprise the IDC, its subsidiaries and the Group's interest in associates and jointly controlled entities (referred to as the Group).

The financial statements were authorised for issue by the directors on 30 August 2022.

1.1. Statement of compliance

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

1.2. Basis of preparation

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

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

i. Derivative financial instruments are measured at fair value

ii. Financial instruments designated at fair value through other comprehensive income are measured at fair value

iii. Financial instruments classified at fair value through profit or loss are measured at fair value

iv. Investments in subsidiaries, associates and jointly-controlled entities are carried at fair value in the separate financial statements of the company

v. Investment property is measured at fair value

vi. Land and buildings are measured at revalued amount, being its fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses

vii. Aircrafts are measured at fair value, less subsequent accumulated depreciation and accumulated impairment losses

viii. Non-current assets held-for-sale are measured at fair value less cost to sell

1.3. New standards, amendments and interpretations to existing standards

1.3.1. New Standards as at 1 April 2021

The Group has applied the following standards and amendments for the first time for their annual reporting period:

1. Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments are not relevant to the company.

2. Revised Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

The following new standards and amendments and any potential material impact were considered. None of the standards or amendments are expected to have a material impact on the financial statements of the Group.

IAS 8 Accounting policies, Changes in accounting estimates and Errors Effective Date: 1 January 2023

Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.

IAS 37 Provisions, contingent liabilities and contingent assets: Effective date: 1 January 2022

Onerous Contracts—Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.

IAS 1: Presentation of financial statements
Effective date: 1 January 2023

Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

IFRS 10 and IAS 28 (amendments)
Effective Date: Still to be announced

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the board; however, earlier application of the amendments is permitted. The Group anticipates that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transactions arise.

1.4. Financial instruments

1.4.1. Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial assets are derecognised when the contractual rights to receive cash flows from the investments have expired or on trade date, when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs and the amount paid for it is included in profit or loss.

Classification and initial measurement of financial assets

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

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

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

IDC Group has made an irrevocable election at initial recognition to classify investments in ordinary shares as financial assets at FVOCI since these instruments are not considered part of the core operating assets.

The classification for debt instruments is determined by both:

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income (interest income included in revenue other than from contracts with customers) or other financial items (fee income included in revenue from contracts with customers). The impairment for trade receivables is presented under expected credit losses on the Statement of Profit or loss and Other Comprehensive income.

Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Modification of financial instruments

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).

Renegotiation of financial assets is often done because of financial difficulty of the borrower. As such, a significant number of renegotiated loans are loans that are in stage 3 which is a stage characterised by non-performing loans.

The Group modifies the terms of loans provided to clients due to commercial renegotiations or in cases of distressed loans, with the aim of maximising recovery. Such restructuring activities include extended payment terms, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. The Group may determine that the credit risk has improved significantly after restructuring and the assets are then moved from lifetime ECL (stage 2 and stage 3) to 12-month ECL (stage 1). This is the case for assets that have performed in accordance with the new terms for six or more consecutive months. The Group continues to monitor whether there is a subsequent significant increase in credit risk in relation to such assets which may necessitate a change in the relevant stage of lifetime ECL.

1.4.2. Subsequent measurement of financial assets

1.4.2.1 Financial assets at amortised cost

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

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

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

The calculation of effective interest does not consider ECLs and includes transaction costs, premiums or discounts, fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit impaired financial assets (assets that are credit-impaired at initial recognition) the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cashflows.

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

IDC Group loans and advances and preference shares that meet the above classification criteria are measured at amortised cost. Cash and cash equivalents; trade and most other receivables also fall into this category of financial instruments. The impairment loss on loans and advances and trade receivables is presented in profit or loss.

Other receivables

Other receivables include deposits, rental debtors, related party loans, study loans, deferred grants, finance lease receivables and interest receivable. These receivables are financial assets that comprise solely payments of principal and interest and are therefore accounted for at amortised cost. They are subject to the Expected Credit Loss (ECL) model for impairment testing purposes.

Other receivables also include Value-added Tax (VAT) receivables which are not financial instruments as they do not arise from a contractual relationship. They are measured at the value estimated to be received from tax authorities.

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

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

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

1.4.3. Impairment of financial assets

IFRS 9 implies a forward-looking approach to recognising expected credit losses (ECL's)

Instruments within the scope of the these requirements include loans and other debt-type financial assets measured at amortised cost, cash and cash equivalents, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

IDC considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs are discounted at the effective interest rate of the financial asset.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

Lifetime ECL's are the result from all possible default events over the expected life of the financial instrument, while 12-month ECL's refers to default events that are within 12-months of reporting date (or a shorter period if the expected life of the financial asset is less than 12 months).

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

As Significant Increase in Credit Risk (SICR) is assessed on a business partner level, as opposed to a contract level, contagion is implicitly allowed for. SICR is driven by deterioration in credit risk, being added on the watchlist and where there are amounts past due exceeding 30 days. Business partners with amounts past due exceeding 90 days and those handed over to Recoveries, Business Rescue and Insolvencies (RBI) are automatically transitioned to stage 3, are considered to be credit impaired. Other Business Partners in distress will also be recognised as stage 3 assets. When a business partner's credit rating, account or economical standing improves, they may meet the criteria for curing. That will result in the instrument or exposure to return to a better stage. Where exposure is less than R100 million the curing period is 3 months and where exposure is R100 million or more the curing period is 12 months.

The stages of ECL can be overridden in instances of technical arrears, deferments in process, in instances where a business partner is transferred to Business Advisory and Turnaround and Recoveries, Business Rescue and Insolvencies department and lastly where there is evidence indicating deterioration in credit risk or debt serviceability. Stage overrides are approved by the Investment Monitoring Committee (IMC) and are documented.

IDC also applies the 3-stage impairment model to financial guarantees and loan commitments.

- The ECL is calculated by taking into account the Probability of Default, Exposure at Default, Loss Given Default and Macro-economic conditions forecasts. Probability of Default (PD) – is the likelihood of an account defaulting within a specified period;
- Exposure at Default (EAD) – is the total value the IDC is exposed to when a loan defaults;
- Loss Given Default (LGD) – is the proportion of the exposure that is most likely not to be recovered, considering the capital security held against the exposure.

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

1.4.4. Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, minus transaction costs unless the Group designated a financial liability at fair value through profit or loss.

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

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

1.4.5. Derivative financial instruments and hedge accounting

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

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

1.5. Investments in subsidiaries

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

i) Business combinations

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

ii) Transactions eliminated on consolidation

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

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

iii) Non-controlling interests

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

iv) Loss of control

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

1.6. Investments in associates

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

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

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

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

1.7. Joint ventures and partnerships

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

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

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

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

1.8. Intangible assets

Intangible assets acquired separately

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

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

1.9. Impairment of non-financial assets

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

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

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

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

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

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

1.10. Foreign currency translation

a) Transactions and balances

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

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

Foreign currency differences are recognised in profit and loss, except for FVOCI investments.

b) Financial statements of foreign operations

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

1.11. Investment property

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

c) Measurement

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

Valuation takes place annually, based on the aggregate of the net annual rental receivable from the properties, considering and analysing rentals received on similar properties in the 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.

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

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

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

1.12. Property, plant and equipment

a) Measurement

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

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

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

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

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

b) Subsequent cost

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

c) Depreciation

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

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

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

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

d) De-recognition

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

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

LEASES

a) Determining whether an arrangement contains a lease

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

b) Right-of-Use Asset

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

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

c) Lease Liability

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

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

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

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

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

1.13. Share capital

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

1.14. Inventories

a) Spares and consumables

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

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

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

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

b) Raw materials, finished goods and phosphate rock

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

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

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

1.15. Provisions

Provisions are recognised when:

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

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

A constructive obligation to restructure is recognised when an entity:

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

a) Decommissioning provision

The decommissioning provision includes estimated costs for the rehabilitation or restoration of any sites, land or location as a result of prior business activity. The obligation to make good environmental or other damage incurred in installing an asset is provided in full immediately, as the damage arises from a past event.

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

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

1.16. Contingent liabilities and commitments

a) Contingent liabilities

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

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

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

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

b) Commitments

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

1.17. Taxation

a) Current tax assets and liabilities

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

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

b) Income tax

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

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

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

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

c) Deferred tax

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

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

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

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

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

1.18. Revenue

Revenue not from contracts with customers comprises dividend and interest income.

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

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

a) Sales to customers

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

b) Dividends

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

c) Interest

Interest income is recognised in profit or loss using the effective-interest method taking into account the contractual expected timing and amount of cashflows. The effective-interest method is a method of calculating the amortised cost of a financial asset or financial liability (or Group of financial assets or financial liabilities) and of allocating the interest income over the relevant period. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis. The interest income is calculated by applying the effective interest rate to the gross carrying amount of performing loans and to the amortised cost of non-performing loans which have become credit impaired.

d) Fees

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

- Income earned on the execution of a significant act, such as the managing of funds, and is recognised when the significant act has been performed.
- Income earned from the provision of services is recognised as the service is rendered (i.e over time) by reference to the stage of completion of the service, measured using an output method.
- Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recognised in revenue other than from contracts with customers.
- Fees charged for servicing a loan are recognised in revenue as the service is provided.

***Accounting policies** continued*

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

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

1.19. Borrowing costs

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

1.20. Employee benefits

a) Post-retirement medical benefits

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

b) Defined contribution plans

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

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

c) Defined benefit plans

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

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

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

d) Short-term employee benefits

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

1.21. Segment reporting

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

1.22. Non-current assets held-for-sale

a) Non-current assets held for sale

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

b) Measurement

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

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

c) Reclassification

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

1.23. Related parties

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

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

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

1.24. Share based payments

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

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

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

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

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

1.25. Determination of fair values

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

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

a) Financial assets and liabilities

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

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

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

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

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

b) Property, plant and equipment

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

c) Intangible assets

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

d) Investment property

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

i) Capitalisation method

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

ii) Comparative method

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

iii) Residual land valuation method

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

e) Non-derivative financial liabilities

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

f) Share-based payment transactions

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

1.26. Use of estimates and judgements

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

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

a) Income taxes

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

b) Fair value of financial instruments

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

Listed equities are valued based on their listed value (fair value) on 31 March 2022.

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

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

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

c) Loans with no repayment terms

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

d) Post-employment obligations

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

e) Environmental rehabilitation liability

In determining the environmental rehabilitation liability, an inflation rate of 4.72% (2021: 4.38%) was assumed to increase the rehabilitation liability for the next 10 years, and a rate of 10.29% (2021:10.93%) to discount that amount to present value. The assumed discount rate of 10.29% is a risk-free rate.

f) Fair value of share-based payments

The valuation technique applied to determine the simulated Company value is part of the Black Scholes Option Pricing methodology. The market conditions relating to the growth in the market value of the Foskor shares have been taken into account in estimating the fair value of the equity instruments granted. The key assumptions used in the calculation are included in Note 28 of the financial statements..

g) Impairment of assets

The Group follows the guidance of IAS 36, Impairment of Assets to determine when an asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates the impairment indicators that could exist at year end, such as significant decreases in the selling prices of finished goods, significant decreases in sales volumes and changes in the international export regulatory environment. Foskor, one of the Group's material components uses significant judgement in determining the value-in-use of their Cash Generating Unit. More information on the inputs and judgements can be found in note 5, Property, plant and equipment.

h) Transfer of function

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

i) Expected credit losses

The determination of ECL's involves forward looking information which involves areas of significant judgement. Refer to note 3 for more information on the key inputs and factors to determine ECL's.

1.27. Transfer of functions

a) Between entities under common control

i) Recognition

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

ii) Measurement

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

iii) Derecognition

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

1.28. Preparation of the annual financial statements

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

Notes to the financial statements

1. COVID-19, the July unrest and its impact on the financial statements

COVID-19

During the reporting period, the country saw a gradual easing of COVID-19 restrictions despite the outbreak of the Omicron variant. Adjusted alert level 1 was in place from 1 October 2021 to 4 April 22 and the Government lifted the National State of Disaster on the 5th of April. This is expected to have a positive impact on business, especially in the tourism sector. The IDC's financial performance has continued to be boosted by increased dividend income as well as reducing operational expenses where possible allowing the Corporation to continue to disburse and fulfil its countercyclical mandate.

Listed and unlisted portfolio

The IDC's listed portfolio continued to strengthen owing to strategic investments in the resources sector. The growth of 29.7% to the end of March 2022 was driven mostly by the IDC's investments in Sasol, BHP Billiton and Kumba Iron Ore. The unlisted portfolio also showed generous growth during the year.

Loan book

IDC's loan clients continued to experience tough trading conditions, some still from the remnants of COVID-19, specifically in the tourism sector but also the impacts of the unrest seen in July 2021. Despite tough economic conditions, several client support initiatives have seen impairments remain contained and repayments increase. Caution in the market saw clients with excess cash pay down debt, thereby improving the performance of the book. The reporting period was also one where the teams worked on a clean and fix initiative and the establishment of value creation plans which resulted in bulk-write-offs on loans where there was sustained underperformance. We have seen an improved non-performing loan (NPL) ratio as well as marginally lower expected credit losses at the end of March 2022.

Civil unrest

The July 2021 civil unrest impacted several IDC clients. A post-unrest business recovery fund was set up, targeted at both new and existing clients. To date, R1 544 million has been disbursed. Through this initiative 2 189 businesses (sites) have been assisted and 30 153 jobs saved.

2. Financial assets and liabilities

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

Figures in Rand million	FVTPL	FVOCI	Amortised cost	Total	Fair value
Group – 2022					
Cash and cash equivalents	–	–	18 354	18 354	18 354
Loans and advances*	154	–	21 044	21 198	18 485
Investments – listed equities	–	65 516	–	65 516	65 516
Investments – unlisted equities	–	6 586	–	6 586	6 586
Investments – preference shares*	797	–	3 106	3 903	3 832
Trade and other receivables	–	–	2 706	2 706	2 706
Borrowings	–	–	(37 541)	(37 541)	(37 541)
Derivative liabilities	(6)	–	–	(6)	(6)
Bank overdrafts	–	–	(70)	(70)	(70)
Trade and other payables	–	–	(8 111)	(8 111)	(8 111)
Total	**945**	**72 102**	**(512)**	**72 535**	**69 751**

Figures in Rand million	FVTPL	FVOCI	Amortised cost	Total	Fair value
Company – 2022					
Cash and cash equivalents	–	–	14 842	14 842	14 842
Loans and advances*	154	–	18 722	18 876	18 485
Investments – listed equities	–	46 606	–	46 606	46 606
Investments – unlisted equities	–	6 544	–	6 544	6 544
Investments – preference shares*	797	–	3 106	3 903	3 832
Trade and other receivables	–	–	382	382	382
Borrowings	–	–	(52 052)	(52 052)	(52 052)
Trade and other payables	–	–	(1 101)	(1 101)	(1 101)
Total	**951**	**53 150**	**(16 101)**	**38 000**	**37 538**

* *The fair value was calculated using the discounted cash flow method. The fair value of loans and advances as well as preference shares is obtained by reducing from the exposure, the probability-weighted difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive discounted at the risk free rate (10.5%). For preference shares that are carried at fair value through Profit and Loss refer to note 4.*

Since the amounts disclosed in the above tables do not all appear or agree to the amounts disclosed on the face of the Statement of Financial Position, a reconciliation of the above-disclosed to the amounts presented on the face of the Statement of Financial Position is provided below:

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Loans and Advances comprises:				
Loans at FVTPL	154	2 463	154	2 463
Loans at Amortised cost	21 044	19 652	18 722	18 667
Investments – Preference shares	3 106	3 390	3 106	3 390
	24 304	**25 505**	**21 982**	**24 520**

2. Financial assets and liabilities *(continued)*

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Investments comprises:				
Investments – listed equities	65 516	51 008	46 606	39 731
Investments – unlisted equities	6 586	3 761	6 544	3 719
Investments – Preference shares	797	1 545	797	1 545
	72 899	**56 314**	**53 947**	**44 995**

Information regarding loans and advances to associates can be found in note 9.

Figures in Rand million	FVTPL	FVOCI	Amortised cost	Total	Fair value
Group – 2021					
Cash and cash equivalents	–	–	16 037	16 037	16 037
Loans and advances	2 463	–	19 652	22 115	24 221
Investments – listed equities	–	51 008	–	51 008	51 008
Investments – unlisted equities	–	3 761	–	3 761	3 761
Investments – preference shares	1 545	–	3 390	4 935	4 935
Trade and other receivables	–	–	2 625	2 625	2 625
Borrowings	–	–	42 682	42 682	42 682
Derivative liabilities	7	–	–	7	7
Bank overdrafts	–	–	118	118	118
Trade and other payables	–	–	6 259	6 259	6 259
Total	**4 015**	**54 769**	**90 764**	**149 548**	**151 654**

Figures in Rand million	FVTPL	FVOCI	Amortised cost	Total	Fair value
Company – 2021					
Cash and cash equivalents	–	–	12 637	12 637	12 637
Loans and advances	2 463	–	18 667	21 130	23 235
Investments – listed equities	–	39 731	–	39 731	39 731
Investments – unlisted equities	–	3 719	–	3 719	3 719
Investments – preference shares	1 545	–	3 390	4 935	4 935
Trade and other receivables	–	–	608	608	608
Borrowings	–	–	56 910	56 910	56 910
Derivative liabilities	1	–	–	1	1
Bank overdrafts	–	–	–	–	–
Trade and other payables	–	–	927	927	927
Total	**4 009**	**43 450**	**93 139**	**140 598**	**142 703**

3. Financial risk management

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

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

Risk management plan

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

Risk management policy statement

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

Financial: Credit risk

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

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

Approach to managing credit risk

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

Managing credit concentration risk

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

Investment or credit concentrations are considered to be a large Group of exposures that respond similarly to the same stresses. These stresses include:

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

3. Financial risk management *(continued)*

The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. The IDC can be exposed to various forms of credit risk concentration which, if not properly managed, may cause significant losses that could threaten its financial health. Accordingly, the IDC considers the management (including measurement and control) of its credit concentrations to be of vital importance.

There is recognition in the Basel Accords that portfolios of financial institutions can exhibit credit concentrations and that prudently managing such concentrations is one of the important aspects in effective credit risk management. However, despite the recognition of credit concentrations as important sources of risk for portfolios, there is no generally accepted approach or methodology for dealing with the issue (including measurement) of concentration.

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

- Exposure to a single obligor;
- A Group of related parties (Group counterparty);
- Geographical locations (outside of South Africa); and
- Industries.

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

Single obligor and group counterparty limits

The Basel principles for the management of credit risk indicate in particular, that an important element of credit risk management is the establishment of exposure limits on single obligor and Group counterparty basis. In determining the recommended limits for the IDC, its strategic objectives are taken into account, as well as protecting the IDC's financial position and profitability. A single obligor is defined as a single IDC client whereas a Group counterparty refers to an 'economic Group' of related entities, meeting the following criteria:

- Shareholding of more than 50%; and/or
- Management control; and/or
- Revenue or expenses reliance of 51% or more; and/or
- Provision of security for 51% or more of the IDC's exposure.

Africa portfolio and regional limits and country thresholds

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

Country limits/thresholds, enable effective risk management of country concentration risk. The IDC's objectives are to contribute to the economic integration and industrial development in SADC and the Rest of Africa. The IDC views Africa in terms of South Africa, the SADC region and the Rest of Africa. The IDC strives to achieve its mandate in the SADC region as well as the rest of Africa by focusing on being a catalyst for sustainable economic growth.

Given the importance of the IDC's mandate and its objectives, in conjunction with the consistent improvement of the African economic landscape, both in performance and risk profile, Portfolio and Regional Limits and Country Thresholds are reviewed regularly to support and enhance the developmental objectives of the IDC.

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

3. Financial risk management *(continued)*

Risk appetite and risk tolerance

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

The setting of an effective risk appetite policy is considered one of the key building blocks to establishing a sound risk management framework. Risk appetite is defined as the amount and type of risk that an organisation is willing to accept. The determination of risk appetite plays an important role in an organisation's Enterprise-wide Risk Management (ERM) processes/framework. It is also considered by the IDC to be a leading best practice methodology to assist it to achieve its strategic objectives while maintaining a sound platform for future viability and continued growth.

Defining risk appetite enables the IDC 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 taking on risk and prudence.

The IDC's risk appetite is linked and aligned to its mandate and business objectives and is an agreement between its business goals and the related risks.

Risk tolerance is considered an integral part of the process and indicates an organisation's readiness to bear the risk after risk mitigation, in the pursuit of its strategic objectives. The setting of risk appetite and tolerance levels aids operational decision making and strategic planning and provides management with the information to determine whether the risk profiles of current and potential activities are either financially acceptable or require additional risk mitigation to reduce the risk. Hence, it helps management to allocate resources and time to the most significant risks.

Concentration by location of financial assets

	Group				Company			
	Loans and advances		Investment Securities		Loans and advances		Investment Securities	
Figures in Rand million	2022	2021	2022	2021	2022	2021	2022	2021
Carrying amount as per Note 11 and 12	**24 304**	**25 505**	**72 899**	**56 314**	**21 982**	**24 520**	**53 947**	**44 995**
Concentration by location:								
South Africa	18 049	18 661	68 797	53 406	15 934	17 689	49 846	42 087
SADC	2 693	2 757	2 653	1 217	2 601	2 749	2 652	1 217
Rest of Africa	3 562	4 085	–	–	3 447	4 081	–	–
Outside Africa	–	2	1 449	1 691	–	2	1 449	1 691
	24 304	**25 505**	**72 899**	**56 314**	**21 982**	**24 520**	**53 947**	**44 995**

Industry limits

Managing industry concentration remains another key strategic priority. Concentration risk in the context of industries generally results from an uneven distribution of an institution's exposure to specific industries which can generate losses large enough to jeopardise its solvency or profitability. Concentrations of credit exposures in industries can pose risks to the earnings and capital of any financial institution in the form of unexpected losses. One of the risk management techniques to manage industry concentration risk entails the establishment of concentration limits and the monitoring and analysis thereof.

3. Financial risk management *(continued)*

The monitoring and limiting of the concentration of exposures in a certain industry is necessary to reduce the risk of an exposure to a significant downturn in a particular industry timeously, and thus to be able to avoid losses, as far as possible, by implementing counter measures (e.g. withdrawing from, reducing or hedging certain exposures). Experience has shown that the earlier risks are identified, the more effectively it can be countered.

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

Managing and monitoring such concentrations to limit downside potential is therefore an integral part of an effective risk management processes. To avoid undue losses due to associated exposures, the IDC strives to identify potential common risk factors and minimise its aggregate exposure to these risk factors.

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

Concentration by industry of financial assets

	Group				Company			
	Loans and advances		Investment Securities		Loans and advances		Investment Securities	
Figures in Rand million	2022	2021	2022	2021	2022	2021	2022	2021
Carrying amount as per Note 11 and 12	**24 304**	**25 505**	**72 899**	**56 314**	**21 982**	**24 520**	**53 947**	**44 995**
Concentration by industry:								
Agriculture and Food	1 897	2 120	–	19	1 836	2 118	–	19
Chemicals and Petroleum	1 824	1 741	19 110	11 405	1 765	1 738	186	115
Finance and Insurance	2 445	1 975	29	30	889	1 088	1	1
Metals and Machinery	3 428	4 459	15 827	12 031	3 312	4 440	15 826	12 031
Mining	1 484	2 662	35 560	30 726	1 436	2 661	35 561	30 726
Other Manufacturing	1 207	1 398	93	76	1 168	1 397	93	76
Other Services	854	865	1 927	1 618	827	864	1 927	1 618
Trade, Catering and Accommodation	2 851	2 494	–	–	2 759	2 481	–	–
Transport, Communication and Utilities	8 314	7 791	353	409	7 990	7 733	353	409
	24 304	**25 505**	**72 899**	**56 314**	**21 982**	**24 520**	**53 947**	**44 995**

Internal rating model and pricing

The changing banking regulatory requirements and increased focus by international and local DFIs (Development Finance Institutes) to incorporate Basel principles in risk management makes it increasingly important for IDC to regularly measure credit risk and ensure that risk costs are transparent and appropriately accounted for. IDC therefore updated and redesigned its Project Finance and SME/Middle market rating and pricing methodologies and models with the assistance of consultants. These models were fully implemented during the 2018 financial year and continue to be enhanced.

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

3. Financial risk management *(continued)*

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

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

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

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

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

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

A business partner is considered to have experienced SICR and will transition to stage 2 when:

- Amounts past due (arrears), exceed 30 days (rebuttable presumption);
- The business partner is on the IDC's watch list and is categorised as a 'high' risk; or
- A deterioration in probability of default occurred.

The SICR assessment is done at business partner level with reference to the stages described in note 1.4.4. The rebuttable presumption has not been rebutted in either of the reporting periods.

A financial asset is considered in default when the amount in arrears for more than 90 days exceeds 0.5% of the business partner's total exposure or the Business Partner is administered by the Recoveries, Business Rescue and Insolvencies (previously Legal Recoveries) department. Business partners may transition from stage 3 to stage 2 if there are indications that the business partner has cured, provided the predetermined cure rules are met:

- For exposures below R100 million the curing period is 3 months;
- For exposures exceeding R100 million and for clients in Business Advisory and Turnaround and Legal, the curing period is 12 months.

Watch list:

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

- Business risk – those operational risks that expose a client to factors that will lead to lower profits and/or failure
- Financial risk – those risks that would prevent a client from being able to meet debt obligations, similar to credit risk
- Economic risk – those macro-economic risks that are outside of the clients control

3. Financial risk management *(continued)*

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

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

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

Group – 2022

Loans and Advances (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	11 366	2 738	3 186	17 290
Medium risk	3 285	1 362	3 689	8 336
High risk	293	355	13 159	13 807
Subtotal	**14 944**	**4 455**	**20 034**	**39 433**
Expected credit losses on loans	(890)	(1 565)	(11 198)	(13 653)
Expected credit losses on interest	–	(102)	(1 374)	(1 476)
Amortised cost	**14 054**	**2 788**	**7 394**	**24 304**
ECL Coverage ratio (%)	6%	37%	63%	38%

Group – 2021

Loans and Advances (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	8 874	5 644	2 471	16 989
Medium risk	4 960	1 872	4 009	10 841
High risk	1 014	843	9 763	11 620
Subtotal	**14 848**	**8 359**	**16 243**	**39 450**
Expected credit losses on loans	(578)	(1 999)	(10 740)	(13 317)
Expected credit losses on interest	–	–	(628)	(628)
Amortised cost	**14 270**	**6 360**	**4 875**	**25 505**
ECL Coverage ratio (%)	4%	24%	70%	35%

3. Financial risk management *(continued)*

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

Group – 2022

Guarantees (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	3	54	323	380
Medium risk	–	36	–	36
High risk	–	–	153	153
Total	**3**	**90**	**476**	**569**

Group – 2021

Guarantees (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	–	23	334	357
Medium risk	–	42	–	42
High risk	–	31	85	116
Total	**–**	**96**	**419**	**515**

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

Company – 2022

Loans and Advances (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	10 057	2 683	3 123	15 863
Medium risk	3 161	719	3 616	7 496
High risk	287	348	12 020	12 655
Subtotal	**13 505**	**3 750**	**18 759**	**36 014**
Expected credit losses on loans	(775)	(1 316)	(10 465)	(12 556)
Expected credit losses on interest	–	(102)	(1 374)	(1 476)
Amortised cost	**12 730**	**2 332**	**6 920**	**21 982**
ECL Coverage ratio (%)	6%	38%	63%	39%

Company – 2021

Loans and Advances (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	8 156	5 635	2 471	16 262
Medium risk	4 944	1 564	3 947	10 455
High risk	1 018	842	9 010	10 870
Subtotal	**14 118**	**8 041**	**15 428**	**37 587**
Expected credit losses on loans	(487)	(1 878)	(10 074)	(12 439)
Expected credit losses on interest	–	–	(628)	(628)
Amortised cost	**13 631**	**6 163**	**4 726**	**24 520**
ECL Coverage ratio (%)	3%	23%	69%	35%

3. Financial risk management *(continued)*

Company – 2022

Guarantees (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	3	58	323	384
Medium risk	–	36	–	36
High risk	–	2	189	191
Total	**3**	**96**	**512**	**611**

Company – 2021

Guarantees (R'm)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Low risk	–	23	334	357
Medium risk	–	42	–	42
High risk	–	31	85	116
Total	**–**	**96**	**419**	**515**

Write-offs

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts that are legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery. All amounts written off in the current and prior year are still subject to enforcement activity.

Forward looking information

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

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

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

Modification of financial assets

The IDC sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Restructuring is based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. The IDC monitors the subsequent performance of modified assets and may determine that the credit risk has significantly improved where assets have performed for three consecutive months or more.

3. Financial risk management *(continued)*

Collateral

The Group holds collateral against loans and advances to clients in the form of mortgage bonds over property, other registered securities over assets and guarantees. The fair values of underlying assets are based on the value of collateral assessed at the time of borrowing and subsequent valuations by the IDC Fixed Asset Valuation Department. Mortgage bonds over fixed property are the strongest form/quality of collateral, followed by special notarial bonds (SNB). SNB's are registered over specific assets, usually plant and equipment. General notarial bonds are registered over other unencumbered movable assets, hence the quality of this type of bond is generally lower than the other two collateral types.

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

	Group		Company	
Collateral held against stage 3 loans (R'm):	2022	2021	2022	2021
General notarial bond	5 409	7 057	5 409	7 057
Special notarial bonds	9 018	16 639	9 018	16 639
Mortgage bond	16 020	9 790	16 017	9 790
Other	238	148	65	148
	30 685	**33 634**	**30 509**	**33 634**

	Group		Company	
Collateral held against stage 1 and 2 loans (R'm):	2022	2021	2022	2021
General notarial bond	3 412	4 474	3 412	4 474
Special notarial bonds	9 158	14 646	9 158	14 646
Mortgage bond	11 084	15 492	11 084	15 492
Other	420	5	420	5
	24 074	**34 617**	**24 074**	**34 617**

Group numbers include the collateral held by sefa. R4,7 billion of loans and advances have no loss allowance owing to sufficient collateral in place.

3. Financial risk management *(continued)*

Liquidity risk

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

Sources of liquidity risk include:

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

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

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

Liquidity coverage ratio aims to ensure that suitable levels of unencumbered high-quality liquid assets are held to protect against unexpected, yet plausible liquidity stress events. Two separate liquidity stresses are considered; firstly, an acute three-month liquidity stress impacting strongly on both funding and market liquidity and secondly, a protracted twelve-month liquidity stress impacting moderately on both funding and market liquidity. Approved high-quality liquid assets include cash, near-cash, committed facilities, as well as a portion of the Corporation's listed equity investments, after applying forced-sale discounts.

Figures in Rand million	3-months Scenario 1	12-months Scenario 2
2022		
Approved high-quality liquid assets	9 721	8 766
Net stressed outflows	(7 736)	(17 245)
Liquidity coverage ratios (%)	126	51

Figures in Rand million	3-months Scenario 1	12-months Scenario 2
2021		
Approved high-quality liquid assets	9 213	8 209
Net stressed outflows	(4 153)	(7 703)
Liquidity coverage ratios (%)	222	107

Structural liquidity mismatch ratios aim to ensure adequate medium to long-term liquidity mismatch capacity by maintaining a stable funding profile. This is done by restricting, within reasonable levels, potential future borrowing requirements as a percentage of total funding-related liabilities. A robust funding structure reduces the likelihood that the Corporation's liquidity position would deteriorate in the event of a disruption to its sources of funding. The structural liquidity mismatch is based on conservative cash flow profiling with the added assumption that liquidity in the form of high-quality liquid assets are treated as readily available (i.e. recognised in the first-time bucket).

3. Financial risk management *(continued)*

Consolidated local and foreign currency structural liquidity mismatch (SLM)

Figures in Rand million	0-18 months	18-24 months	24-36 months
2022			
Cumulative liquidity positive variance	(28 573)	(38 291)	(54 263)
Funding related liabilities	34 281	29 491	22 155
SLM (%)	(83)	(130)	(245)
2021			
Cumulative liquidity positive variance	5 865	13 132	24 439
Funding related liabilities	33 852	28 706	20 338
SLM (%)	17	46	120

Liquidity stress testing is a critically fundamental aspect to liquidity management as it allows the Corporation to model forward-looking severe, yet plausible scenarios and strategies to counter the effects of extreme risk events. Specific focus is placed on liquidity risk owing to its dynamic nature i.e. an internal risk event can quickly escalate into a liquidity event; likewise, an external shock can impair the Corporation's ability to raise funding. Remedial strategies are detailed within the Contingency Funding Plan (CFP) document, which lays out a specific sequence of actions that will be executed to manage a potential liquidity crisis. The contingency funding plan is managed on a forward-looking basis, consequently, a set of Early Warning Indicators (EWI's) are monitored monthly which can pre-empt a looming liquidity crisis.

The status of the EWI's are categorised on a RAG (Red, Amber and Green) scale and then aggregated per risk specific weighting to produce an overall RAG status which will then determine the course of action as per the CFP:

- Green: Business as Usual
- Amber: Potential liquidity problems that do not threaten the IDC's current financial position
- Red: Potential liquidity problems that may threaten the IDC's financial soundness.

3. Financial risk management *(continued)*

The group and company's undiscounted maturity profile of liabilities

Figures in Rand million	Repayable on Demand	Due within 1 year	Due after one year but within five years	Due after five years	Future Finance Costs	Balance as disclosed
Group – 2022						
Borrowings	6 187	4 894	27 210	6 417	(7 167)	37 541
Lease Liabilities	–	48	123	32	(43)	160
Trade Payables	–	8 111	–	–	–	8 111
Derivatives	–	6	–	–	–	6
Total	**6 187**	**13 059**	**27 333**	**6 449**	**(7 210)**	**45 818**

Figures in Rand million	Repayable on Demand	Due within 1 year	Due after one year but within five years	Due after five years	Future Finance Costs	Balance as disclosed
Group – 2021						
Borrowings	4 478	7 657	27 499	12 366	(9 318)	42 682
Lease Liabilities	–	79	324	338	(144)	597
Trade Payables	–	6 259	–	–	–	6 259
Derivatives	–	7	–	–	–	7
Total	**4 478**	**14 001**	**27 823**	**12 704**	**(9 462)**	**49 545**

Figures in Rand million	Repayable on Demand	Due within 1 year	Due after one year but within five years	Due after five years	Future Finance Costs	Balance as disclosed
Company – 2022						
Borrowings	20 155	5 292	29 741	3 907	(7 043)	52 052
Lease Liabilities	–	63	342	173	(150)	428
Trade Payables	–	1 101	–	–	–	1 101
Total	**20 155**	**6 456**	**30 083**	**4 080**	**(7 193)**	**53 581**

Figures in Rand million	Repayable on Demand	Due within 1 year	Due after one year but within five years	Due after five years	Future Finance Costs	Balance as disclosed
Company – 2021						
Borrowings	19 250	7 315	27 229	12 348	(9 232)	56 910
Lease Liabilities	–	58	265	308	(179)	452
Trade Payables	–	927	–	–	–	927
Derivatives	–	1	–	–	–	1
Total	**19 250**	**8 300**	**27 494**	**12 656**	**(9 411)**	**58 289**

3. Financial risk management *(continued)*

Market risk

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

Interest rate risk management

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

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

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

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

Figures in Rand million	0-3 months	4-6 months	7-12 months
Interest rate sensitivity mismatch – March 2022			
Cumulative liquidity positive variance			
SA Rand	4 246	4 930	6 014
US Dollar	(92)	(125)	(119)
Euro	(4)	17	10
Interest rate sensitivity mismatch – March 2021			
SA Rand	4 564	4 584	4 657
US Dollar	(171)	(222)	(217)
Euro	(4)	(18)	(15)

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

Figures in Rand million	Rand	US Dollar
2022		
+ 200 bps rate shock	105	(2)
– 200 bps rate shock	(105)	2
2021		
+ 200 bps rate shock	108	(4)
– 200 bps rate shock	(108)	4

3. Financial risk management *(continued)*

Exchange rate risk

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

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

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

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

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

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

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

	US Dollar	Euro
Net open foreign currency positions – 2022		
Foreign currency lending and borrowing		
– Loans (assets)	424	43
– Borrowings (liabilities)	(313)	(36)
Other net (payables)/receivables	(1)	3
	110	**10**

	US Dollar	Euro
Net open foreign currency positions – 2021		
Foreign currency lending and borrowing		
– Loans (assets)	467	45
– Derivative hedges (FEC's)	–	2
– Borrowings (liabilities)	(464)	(48)
Other net (payables)/receivables	12	5
Net open foreign currency positions	**15**	**4**

3. Financial risk management *(continued)*

Equity price risk

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

Sources of equity price risk include:

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

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

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

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

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

The sensitivity is performed on the financial assets measured through other comprehensive income and therefore the changes will only affect equity. More information on the sensitivity can be found in note 4.

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. The IDC uses the Basel II framework event type categories to identify operational risks

The seven event-type categories 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.

3. Financial risk management *(continued)*

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 policy and framework, which has been approved by the IDC Board, has been developed to ensure that operational risks are consistently and comprehensively identified, assessed, mitigated, controlled, monitored and reported.

The IDC operational risk management framework comprises:

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

The IDC safeguards itself against operational risks through:

- A defined operational risk framework and operational risk policy;
- Regularly updating systems and procedures which are subject to approval by the Internal Audit Committee;
- Regular internal and external audits;
- Identifying operational risk at departmental and strategic business units levels;
- Regular review of the comprehensive Business Continuity Plan (BCP) which incorporates a Disaster Recovery Plan (DRP) for Information Technology (IT) recovery and a working Operational Risk and Business Continuity Management forum that meets on a quarterly basis;
- Insurance of fidelity guarantees, legal risks, public liability and other identified insurable risks including those of fixed assets which coverage is reviewed annually;
- The commitment of all employees to a code of conduct that encourages honesty, integrity and effectiveness.

Departmental and business unit specific operational risk registers have been completed for all functions in IDC. In addition, Risk Champions have been appointed for departments, regions and strategic business units who work in collaboration with the Operational Risk and Sustainability team. Each of the completed operational risk registers are analysed to achieve a more complete understanding of the operational risk profile of the Corporation and report them to the relevant committees. Operational Risk and Sustainability department is reviewing the loss data collection process on all material operational risks losses in order to encourage the business to report these events and therefore be able to develop a basic loss database for the Corporation to assist in the improvement of the control environment.

Financial Crime Prevention and Protected Disclosure Plan

The financial crime prevention plan includes the detection, prevention, investigation, and reporting programmes. The role players in the implementation of the plan are Financial, Risk, Operations and Human Capital, Information Technology, Procurement, Corporate Secretariat and Facilities Management Departments. However, employees have a duty to report (to Internal Audit, through Tip Off's Anonymous or using any prescribed channel) knowledge or suspicion that a financial crime has been or is about to be committed. All reports are made in terms of Protected Disclosure Act 26 of 2000 as amended by Act 5 of 2017.

3. Financial risk management *(continued)*

Business Continuity Management

Business Continuity Management (BCM) function forms part of Operational Risk Management within the IDC. BCM aims to ensure that the IDC continue to deliver products or services at pre-defined acceptable levels following a disruptive event or incident. BCM achieves its objectives through working in partnership with internal departments, SBU's and/ or external stakeholders.

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

The roles and activities of the BCM Forum include the following:

- Ensure that operational risk and business continuity policies/framework are developed, reviewed, updated and aligned with the Corporation's policies and remain current and relevant to the IDC.
- Approve the policies/frameworks for recommendation to Exco and oversee the implementation of policies, frameworks, systems and procedures for monitoring and assessing of ORM and BCM activities.
- Provide oversight, review, improvement, and maintenance of developed and implemented ORM and BCM policies/frameworks and plans.
- Review and note the operational risk and business continuity strategy to manage ORM and BCM risks through Operational risk team in coordination with Departments/ SBU's/Regions in the IDC.
- Ensure that both the ORM and BCM functions operate effectively, efficiently and economically in the Corporation.
- Receive reports concerning the activities of ORM and BCM and the status of the management of these functions including the identification, assessment, monitoring and control/mitigation of operational and business continuity risks.
- Receive periodic updates from management regarding specific operational risk-related topics including, but not limited to, information technology and facilities, compliance; EHS, etc.
- Assume ownership of operational risk and business continuity efforts within the IDC.
- Ensure that ORM and BCM functions are integrated into risk management plan of the Corporation.
- Review the risks identified in the compliance risk monitoring plans (CRMPs) and Regulatory Universe.
- Monitor ORM and BCM capabilities through internal and external audit reports.
- Approve the terms of reference of the sub-committees.
- Report/escalate key operational risk events to Exco and Board Risk and Sustainability Committee (BRCS).

For the purposes of BCM function development and management, the IDC has adopted ISO 22301: 2019 (Security and resilience – Business continuity management systems – requirements), which is a BCM standard published by the International Organisation for Standardisation (ISO). In addition to the ISO 22301 standard, the function is also governed by the IDC's BCM Policy and aligned to the Business Continuity Institute's Global Good Practice Guideline 2018 (GPG: 2018 Edition). The guideline provides six phases of the BCM lifecycle which are widely adopted in the industry and provides a baseline for the purpose of common language in BCM.

Governance risk

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

3. Financial risk management *(continued)*

Approach to Managing Governance Risk

The management of the Corporation's governance risk include:

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

Information Technology Governance Risk

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

Recovery of IT is addressed in the Disaster Recovery Plan and other risks are addressed by:

- The IT security policy;
- Prudent and scrupulous recruitment policies; and
- Internal audit reviews of all information technology aspects, e.g. strategy, systems development, change management, hardware and software contracts and security policy.

Approach to Managing IT Governance Risk

The Corporation accepts that technology has a fundamental impact on the way in which business is conducted and businesses are measured. Therefore, IDC ensures that:

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

3. Financial risk management *(continued)*

Capital management

The IDC is accountable to its sole shareholder, the Department of Trade, Industry and Competition. The performance and the management of IDC capital is supported by the agreement between the Corporation and the shareholder through the Shareholder's Compact which outlines the agreements between the two parties.

The objective of the IDC is to maximise development impact through job-rich industrialisation, while contributing to an inclusive economy by, among others, funding black-owned and empowered companies, black industrialists, women, and youth-owned and empowered enterprises. Simultaneously, the IDC aims to ensure its long-term sustainability through prudent financial and human resource management, safeguarding the natural environment, as well as increasingly positioning itself as a Centre of Excellence for development finance.

The group has diversified sources of funding, from private and public bonds, lines of credit, etc from other development financial institutions, commercial banks and other sources. The group is always in the market in search of cheaper sources of funding. The group has a mixture of bullet loans and amortising loans. The amortising loans are paid overtime (both interest and capital). The Corporate Funding department in the IDC has a profile of all maturing loans. Although the IDC can technically renew the loans that are maturing, the strategy is to repay some of these loans such that the company does not borrow unsustainably.

The Treasury Department within the IDC monitors IDC's liquidity position on a regular basis. Any need to raise new debt funding is mainly driven by the need to meet debt funding requirement (pipeline). However, there are various strategies adopted to ensure prudent liquidity management. These includes converting a guarantee call payment into a loan and refinancing of maturing loans.

Regulatory capital

IDC is not required by law to keep any level of capital but has to utilise its capital to achieve the shareholder's mandate. The IDC Act of 1940, as amended, dictates that IDC can be geared up to a 100% of its capital.

The IDC has certain contractual debt covenants to which it monitors through its Corporate Funding department and complies by fully. During the period, no debt covenants were breached/triggered and the Corporation operated with a generous buffer in terms of proximity to breaching any of the covenants.

In addition to this, as a DFI, the IDC does not have minimum capital requirements from a regulatory perspective or a minimum required capital base. It is however, governed by the Industrial Development Act which restricts debt at 100% of equity (i.e. debt-equity ratio of up to 100%). During the year, the gearing levels were at some of their lowest in recent history and management and the Board are satisfied that the debt levels do not put the Corporation at risk of breaching any of the contractual covenants.

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.

The IDC capital is managed through achieving positive retained earnings on a sustainable basis. The corporation has also set an internal threshold of the debt-to-equity ratio of up to 60% plus 5% buffer (65%) to ensure it is not negatively geared and reduce over reliance on its capital providers.

4. Fair value information

Figures in Rand million	Level 1	Level 2	Level 3	Total
Group – 2022				
Investment property	–	–	291	291
Land and buildings	–	–	2 118	2 118
Listed shares	65 516	–	–	65 516
Unlisted shares	–	–	6 587	6 587
Preference shares	–	–	797	797
	65 516	**–**	**9 793**	**75 309**
Derivative liabilities	–	(6)	–	(6)
Group – 2021				
Investment property	–	–	304	304
Land and buildings	–	–	2 199	2 199
Listed shares	51 008	–	–	51 008
Unlisted shares	–	–	3 761	3 761
Preference shares	–	–	1 545	1 545
	51 008	**–**	**7 809**	**58 817**
Derivative liabilities	–	(7)	–	(7)
Company – 2022				
Investment property	–	–	27	27
Listed shares	46 606	–	–	46 606
Unlisted shares	–	–	6 545	6 545
Preference shares	–	–	797	797
Investments in subsidiaries	–	–	33 516	33 516
Investments in associates	1 729	–	26 619	28 348
	48 335	**–**	**67 504**	**115 839**
Derivative liabilities	–	–	–	–
Company – 2021				
Investment property	–	–	41	41
Listed shares	39 731	–	–	39 731
Unlisted shares	–	–	3 719	3 719
Preference shares	–	–	1 545	1 545
Investments in subsidiaries	–	–	25 957	25 957
Investments in associates	856	–	17 799	18 655
	40 587	**–**	**49 061**	**89 648**
Derivative liabilities	–	1	–	1

4. Fair value information *(continued)*

Reconciliation of assets and liabilities measured at level 3

Figures in Rand million	Note(s)	Opening balance	Gains/ losses recognised in profit or loss	Gains/losses recognised in other comprehen-sive income	Purchases	Sales	Closing balance
Group – 2022							
Assets							
Land and buildings	5	2 199	(88)	–	75	(68)	2 118
Unlisted shares	12	3 761	–	2 665	198	(37)	6 587
Preference shares	12	1 545	(114)	–	14	(648)	797
Investment Property	6	304	(13)	–	–	–	291
		7 809	**(215)**	**2 665**	**287**	**(753)**	**9 793**
Group – 2021							
Assets							
Land and buildings	5	2 120	(59)	(27)	188	(23)	2 199
Unlisted shares	12	3 258	–	467	36	–	3 761
Preference shares	12	1 029	995	–	211	(690)	1 545
Investment Property	6	232	72	–	–	–	304
		6 639	**1 008**	**440**	**435**	**(713)**	**7 809**

Figures in Rand millions	Note(s)	Opening balance	Gains/ losses rec-ognised in profit or loss	Gains/losses recognised in other comprehen-sive income	Purchases	Sales	Reclassifi-cations	Closing balance
Company – 2022								
Assets								
Unlisted shares	12	3 719	–	2 665	198	(37)	–	6 545
Preference shares	12	1 545	(115)	–	14	(648)	–	797
Investments in subsidiaries	8	25 957	–	7 559	–	–	–	33 516
Investments in associates	9	17 799	–	8 806	14	–	–	26 619
Investment Property	6	41	(14)	–	–	–	–	27
		49 061	**(129)**	**19 030**	**226**	**(685)**	**–**	**67 504**
Company – 2021								
Assets								
Unlisted shares	12	3 215	–	48	56	(28)	–	3 719
Preference shares	12	1 029	995	–	212	(690)	–	1 545
Investments in subsidiaries	8	23 955	–	1 981	–	(35)	56	25 957
Investments in associates	9	14 629	–	3 194	4	(29)	(56)	17 799
Investment Property	6	37	4	–	–	–	–	41
		42 865	**999**	**5 223**	**272**	**(782)**	**–**	**49 061**

4. Fair value information *(continued)*

Valuation processes applied by the group

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

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

Valuation techniques using observable inputs

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

Level 1

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

The Group's listed share portfolio includes listed shares mostly listed on the Johannesburg Stock Exchange but there are also certain holdings of investments listed on the Bolsa da Madrid, the Australian Stock Exchange and the Toronto Stock Exchange.

Level 2

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

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

These include derivative financial instruments.

Valuation techniques using unobservable inputs

Level 3

Land and Buildings are valued using one of two approaches including the capitalisation method and the comparative method. The capitisation method values a property based on the discounted future cashflows derived from market-related rentals. The comparative method makes reference to sales prices in a similar area and open market. Where necessary, adjustments are made to values to reflect any differences that may exist.

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

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. These include land and buildings, investment property, preference shares and unlisted shares.

4. Fair value information *(continued)*

Price earnings (pe) valuation

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

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

Free cash flow valuation (fcf)

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

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

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

Net asset value valuation (nav)

Forced-Sale basis

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

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

NAV – Going Concern

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

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

4. Fair value information *(continued)*

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

Description	Valuation techniques	Unobservable input	Range
Equity Instruments and preference shares held at fair value			
All sectors		Risk-free rate	10.5%
		Expected long term growth	4.5%
Agro-processing	Discounted cash flow	Cost of Debt	3.3% – 7.0%
		Discount factor	8.1% – 20.9%
		Sector beta	0.78 – 1.50
	Price-earning valuation	Industry/sector PE ratio	16.89 – 24.43
		Risk Adjusted PE ratio	8.44 – 14.66
		Expected long term growth	2.00 – .5%
Automotive Transport	Discounted cash flow	Cost of Debt	4% – 8.5%
		Discount factor	8.8% – 16.50%
		Sector beta	0.87 – 1.06
Chemicals	Discounted cash flow	Cost of Debt	4.4% – 10%
		Discount factor	11.3% – 20.5%
		Sector beta	0.91 – 1.08
Chemicals and Medicals	Discounted cash flow	Cost of Debt	7.3% – 7.7%
		Discount factor	17.7% – 18.4%
		Sector beta	1
Energy	Discounted cash flow	Cost of Debt	N/a
		Discount factor	18.8% – 21.8%
		Sector beta	0,79
Infrastructure	Discounted cash flow	Cost of Debt	8%
		Discount factor	13.2% – 19.4%
		Sector beta	0.86 – 0.91
Machinery and Equipment	Discounted cash flow	Cost of Debt	6.6% – 9.5%
		Discount factor	16.1% – 17.3%
		Sector beta	0.79 – 1.04
Mining and Metals	Discounted cash flow	Cost of Debt	3% – 9.4%
		Discount factor	14.3 – 22.0%
		Sector beta	0.87 – 1.08
Tourism	Discounted cash flow	Cost of Debt	4.4% – 7.7%
		Discount factor	13.2% – 23.6%
		Sector beta	0.92 – 1.08

Discounted cash flow method valuation

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

Price-earning valuation

The fair value would increase (decrease) if:

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

4. Fair value information *(continued)*

Information about the sensitivity to changes in significant unobservable inputs

As part of the IDC's risk management processes, we perform a sensitivity analysis on the significant unobservable parameters, to determine the impact of reasonably possible alternative assumptions on the valuation of Level 3 financial assets. The alternative assumptions are applied independently and do not take account of any cross correlation between assumptions that would reduce the overall effect on the valuations. The following table reflects the reasonable possible variances applied to significant parameters utilised in our valuations. All changes to inputs would impact equity and there would be no impact to profit or loss since all investments are held at FVTOCI.

	Increase in the Risk Free rate by 10%	Decrease in the Risk Free rate by 10%	Increase in the sector beta by 10%	Decrease in the sector beta by 10%
Relative change in fair value	(5%)	6%	(3%)	3%
Absolute change in fair value	(1 943)	2 143	(967)	1 014
	Increase In free cash flows by 10%	**Decrease in free cash flows by 10%**	**Increase in the Discount Factor by 10%**	**Decrease in the Discount Factor by 10%**
Relative change in fair value	10%	(10%)	(16%)	21%
Absolute change in fair value	3 580	(3 581)	(1 279)	1 684

At the reporting date, the key assumptions used by the Group in determining the fair value were in the following ranges for the Group's properties.

Description	Range
Capitlisation rate	9%
Expenditure/Income Ratio R/m2 per month	R46,91-R49,18
Operating expenses	34%-35%
Vacancy Factor	18%-20%

	Increase/Decrease in operating expenses by 5%	
	Increase	**Decrease**
Relative change in fair value	6.7%	(7.2%)
Absolute change in fair value (R'm)	28	(30)

5. Property, plant and equipment

Figures in Rand million	2022			2021		
	Cost or revaluation	Accu-mulated depreciation	Carrying value	Cost or revaluation	Accu-mulated depreciation	Carrying value
Group						
Land and buildings	3 036	(918)	2 118	3 078	(879)	2 199
Plant and machinery	8 710	(6 361)	2 349	10 377	(7 596)	2 781
Furniture and fixtures	290	(243)	47	280	(237)	43
Motor vehicles	14	(12)	2	22	(19)	3
Asset under construction	888	–	888	1 096	–	1 096
Total	**12 938**	**(7 534)**	**5 404**	**14 853**	**(8 731)**	**6 122**

Figures in Rand million	2022			2021		
	Cost or revaluation	Accumu-lated depreciation	Carrying value	Cost or revaluation	Accumu-lated depreciation	Carrying value
Company						
Plant and machinery	383	(132)	251	420	(131)	289
Furniture and fixtures	151	(125)	26	141	(115)	26
Motor vehicles	10	(9)	1	11	(9)	2
Asset under construction	2	–	2	1	–	1
Total	**546**	**(266)**	**280**	**573**	**(255)**	**318**

Reconciliation of property, plant and equipment – Group – 2022

Figures in Rand million	Opening balance	Additions	Disposals	Transfers	Foreign Exchange Movements	Revaluations	Depreciation and Impairment	Total
Land and buildings	2 199	75	(99)	31	–	(29)	(59)	2 118
Plant and machinery	2 781	243	(548)	238	(25)	–	(340)	2 349
Furniture and fixtures	43	28	(3)	–	–	–	(21)	47
Motor vehicles	3	–	(1)	1	–	–	(1)	2
Asset Under Construction	1 096	67	(7)	(268)	–	–	–	888
Total	**6 122**	**413**	**(658)**	**2**	**(25)**	**(29)**	**(421)**	**5 404**

Reconciliation of property, plant and equipment – Group – 2021

Figures in Rand million	Opening balance	Additions	Disposals	Transfers	Foreign Exchange Movements	Revaluations	Depreciation and Impairment	Total
Land and buildings	2 120	135	(23)	53	–	(27)	(59)	2 199
Plant and machinery	3 735	483	(22)	39	(144)	14	(1 324)	2 781
Furniture and fixtures	59	2	–	7	–	–	(25)	43
Motor vehicles	3	1	–	–	–	–	(1)	3
Bearer Plants	132	–	(132)	–	–	–	–	–
Asset Under Construction	1 035	144	(42)	(41)	–	–	–	1 096
	7 084	**765**	**(219)**	**58**	**(144)**	**(13)**	**(1 409)**	**6 122**

5. Property, plant and equipment *(continued)*

Reconciliation of property, plant and equipment – Company – 2022

Figures in Rand million	Opening balance	Additions	Disposals	Transfers	Depreciation and Impair-ment	Total
Plant and machinery	289	2	(39)	–	(1)	251
Furniture and fixtures	26	15	–	–	(15)	26
Motor vehicles	2	–	–	–	(1)	1
Asset Under Construction	1	2	–	(1)	–	2
	318	**19**	**(39)**	**(1)**	**(17)**	**280**

Reconciliation of property, plant and equipment – Company – 2021

Figures in Rand million	Opening balance	Additions	Disposals	Transfers	Depreciation and Impairment	Total
Plant and machinery	5	291	(3)	(3)	(1)	289
Furniture and fixtures	45	–	–	–	(19)	26
Motor vehicles	2	1	–	–	(1)	2
Asset Under Construction	1	1	(1)	–	–	1
	53	**293**	**(4)**	**(3)**	**(21)**	**318**

Revaluations were carried out during the year. The effective date of the revaluations was the 19th of January 2022. The historical carrying amount of land that was revalued would have been R68m had the cost model been adopted.

In determining the value-in-use of the mining asset, Foskor make use of significant judgements. Management projects cashflows over a period of 92 years (current year plus ninety-one years). For the Mining Division, a life of mine assessment was conducted by independent external experts. Based on the current mining rates, the life of mine is estimated to be more than 100 years. Whilst the majority of mining licences are currently valid until 2037, the Director's expect the licences will be renewed beyond 2070. In arriving at the value in use, cash flows expressed in real terms have been estimated and discounted using a discount rate of 16.61% (2021 – 17.04%), giving consideration to the specific amount and timing of future cash flows as well as the risks specific to the operations. The risk-free rate decreased from 10.5% in 2021 to 10.29% in 2022 and the average cost of debt increased from 10% in 2021 to 10.75% in 2022. For the 2022 financial year, Foskor's non-financial assets (Plant and Equipment) had a carrying amount of R2.94 billion and recoverable amount of R3.08 billion resulting in an impairment reversal of R136 million (2021: impairment of R892 million). This was primarily due to revisions to underlying assumptions, with the main contributor being the weakening of the exchange rate of the Rand against the US Dollar.

The main product and raw material pricing is foreign currency based and the resultant conversion into local currency has a significant impact on operations. The net impact of the change in these assumptions led to the value in use increasing below the carrying amount of the non-financial assets of the operations. In preparing the financial statements, management has done comparisons on the WACC of 16.61% on 2022 as compared to the 17.04% from 2021. The WACC was driven lower primarily through the cost of each element. The risk-free rate decreased as long-term government bonds reduced by 0.21% (10.29% in 2022 vs 10.50% in 2021). The cost of equity, as such, reduced by 4.25% due to macroeconomic conditions. The cost of debt remained incomplete as the view was taken that long-term rates would stabilise and be more appropriate using historical rates as Foskor's business will continue into perpetuity and current short-term rates will be equalised over the life of the business.

6. Investment property

Figures in Rand million	2022			2021		
	Cost/ Valuation	Movements	Fair value	Cost/ Valuation	Movements	Fair value
Group						
Land and buildings leased to industrialists	55	(6)	49	35	20	55
Land held for development	209	(7)	202	165	44	209
Farming land and buildings	40	–	40	32	8	40
Total	**304**	**(13)**	**291**	**232**	**72**	**304**

Figures in Rand million	2022			2021		
	Cost/ Valuation	Movements	Fair value	Cost/ Valuation	Movements	Fair value
Company						
Land and buildings leased to industrialists	41	(14)	27	37	4	41
Total	**41**	**(14)**	**27**	**37**	**4**	**41**

Reconciliation of investment property – Group – 2022

Figures in Rand million	Opening balance	Disposals	Re-classification	Fair value adjustment	Total
Land and buildings leased to industrialists	55	(4)	8	(10)	49
Land held for development	209	–	(8)	1	202
Farming land and buildings	40	–	–	–	40
	304	**(4)**	**–**	**(9)**	**291**

Reconciliation of investment property – Group – 2021

Figures in Rand million	Opening balance	Additions	Re-classification	Fair value adjustment	Total
Land and buildings leased to industrialists	35	16	–	4	55
Land held for development	165	–	–	44	209
Farming land and buildings	32	–	–	8	40
	232	**16**	**–**	**56**	**304**

Reconciliation of investment property – Company – 2022

	Opening balance	Fair value adjustment	Disposals	Total
Land and buildings leased to industrialists	41	(10)	(4)	27
	41	**(10)**	**(4)**	**27**

Reconciliation of investment property – Company – 2021

	Opening balance	Fair value adjustment	Disposals	Total
Land and buildings leased to industrialists	37	4	–	41
	37	**4**	**–**	**41**

6. Investment property *(continued)*

Details of valuation

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

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

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

7. Intangible assets

	2022			2021		
Figures in Rand million	Cost/ Valuation	Accumulated amortisation	Carrying value	Cost/ Valuation	Accumulated amortisation	Carrying value
Group						
Intellectual Property	5	(1)	4	6	(1)	5
Computer software	137	(104)	33	120	(92)	28
Total	**142**	**(105)**	**37**	**126**	**(93)**	**33**

Reconciliation of intangible assets – Group – 2022

Figures in Rand million	Opening balance	Additions	Disposals	Amortisation	Total
Intellectual Property	5	(1)	–	–	4
Computer software	28	15	–	(10)	33
	33	**14**	**–**	**(10)**	**37**

Reconciliation of intangible assets – Group – 2021

Figures in Rand million	Opening balance	Additions	Disposals	Amortisation	Total
Intellectual Property	199	1	(194)	–	5
Computer software	18	22	(6)	(7)	28
	217	**23**	**(200)**	**(7)**	**33**

Reconciliation of intangible assets – Company – 2022

Figures in Rand million	Opening balance	Additions	Amortisation	Total
Computer software	19	11	(5)	25
	19	**11**	**(5)**	**25**

Reconciliation of intangible assets – Company – 2021

Figures in Rand million	Opening balance	Additions	Amortisation	Total
Computer software	–	21	(2)	19
	–	**21**	**(2)**	**19**

8. Investment in subsidiaries

Figures in Rand million	Company 2022	Company 2021
Fair value of investments	33 516	25 957
Loans receivable*	8 294	9 041
Expected credit losses on loans	(1 761)	(1 038)
Expected credit losses on interest receivable	(65)	(4)
	39 984	**33 956**

* *At year end 31 March 2022 it is estimated that the fair value of loans to subsidiaries is R6,097 billion. More information on how this was determined can be found in note 2.*

IDC subsidiaries	Share class	% interest	Shares at cost and fair value (R'm) 2022	Shares at cost and fair value (R'm) 2021	IDC net indebtedness to the holding company (R'm) 2022	IDC net indebtedness to the holding company (R'm) 2021	IDC net indebtedness by the holding company(R'm) 2022	IDC net indebtedness by the holding company(R'm) 2021
Findevco	Ordinary	100%	–	–	–	–	(374)	(374)
Foskor	Ordinary	59%	955	955	4 357	3 597	–	–
Foskor	Preference		3 177	3 177	–	–	–	–
Konoil	Ordinary	100%	–	–	–	–	(13 455)	(13 455)
Prilla	Ordinary	100%	14	14	324	319	–	–
Sefa	Ordinary	100%	–	–	150	1 190	–	–
Grinding Media SA	Ordinary	59%	–	–	1 329	1 271	–	–
Cast Products SA*	Ordinary	85%	–	1 287	–	308	–	–
Sheraton Textiles	Ordinary	80%	–	–	142	123	–	–
Thelo Rolling Stock	Ordinary	50%	–	–	698	864	–	–
Other subsidiaries	Various	–	3	4	1 294	4 966	(148)	(160)
			4 149	5 437	8 294	12 638	(13 977)	(13 989)
Fair value adjustment			29 367	20 520	–	–	–	–
Expected credit losses on loans			–	–	(1 761)	(1 038)	–	–
Expected credit losses on interest receivable			–	–	(65)	(4)	–	–
Total			**33 516**	**25 957**	**6 468**	**11 596**	**(13 977)**	**(13 989)**

* *Cast Products was deconsolidated during the period. Refer below for more detail.*

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

Subsidiaries with 50% stake

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

8. Investments in subsidiaries *(continued)*

Profits and losses

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

Figures in Rand million	Group 2022
Profits	191
Losses	(811)
	(620)

Included in financing are the following investments which have been made in terms of section 3 (a) of the Industrial Development Act with the approval of the State President:

Figures in Rand million	Group		Company	
	2022	2021	2022	2021
Foskor Limited – At cost	–	–	955	955
Sasol Limited – At cost	131	131	–	–
	131	**131**	**955**	**955**

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

Subsidiaries with material non-controlling interests

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

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest	
		2022	2021
Foskor	RSA	15%	15%

The percentage ownership interest and the percentage voting rights of the non-controlling interests were the same in all cases except for Foskor Limited where the voting rights were 41% (2021: 41%).

8. Investments in subsidiaries *(continued)*

Foskor summarised statement of financial position

Figures in Rand million	Foskor 2022	Foskor 2021
Assets		
Non-current assets	4 009	4 153
Current assets	3 918	3 368
Total assets	**7 927**	**7 521**
Liabilities		
Non-current liabilities	5 054	4 299
Current liabilities	1 987	1 860
Total liabilities	**7 041**	**6 159**
Total net assets (liabilities)	**887**	**1 362**
Carrying amount of non-controlling interest	**133**	**204**

Foskor summarised statement of profit or loss and other comprehensive income

Figures in Rand million	Foskor 2022	Foskor 2021
Revenue	6 984	4 456
Other income and expenses	(7 254)	(6 386)
Profit/(loss)before tax	**(270)**	**(1 930)**
Tax expense	(207)	(273)
Profit (loss)	**(477)**	**(2 203)**
Other comprehensive income/(loss)	1	(12)
Total comprehensive income	**(476)**	**(2 215)**
Profit (loss) allocated to non-controlling interest	**(48)**	**(332)**

Summarised statement of cash flows

Figures in Rand million	Foskor 2022	Foskor 2021
Cash flows from operating activities	(17)	(651)
Cash flows from investing activities	(248)	(182)
Cash flows from financing activities	115	787
Net increase(decrease) in cash and cash equivalents	**(150)**	**(46)**

8. Investments in subsidiaries *(continued)*

Interest in unconsolidated subsidiary (discontinued operation)

On 29 January 2022, the directors of Cast Products SA adopted a resolution to place the company in business rescue as a result of its inability to pay outstanding obligations. On 31 March 2022, the business rescue plan was published, indicating that the company has reasonable prospects and will be able to trade out of its financial distress. Based on the powers and duties of the Business Rescue Practitioners to direct the operational and financial decisions of the company, the Group lost control of Cast Products and de-consolidated the assets, liabilities on 29 January 2022. Cast Products was accounted for as an associate at 31 March 2022.

Figures in Rand million	2022	2021
Revenue from contracts with customers	589	1 054
Operating expenses	(984)	(1 372)
Loss for the year from discontinued operations	(395)	(318)

Figures in Rand million	2022	2021
The net cash flows incurred by Cast Products are as follows		
Operating activities	(282)	(255)
Investing activities	4	(22)
Financing activities	317	229

The major classes of assets and liabilities of Cast Products that were derecognised are as follows:

Figures in Rand million	
Assets	
Cash and cash equivalents	(34)
Trade receivables	(139)
Inventory	(142)
Property, plant and equipment	(620)
Right of use assets	(329)
	(1 264)
Liabilities	
Trade payables	312
Lease liabilities	451
Retirement benefit obligations	44
Other provisions	**29**
	836
Loss on the deconsolidation	**(569)**

Included in the R405 million loss from discontinued operations is R10 million loss arising from the closure of Sheraton Textiles' Pietermaritzburg plant. The assets and liabilities of the plant will not be recovered through sale and thus are not classified as non-current assets held for sale.

9. Investments accounted for using the equity method

Figures in Rand million	Group		Company	
	2022	2021	2022	2021
Associated companies	**39 781**	**32 267**	**40 277**	**29 857**
Fair value of investments – listed shares in associates	–	–	1729	856
Fair value of investments – unlisted shares in associates	–	–	26 619	17 799
Impairment of shares	–	–	–	–
Net asset value at acquisition	11 871	10 825	–	–
Accumulated equity-accounted income	34 857	27 643	–	–
Accumulated equity-accounted losses and impairments	(18 906)	(17 642)	–	–
Loans receivable*	18 241	18 443	18 211	18 204
Expected credit losses on loans	(6 011)	(6 807)	(6 011)	(6 807)
Expected credit losses on interest receivable	(271)	(195)	(271)	(195)
Partnerships and joint ventures	**95**	**134**	**(7)**	**(7)**
Partners' capital	163	188	–	–
Accumulated profits/(losses)	(68)	(54)	(7)	(7)
	39 876	**32 401**	**40 270**	**29 850**

* *At year end 31 March 2022 it is estimated that the fair value of loans to entities accounted for using the equity method is R10,722 billion. More information on how this was determined can be found in note 2.*

9. Investments accounted for using the equity method *(continued)*

Material associates

Companies		Financial year-ends*	Country of incorporation	% holding	Total exposure (R'm) 2022	Total exposure (R'm) 2021
Adelaide Ruiters and Explorations	Exploration of sedimentary phosphates and limestone	28/02/2022	RSA	25.00%	1 658	695
BAIC Automobile SA	Automotive manufacturer	28/02/2022 28/02/2022	RSA	35.00%	510	761
BEECO (Eyesizwe)	Mining	31/12/2021	RSA	23.00%	3 503	3 234
Columbus Stainless Steel	Steel manufacturer	31/12/2021	RSA	24.00%	1 187	767
Duferco Steel Processing^	Processes steel coil	31/09/2021	RSA	50.00%	566	368
Hans Merensky	Holds investments in timber and agricultural industries	31/12/2021	RSA	30.00%	2 676	2 406
Hulamin Limited	Asset-leasing company	31/12/2021	RSA	30.00%	865	701
Incwala Resources	Platinum mining	31/12/2021	RSA	23.56%	1 717	0
Kalagadi Manganese	Exploration of manganese	31/03/2022	RSA	20.00%	5 319	4 461
Karoshoek Solar 1	Parabolic through solar energy farm	31/12/2021	RSA	20.00%	1 165	1 263
Karsten Boerdery	Farms table grapes and dates	31/09/2021	RSA	42.00%	977	981
KaXu Solar One	Parabolic through solar energy farm	31/12/2021	RSA	29.00%	1 044	1 141
KHI Solar One	Parabolic through solar energy farm	31/12/2021	RSA	29.00%	651	717
Merafe Ltd	Operates chrome and alloys plant	31/12/2021	RSA	22.00%	822	496
Mozal S.A.R.L.	Produces primary aluminium metal	30/06/2021	Mozambique	24.00%	3 873	3 608
Oiltanking	Petrol, lubricating oils and greases from crude oil	31/12/2021	RSA	26.00%	1 132	461
Palabora Mining Co	Mining of various minerals	31/12/2021	RSA	20.00%	3 020	2 548
ScawSA	Steel manufacturer	31/07/2021	RSA	26.00%	1 433	1 352
Xina Solar One	Parabolic through solar energy farm	31/12/2021	RSA	20.00%	842	812
York Timber	Sawmilling	30/06/2021	RSA	29.00%	887	839
Other associates	Various	various	RSA	various	4 163	4 655
					38 010	**32 267**

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

^ *Duferco Steel Processing does not meet the criteria for control, therefore it is not classified as a subsidiary as less than 30% of the board is represented by the IDC.*

9. Investments accounted for using the equity method *(continued)*

Summarised financial information of material associates 2022

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit (loss) from continuing operations	Other comprehensive income	Total comprehensive income	Dividend received from associate
Adelaide Ruiters and Explorations	–	(6)	3 231	3 225	–
BAIC Automobile SA	4	(3)	–	(3)	–
BEECO (Eyesizwe)	4 157	5 321	–	5 321	4 151
Columbus Stainless	17 532	1 721	994	2 715	–
Duferco Steel Processing	5 760	455	–	455	–
Hans Merensky Holdings	18 617	958	(430)	527	71
Hulamin Limited	13 015	591	(4)	588	–
Incwala Resources	–	414	2 266	2 680	604
Kalagadi Manganese	205	(37)	–	(37)	–
Karoshoek Solar 1	1 397	(240)	193	(47)	120
Karsten Group Holdings	2 080	(16)	–	(16)	23
KaXu Solar One	1 317	196	–	196	–
KHI Solar One	494	(220)	–	(220)	–
Merafe Ltd	8 063	1 674	–	1 674	175
Mozal S.A.R.L.	24 742	5 624	–	5 624	2 970
Oiltanking	268	(136)	–	(136)	–
Palabora Mining Co	19 025	5 278	–	5 278	1 000
ScawSA	4 675	614	(152)	463	–
Xina Solar One	1 507	230	9	239	–
York Timber	1 981	109	–	109	15

Summarised statement of financial position – 2022	Non current assets	Current assets	Non current liabilities	Current liabilities	Total net assets
Adelaide Ruiters and Explorations	6 681	8	50	7	6 632
BAIC Automobile SA	2 512	606	704	1 204	1 210
BEECO (Eyesizwe)	16 451	7	1 194	1	15 263
Columbus Stainless	2 121	9 444	407	6 211	4 947
Duferco Steel Processing	972	2 282	1 510	906	838
Hans Merensky Holdings	9 792	7 447	3 439	4 788	9 011
Hulamin Limited	1 245	4 636	248	2 710	2 923
Incwala Resources	7 257	30	–	–	7 287
Kalagadi Manganese	14 226	496	5 354	7 046	2 323
Karoshoek Solar 1	8 991	955	8 739	251	956
Karsten Group Holdings	3 086	1 109	1 250	636	2 308
KaXu Solar One	4 922	1 019	300	5 181	461
KHI Solar One	3 200	224	1 045	2 149	230
Merafe Ltd	766	4 179	283	892	3 770
Mozal S.A.R.L.	11 126	9 048	1 660	2 398	16 116
Oiltanking	3 584	238	2 005	163	1 653
Palabora Mining Co	15 209	8 861	6 122	2 850	15 099
ScawSA	2 821	2 686	1 616	1 556	2 334
Xina Solar One	7 407	1 617	7 152	381	1 491
York Timber	4 053	775	1 265	473	3 090

9. Investments accounted for using the equity method *(continued)*

Reconciliation of summarised information to carrying amount – 2022

	Total net assets	IDC % Share-holding	IDC Share of Net Assets	Net Loans Received (Including Impairment)	Net Carrying Amount
Adelaide Ruiters and Explorations	6 632	25%	1 658	–	1 658
BAIC Automobile SA	1 210	35%	423	86	510
BEECO 33 (Eyesizwe)	15 263	23%	3 503	–	3 503
Columbus Stainless	4 947	24%	1 187	–	1 187
Duferco Steel Processing	838	50%	419	147	566
Hans Merensky Holdings	9 011	30%	2 676	–	2 676
Hulamin Limited	2 923	30%	865	–	865
Incwala Resources	7 287	24%	1 749	–	1 749
Kalagadi Manganese	2 323	20%	465	4 854	5 319
Karoshoek Solar 1	956	20%	191	974	1 165
Karsten Group Holdings	2 308	42%	977	–	977
KaXu Solar One	461	29%	134	910	1 044
KHI Solar One	230	29%	67	585	651
Merafe Ltd	3 770	22%	822	–	822
Mozal S.A.R.L.	16 116	24%	3 873	–	3 873
Oiltanking (Pty)Ltd	1 653	26%	430	754	1 132
Palabora Mining Co	15 099	20%	3 020	–	3 020
ScawSA	2 334	26%	607	826	1 433
Xina Solar One	1 491	20%	298	544	842
York Timber	3 090	29%	887	–	887

Summarised financial information of material associates 2021

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit (loss) from continuing operations	Other com-prehensive income	Total com-prehensive income	Dividend received from associate
BAIC Automobile SA	1	(33)	–	(33)	–
Broadband Infraco	463	(98)	–	(98)	–
Columbus Stainless	2 105	(30)	–	(30)	–
Duferco Steel Processing	1 349	(79)	(149)	(228)	–
Eastern Produce Malawi	501	(42)	–	(42)	6
Eyesizwe	1 301	1 947	–	1 947	1 851
Hans Merensky Holdings	16 360	648	178	826	9
Hulamin Limited	8 549	(230)	20	(210)	–
Kalagadi Manganese	2 096	(503)	–	(503)	–
Karoshoek Solar 1	1 455	(149)	(219)	(368)	79
Karsten Group Holdings	1 060	107	–	107	5
KaXu Solar One	432	149	–	149	–
KHI Solar One	164	(44)	–	(44)	–
Merafe Ltd	4 780	(1 003)	–	(1 003)	–
Mozal S.A.R.L.	10 007	937	–	937	–
Palabora Mining Co	13 562	2 971	–	2 971	–
ScawSA	3 949	277	–	277	–
Umicore Catalyst	2 833	134	2	136	46
Xina Solar One	1 432	(308)	–	(308)	–
York Timber	889	40	–	40	–

9. Investments accounted for using the equity method *(continued)*

Summarised statement of financial position

	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
BAIC Automobile SA	2 408	857	743	1 109	1 413
Broadband Infraco	986	155	316	424	401
Columbus Stainless	2 149	5 818	158	4 612	3 197
Duferco Steel Processing	1 243	1 437	1 831	410	439
Eastern Produce Malawi	691	322	204	187	622
Eyesizwe	14 947	3	857	–	14 093
Hans Merensky Holdings	8 818	5 266	2 503	3 480	8 101
Hulamin Limited	1 036	3 509	252	1 924	2 369
Kalagadi Manganese	13 258	519	5 037	6 226	2 514
Karoshoek Solar 1	9 632	788	8 873	145	1 402
Karsten Group Holdings	2 872	1 587	1 175	964	2 320
KaXu Solar One	5 323	976	5 314	719	266
KHI Solar One	3 242	250	891	2 196	405
Merafe Ltd	504	2 609	192	644	2 277
Mozal S.A.R.L.	12 339	5 819	1 667	1 480	15 011
Palabora Mining Co	12 756	9 690	6 346	3 358	12 742
ScawSA	2 192	2 201	1 292	1 314	1 787
Umicore Catalyst	101	1 164	102	363	800
Xina Solar One	7 899	1 313	7 636	322	1 254
York Timber	3 669	1 038	1 257	529	2 921

9. Investments accounted for using the equity method *(continued)*

Reconciliation of summarised information to carrying amount – 2021

	Total net assets	IDC % Share-holding	IDC Share of Net Assets	Net Loans Received (Including Impairment)	Net Carrying Amount
BAIC Automobile SA	1 413	35%	494	267	761
Broadband Infraco	401	26%	105	–	105
Columbus Stainless	3 197	24%	767	–	767
Duferco Steel Processing	439	50%	219	149	368
Eastern Produce Malawi	622	27%	167	–	167
Eyesizwe	14 093	23%	3 241	–	3 241
Hans Merensky Holdings	8 101	30%	2 406	–	2 406
Hulamin Limited	2 369	30%	701	–	701
Kalagadi Manganese	2 514	20%	503	3 959	4 462
Karoshoek Solar 1	1 402	20%	280	982	1 262
Karsten Group Holdings	2 320	42%	974	–	974
KaXu Solar One	266	29%	77	1 064	1 141
KHI Solar One	405	29%	117	600	717
Merafe Ltd	2 277	22%	501	–	501
Mozal S.A.R.L.	15 011	24%	3 608	–	3 608
Palabora Mining Co	12 742	20%	2 548	–	2 548
ScawSA	1 787	26%	465	887	1 352
Umicore Catalyst	800	35%	280	–	280
Xina Solar One	1 254	20%	251	561	812
York Timber	2 921	29%	839	–	839

9. Investments accounted for using the equity method *(continued)*

Aggregated associates accounted for using the equity method

Figures in Rand million	Group 2022	Group 2021
The aggregate amounts were as follows:		
Non-current assets	143 756	102 773
Current assets	60 564	48 962
	204 320	**151 735**
Equity	102 631	65 736
Non-current liabilities	56 677	53 716
Current liabilities	45 012	32 283
	204 320	**151 735**
Statement of Comprehensive Income		
Revenue	**135 022**	**78 522**
Profits	29 639	5 400
Losses	(2 226)	(3 557)

Partnerships and joint ventures

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

	% interest	Total exposure 2022	Total exposure 2021
The Vantage Capital Fund Trust 100	100%	2	–
Women's Private Equity Fund One 39%	39%	25	25
Profits/(losses)		(7)	–

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
The aggregate amounts were as follows:				
Non-current assets	72	107	3	3
Current assets	194	195	–	–
	266	302	3	3
Equity	(86)	60	–	3
Statement of Comprehensive Income				
Losses	(28)	(33)	–	–

10. Derivative financial instruments

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Derivative liabilities				
Foreign exchange contract liabilities	–	7	–	1
Share buy-back option	6	–	–	–

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

11. Loans and advances

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Loans and advances to clients	39 433	39 450	36 014	37 587
Expected credit losses on loans	(13 653)	(13 317)	(12 556)	(12 439)
Expected credit losses on interest receivable	(1 476)	(628)	(1 476)	(628)
	24 304	**25 505**	**21 982**	**24 520**
Interest rates range between 0% (Mainly shareholder loans) and 22.85%				
Reconciliation of provision for impairment of loans and receivables				
Specific impairment of loans and advances				
Opening balance Impairment loss for the year	13 945	12 842	13 067	12 134
– Charge for the year	3 868	1 006	5 135	780
– Effect of foreign currency movements	(160)	408	(160)	408
– Write-offs	(2 524)	(311)	(4 010)	(255)
	15 129	**13 945**	**14 032**	**13 067**

Write-off's

Financial assets written off during the financial period but still subject to enforcement activities

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Assets written off during financial period still subject to enforcement activities	(2 524)	(311)	(4 010)	(255)

Modified Financial Assets

During the year, the Company accounted for financial assets (Loans and advances) that were modified without resulting in derecognition. A net modification gain of R330 million was processed (2021: R134 million). The nature and effect of modifications is detailed below:

Figures in Rand million	Group 2022	Company 2022	Group 2021	Company 2021
Loans that had a lifetime ECL				
Amortised cost of modified loans before modification	1 930	1 930	3 099	3 099
Net modification gain/(loss)	309	309	129	129
Loans that had moved from lifetime ECL to 12-month ECL				
Gross carrying amount of modified loans at reporting date	304	304	447	447
Net modification gain/(loss)	21	21	5	5

11. Loans and advances *(continued)*

Reconciliation of the Impairment Loss Allowance

	Group 2022				Company 2022			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12 months ECL	Lifetime ECL		Total	12 months ECL	Lifetime ECL		Total
Impairment of loans and advances								
Opening balance	578	1 999	11 368	13 945	487	1 877	10 703	13 067
Impairment loss for the year								
• Charge for the year	377	(533)	3 704	3 548	353	(660)	5 122	4 815
• Effect of foreign currency movements	(66)	202	24	160	(66)	202	24	160
• Write-offs	–	–	(2 524)	(2 524)	–	–	(4 010)	(4 010)
	889	**1 668**	**12 572**	**15 129**	**774**	**1 419**	**11 839**	**14 032**

	Group 2021				Company 2021			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12 months ECL	Lifetime ECL		Total	12 months ECL	Lifetime ECL		Total
Impairment of loans and advances								
Opening balance	3 170	1 687	7 985	12 842	3 037	1 645	7 452	12 134
Impairment loss for the year								
• Charge for the year	(2 472)	122	3 356	1 006	(2 430)	43	3 167	780
• Effect of foreign currency movements	(120)	190	338	408	(120)	190	338	408
• Write-offs	–	–	(311)	(311)	–	–	(255)	(255)
	578	**1 999**	**11 368**	**13 945**	**487**	**1 878**	**10 702**	**13 067**

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Maturity of loans and advances (Present Value)				
• due within three months	1 237	2 362	1 237	2 362
• due after three months but within one year	6 001	5 423	4 841	4 532
• due after one year but within two years	4 902	6 926	4 168	6 567
• due after two years but within three years	4 695	5 053	4 178	4 952
• due after three years but within four years	5 197	5 209	4 804	5 032
• due after four years but within five years	3 982	6 559	3 779	6 399
• due after five years	13 419	7 919	13 007	7 743
• expected credit losses on loans	(13 653)	(13 318)	(12 556)	(12 439)
• expected credit losses on interest receivable	(1 476)	(628)	(1 476)	(628)
	24 304	**25 505**	**21 982**	**24 520**

11. Loans and advances *(continued)*

Figures in Rand million	Group 2022			Company 2022		
	Gross advances	Unearned finance charges	Net advances	Gross advances	Unearned finance charges	Net advances
Maturity of loans and advances						
• due within three months	2 132	895	1 237	2 131	895	1 236
• due after three months but within one year	9 129	3 128	6 001	7 845	3 005	4 840
• due after one year but within two years	8 131	3 229	4 902	7 316	3 147	4 169
• due after two years but within three years	7 306	2 611	4 695	6 741	2 563	4 178
• due after three years but within four years	7 336	2 139	5 197	6 917	2 114	4 803
• due after four years but within five years	5 850	1 868	3 982	5 637	1 858	3 779
• due after five years	20 257	6 838	13 419	19 831	6 823	13 008
• expected credit losses on loans	(13 653)	–	(13 653)	(12 556)	–	(12 556)
• expected credit losses on interest receivable	(1 476)	–	(1 476)	(1 476)	–	(1 476)
	45 012	**20 708**	**24 304**	**42 386**	**20 405**	**21 982**

Figures in Rand million	Group 2021			Company 2021		
	Gross advances	Unearned finance charges	Net advances	Gross advances	Unearned finance charges	Net advances
Maturity of loans and advances						
• due within three months	3 289	927	2 362	3 289	927	2 362
• due after three months but within one year	8 218	2 794	5 423	6 810	2 279	4 532
• due after one year but within two years	10 049	3 123	6 926	9 322	2 755	6 567
• due after two years but within three years	7 626	2 573	5 053	7 329	2 377	4 952
• due after three years but within four years	7 409	2 200	5 209	7 121	2 089	5 032
• due after four years but within five years	8 304	1 744	6 559	8 079	1 680	6 399
• due after five years	13 507	5 589	7 919	13 260	5 518	7 743
• expected credit losses on loans	(13 318)	–	(13 318)	(12 439)	–	(12 439)
• expected credit losses on interest receivable	(628)	–	(628)	(628)	–	(628)
	44 456	**18 950**	**25 505**	**42 143**	**17 625**	**24 520**

12. Investments

Figures in Rand million	Group		Company	
	2022	2021	2022	2021
Listed equities	65 516	51 008	46 606	39 731
Unlisted equities	6 586	3 761	6 544	3 719
Preference shares	797	1 545	797	1 545
Shares at fair value	**72 899**	**56 314**	**53 947**	**44 995**

13. Inventories

Figures in Rand million	Group		Company	
	2022	2021	2022	2021
Raw materials, components	826	569	–	–
Work in progress	71	125	–	–
Finished goods	1 259	982	–	–
Consumable stores	662	587	1	1
Phosphate rock	564	659	–	–
	3 382	**2 922**	**1**	**1**

During the reporting period, a total of R8 678 million (2021: R7 872 million) of inventories was included in the profit or loss as an expense. This includes an amount of R2,9 million (2021: R43,35 million) resulting from write-downs to net realisable value.

14. Trade and other receivables

Figures in Rand million	Group		Company	
	2022	2021	2022	2021
Financial instruments:				
Trade receivables	1 801	1 406	359	127
Other receivables*	1 138	1 380	46	501
Expected credit losses	(298)	(292)	(45)	(40)
Trade receivables at amortised cost	**2 641**	**2 494**	**360**	**588**
Non-financial instruments:				
Prepayments	65	131	22	20
Total trade and other receivables	**2 706**	**2 625**	**382**	**608**

* *Other receivables is mostly made up of VAT receivables and rental deposits*

Categorisation of trade and other receivables

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

	Group		Company	
	2022	2021	2022	2021
At amortised cost	2 641	2 494	360	588

Trade and other receivables pledged as security

Prilla, a subsidiary, entered into an invoice discounting agreement with Nedbank Limited whereby it has discounted all of its receivables and has given first cession of all receivables as security for a R130 million (2021: R130 million) finance facility advanced to it. The carrying amount of the trade and other receivables under this agreement is R127 million.

Another subsidiary, Foskor, also has a trade receivable factoring arrangement in place whereby Foskor has transferred the relevant receivables to Absa Bank in exchange for cash (80% received upfront and a deferral of the remaining 20%). Foskor is prevented from ceding or pledging these receivables. Foskor, however, retains late payment and credit risk. The carrying amount of trade and other receivables under this agreement is R409 million.

Fair value of trade and other receivables

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

Credit Risk analysis of Trade and other receivables

Trade receivables inherently expose the Group to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due. Credit terms vary across the entities' range of customers. The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9.

14. Trade and other receiveables *(continued)*

In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables at each reporting date. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments and failure to engage with any of the Group companies on alternative payment arrangement amongst other, is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for Group trade receivables as at 31 March 2022 and 31 March 2021 were R298 million and R292 million respectively.

The table below provides information about the credit quality of trade and other receivables at Company level, where the expected credit loss is measured at an amount equal to the lifetime expected credit losses.

	2022		
Figures in Rand million	Estimated gross carrying amount of Trade Receivables at default	Expected Credit Loss rate	Loss allowance (lifetime expected credit loss)
0 – 60 Days past/ due	366	0%	–
60 – 180 Days past/ due	12	15%	2
180+ Days past/ due	49	85%	43
Total	**427**		**45**

Expected credit losses are provided on trade receivables based on the simplified approach. The IDC used historically observed default rates (actual write-offs) over the expected life of the trade receivables adjusted as necessary to reflect current conditions to calculate the expected credit losses for trade receivables. IDC applies 0% for debtors that are not older than 60 days, 15% for debtors that are 60 to 180 days old, and 85% for debtors older than 180 days.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Cash and balances with bank	8 200	7 925	4 688	4 214
Negotiable securities	10 154	8 342	10 154	8 653
Bank overdraft	(70)	(118)	–	–
Gross Cash	**18 284**	**16 149**	**14 842**	**12 867**
Expected credit losses	–	(230)	–	(230)
	18 284	**15 919**	**14 842**	**12 637**
Less: Restricted Cash	(7 186)	(4 478)	(7 443)	(5 261)
Own Cash	**11 098**	**11 441**	**7 399**	**7 376**
Current assets*	18 354	16 037	14 842	12 637
Current liabilities	(70)	(118)	–	–
	18 284	**15 919**	**14 842**	**12 637**

The IDC manages cash balances on behalf of other entities such as sefa as well as various government and third party funds. This cash is included in the above balances and amounts to R7,443m at the end of the reporting period (R5.261m in FY21). This amount is also disclosed under note 18 – borrowings.

* *Current assets are net of expected credit losses*

In computing the Expected Credit Loss on Cash and Cash Equivalents, reference is made to the Financial Institution's credit ratings as per one or more of the major credit rating agencies. During the current year, the range of Credit Ratings across the institutions ranged from Aa1 through Ba3 according to the latest Moody's Report.

16. Nature and purpose of reserves

Foreign currency translation reserve

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

Revaluation reserve

The revaluation reserve comprises the cumulative net change in the fair value of those financial assets held at Fair Value through Other Comprehensive Income until the assets are derecognised or impaired. The revaluation reserve also relates to the revaluation of property, plant and equipment.

Associated entities reserve

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

Common control reserve

The common control reserve relates the transfer of Small Enterprise Finance Agency from the then Economic Development Department (now Department of Trade, Industry and Competition) to the IDC.

Share-based payment reserve

The share-based payment reserve relates to the equity-settled portion share-based portion of the Foskor BEE transaction, entered into on 7 July 2009. Please refer to Note 28 for further detail.

Other Reserves

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

17. Share capital

Figures in Rand million	Group		Company	
Issued	**2022**	**2021**	**2022**	**2021**
Authorised				
A shares of R1 each – 1 000 000	1	1	1	1
B shares of R1 each – 1 499 000 000	1 499	1 499	1 499	1 499
	1 500	**1 500**	**1 500**	**1 500**
Issued				
Ordinary Type A	1	1	1	1
Ordinary Type B	1 392	1 392	1 392	1 392
	1 393	**1 393**	**1 393**	**1 393**

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

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

18. Borrowings

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Foreign loans	5 251	7 789	5 156	7 673
Domestic loans	25 383	30 416	39 453	43 976
Third party cash balances	6 907	4 477	7 443	5 261
	37 541	**42 682**	**52 052**	**56 910**
Split between non-current and current portions				
Non-current liabilities	27 881	32 677	27 986	32 433
Current liabilities	9 660	10 005	24 066	24 477
	37 541	**42 682**	**52 052**	**56 910**
Foreign loans				
US Dollar	4 663	6 962	4 569	6 846
Euro	588	827	587	827
Total	**5 251**	**7 789**	**5 156**	**7 673**
Maturity of foreign loans				
– Due within one year	2 057	2 821	2 041	2 801
– Due after one year but within five years	1 967	3 620	1 888	3 534
– Due after five years	1 227	1 348	1 227	1 338
	5 251	**7 789**	**5 156**	**7 673**

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Maturity of domestic loans and third-party cash balances				
– Repayable on demand	6 187	4 477	20 155	19 250
– Due within one year	1 416	2 705	1 869	2 426
– Due after one year but within five years	20 240	18 076	22 935	17 926
– Due after five years	4 447	9 635	1 937	9 635
Total	**32 290**	**34 893**	**46 896**	**49 237**
Unsecured loans				
Rand-denominated loans	5 020	8 911	5 113	8 482
Public Investment Corporation Green Bond	4 717	4 670	4 717	4 670
Public Bond	12 632	13 982	12 632	13 982
Unemployment Insurance Fund Bond	3 014	2 853	3 014	2 853
Third party cash balances	6 907	4 477	7 443	5 261
Loans from subsidiaries with no fixed terms of repayment: interest free	–	–	13 977	13 989
Total	**32 290**	**34 893**	**46 896**	**49 237**

18. Borrowings *(continued)*

Summary of Interest Rates on Interest-Bearing Borrowings	Company	
Issued	Average Interest Rate (%)	Range of Interest Rate (%)
Foreign Loans	3,52	0.00-4.10
Rand-denominated loans	6,66	3.82-8.20
Public Investment Corporation Green Bond	8,80	8.80
Public Bond	7,68	4.96-11.27
Unemployment Insurance Fund Bond	4,60	2.70-6.60
Loans with no fixed terms of repayment	3,73	0.00-5.00

Interest bearing loans	Group		Company	
Figures in Rand million	2022	2021	2022	2021
– Non-current interest bearing loans	27 881	32 678	27 987	32 433
– Current interest bearing loans	2 753	5 527	2 645	5 227
	30 634	**38 205**	**30 632**	**37 660**
Interest-free loans				
– Non-current interest free loans	–	–	–	–
– Current interest free loans	–	–	13 977	13 989
– Third party cash balances	6 907	4 477	7 443	5 261
	6 907	**4 477**	**21 420**	**19 250**

* *The IDC manages cash balances on behalf of other institutions such as sefa and the DTIC, which results in loans that are included in the above borrowings to the value of R7,443m. This amount is also disclosed under Note 15 – Cash and cash equivalents.*

At 31 March 2022 management believes the amortised cost of borrowings represents the fair value since borrowings are either repayable on demand and therefore have no implications relating to the time-value of money and the remainder which is not repayable on demand is raised on in open capital markets and the Group lends on arms-length terms with commercial lenders.

19. Revenue

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Revenue				
Sale of goods	11 314	7 597	–	–
Dividend income	6 504	3 467	8 903	4 314
Fee income	427	385	379	347
	18 245	**11 449**	**9 282**	**4 661**

	Group	
Figures in Rand million	2022	2021
Revenue (Including interest revenue) disaggregation by geographical market		
South Africa	16 328	11 055
Rest of Africa	283	241
Rest of the World	1 634	153
	18 245	**11 449**

19. Revenue *(continued)*

Figures in Rand million	Group 2022	Group 2021
Revenue (Including interest revenue) disaggregation by major good/service		
Dividends received	6 504	3 467
Fee income	427	385
Highchrome	1 567	1 156
Ball forge	1 296	931
Mining Division-Phosphate rock	1 648	917
Mining Division-Magnetite	200	160
Acid Division-Granular fertiliser	1 989	1 554
Acid Division-Phosphate Acid	3 056	1 759
Acid Division-Sulphuric Acid	74	26
Acid Division-Sulphur, Ammonia and Gypsum	17	40
Other revenue	1 467	1 054
	18 245	**11 449**

Timing of revenue recognition	Group 2022	Group 2021
Satisfied at a point in time	8 496	5 892
Satisfied over time	9 749	5 557
Revenue	**18 245**	**11 449**

20. Interest income

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Interest income on cash and cash equivalents	669	409	576	340
Interest income on loans and advances	2 671	4 114	2 886	4 509
Interest income on other	92	110	54	56
Total interest income	**3 432**	**4 633**	**3 516**	**4 905**
Total Interest received	2 135	1 929	1 987	1 524

21. Finance costs

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Net foreign exchange (gains) losses on foreign	62	660	94	659
Trade and other payables	–	17	–	–
Current borrowings	2 430	2 384	2 227	2 433
Other interest costs	250	227	259	180
Total finance costs	**2 742**	**3 288**	**2 580**	**3 272**
Total Interest paid	(2 675)	(2 642)	(2 486)	(2 550)

Foreign exchange gains and losses arise mostly from financial instruments that are similar in nature (foreign borrowings, forward exchange contracts etc) and as such are appropriately included in finance costs.

22. Cash used in operations

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Profit (loss) before taxation	8 436	1 094	3 854	3 579
Adjustments for:				
Depreciation of property, plant and equipment	466	531	17	21
Depreciation Right of use	48	54	49	48
Impairment of property, plant and equipment	(45)	893	–	–
Fair value adjustment on investment property	9	(57)	10	(4)
Income from equity accounted investments	(4 434)	(1 200)	–	–
Dividends received	(6 504)	(3 467)	(8 903)	(4 314)
Interest income	(3 499)	(4 631)	(3 582)	(4 567)
Finance costs	2 742	3 336	2 580	3 272
ECL Impairments	188	1 900	796	263
Losses on FVTPL Financial assets movements	(834)	(687)	(505)	520
Financial assets written off	2 524	311	4 010	255
In-duplum Interest	66	318	66	318
Amortisation of intangible assets	10	7	5	2
Movements in retirement benefit assets and liabilities	39	26	20	21
Income statement effect of provisions	(65)	(190)	(10)	6
Net capital gains	–	8	–	1
Other non-cash items	(110)	303	(42)	(62)
Grant income	(319)	–	(4)	–
Loss on sale of PPE	(4)	–	(4)	–
Changes in working capital:				
Inventories	(459)	(671)	–	–
Trade and other receivables	(87)	(631)	239	(169)
Trade and other payables	1 724	2 340	57	87
Derivative assets	–	171	–	162
Derivative liabilities	(1)	(21)	–	1
Operating financial assets	571	(324)	80	(838)
Operating financial liabilities	(5 224)	3 197	(4 926)	3 197
	(4 762)	**2 610**	**(6 193)**	**1 798**

23. Financial guarantees

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Guarantees issued in favour of third parties in respect of finance provided to industrialists	659	738	701	648
Sundry guarantees issued by subsidiaries	584	588	–	–
Guarantees	**1 243**	**1 326**	**701**	**648**
Financial guarantees				
Expected credit losses*	**569**	**515**	**611**	**515**
Maturity analysis of financial guarantees				
– due within one year	302	209	275	178
– due after one year but within five years	426	470	426	470
– due after five years	515	647	–	–
	1 243	**1 326**	**701**	**648**

* *The IDC recognises expected credit losses on financial guarantees issued.*

Foskor (Pty) Limited

The Group had mine rehabilitation guarantees amounting to R499 million (2021: 499 million) at year-end. In line with the requirements set out by the Department of Mineral Resources (DMR), this guarantee amount was in place at 31 March 2022.

These guarantees and the agreement reached with the Department of Mineral Resources were based on the environmental rehabilitation and closure costs assessment that was performed during the 2022 financial year. Estimated scheduled closure costs for the mine are R636 million.

For unscheduled or premature closure, the DMR, in accordance with the Minerals and Petroleum Resources Development Act, requires Foskor (Pty) Ltd to provide for the liability of R803 million in the form of guarantees and cash. The premature closure cost of 803 million is covered by guarantees totalling R499 million and investment assets totalling R383 million. Foskor has, therefore, over provided for early closure costs by R79 million.

24. Directors' emoluments and executive remuneration

Non-executive:

Fees for services as directors:

Figures in Rand thousand		2022	2021
Director			
BA Mabuza	Chairperson	1 513	1 652
LI Bethlehem[1]		519	587
BA Dames		474	542
RM Godsell		456	624
A Kriel		510	470
Dr SM Magwentshu-Rensburg		752	852
MP Mthethwa		667	691
NP Mnxasana		824	875
Adv NDB Orleyn		671	911
Dr NE Zalk[2]		–	–
		6 386	**7 204**

[1] *L Bethlehem's fees were paid directly to HCI Limited for the first part of the year and thereafter were paid directly to Ms Bethlehem.*
[2] *Dr NE Zalk is employed by the DTIC and does not earn director's fees for services rendered to the IDC.*

24. Directors' emoluments and executive remuneration *(continued)*

Executive

2022 *Figures in Rand thousand*	Short Term Employee Benefits
TP Nchocho	5 556
JK Bate	4 090
RL Demana – appointed 1 May 2021	3 783
DA Jarvis	3 307
TL Khumalo	3 182
T Legodi	2 333
IN Malevu	4 795
SAU Meer – retired 30 April 2021	2 627
F Moosa – appointed 1 September 2021	2 188
TP Mushungwa	2 944
EN Rapoo – resigned 30 April 2022	3 000
TML Sangweni – appointed 15 May 2021, resigned 31 August 2021	984
I Sayed – appointed 1 October 2021	2 400
WH Smith – retired 30 April 2021	1 012
MJ Tsele	3 716
PB Makwane – deceased 24 January 2021*	143
	46 060

* *Benefits relate to bursaries and medical aid awarded to Mr Makwane's children*

2021 *Figures in Rand thousand*	Short Term Employee Benefits
TP Nchocho	5 382
PT Arran – resigned 28 February 2021	3 235
JK Bate	4 000
NS Dlamini – resigned 31 July 2020	2 241
DA Jarvis	3 054
TL Khumalo	2 898
PB Makwane – deceased 24 January 2021	4 052
IN Malevu – appointed 1 October 2020	3 900
SAU Meer	3 661
TP Mushungwa	2 800
EN Rapoo – appointed 15 February 2021	675
WH Smith	2 866
MJ Tsele – appointed 1 July 2020	3 900
	42 664

During 2021 and 2022, no long-term benefits, termination benefits, nor share-based payments were made to the executive management team.

25. Related parties

Shareholder: The Government of South Africa through the Department of Trade, Industry and Competition

Directors' interests **Financing balance (R'm)**

Director	Company	Financing approved	2022	2021	Interest/ funding rate	Type of financing/ repayment terms	Director's interest	Year of approval
Lael Bethlehem	Sedibelo Platinum Mines Ltd	3 240	3 240	–	–	Equity shareholding	The IDC has a 15,75% investment in Sedibelo Platinum Mines Ltd ("Sedibelo"). Ms Bethlehem joined Sedibelo on the 1st of December 2021 as a senior executive.	2012
	Kelltechnology South Africa (RF) (Pty) Ltd	86	86	–	–	Equity shareholding	The IDC is a 33.3% shareholder in Kelltechnology South Africa (RF) (Pty) Ltd ("Kelltech SA"). Sedibelo holds 50% in Kelltech Ltd Mauritius which holds 66.67% in Kelltech SA.	2014
	Kelltechnology South Africa (RF) (Pty) Ltd	407	–	–	Interest free	Shareholders Loan		2021
	Kellplant (Pty) Ltd	500	–	–	Prime + 2%	Normal loan	Kellplant (Pty) Ltd is a wholly owned subsidiary of Kelltech SA.	2021
Nomavuso Patience Mnxasana	Noma Namuhla Trading and Projects (Pty) Ltd – Facility 1	2,5	0,4	0,4	RATIRR of 13,3%	Quasi-Equity Loan	Ms Mnxasana owns 100% in Noma Namuhla Trading and Projects (Pty) Ltd	2017
	Noma Namuhla Trading and Projects (Pty) Ltd – Facility 2	4,6	4,2	4,2	Prime +2.7%	Normal loan	Ms Mnxasana owns 100% in Noma Namuhla Trading and Projects (Pty) Ltd.	2017
André Kriel	Trade Call Investments Apparel (Pty) Ltd	60	8	–	4%	Post Unrest Business Recovery Fund bridging loan	Mr Kriel is a director of Trade Call Investments Apparel (Pty) Ltd.	2021

25. Related parties *(continued)*

R'm Company	Financing approved	2022 balance	2021 balance	Interest/ funding rate	Type of financing/ repayment terms
National sphere of government					
The Land and Agricultural Development Bank of SA Ltd	250	46	57	0%	Loan repayable on 31 March 2022
The Land and Agricultural Development Bank of SA Ltd	400	154	196	Prime	Loans repayable on 31 July 2025 and 31 December 2030
The Land and Agricultural Development Bank of SA Ltd	264	214	–	Repo Rate + 3.5%	Loan repayable on 01 October 2026

Figures in Rand million	Group		Company	
	2022	2021	2022	2021
Related party transactions				
Non-financing transactions – Rendering of services				
Eskom Limited	390	544	–	–
Transnet Limited	1 197	1 615	–	–
Telkom Limited	4	5	1	1
National Ports Authority	12	24	–	–
	1 603	**2 188**	**1**	**1**

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

Assets and liabilities of disposal Groups held for sale:

Assets and Liabilities

Figures in Rand million	Group		Company	
	2022	2021	2022	2021
Sheraton Textiles (Pietermaritzburg Plant)	–	14	–	–
Total	–	14	–	–

The Board of Directors approved the sale of the Pietermaritzburg Plant and manufacturing operation as a going concern during the financial year.

27. Provisions

Provisions – Group 2022

Figures in Rand million	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	631	(2)	(3)	18	644
Trust fund	(332)	–	(51)	–	(383)
Other provisions*	98	17	(44)	–	71
	397	15	(98)	18	332

* *Other provisions include retrenchment costs and lease settlement losses*

Provisions – Group 2021

Figures in Rand million	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	712	38	(139)	20	631
Trust fund	(265)	–	(67)	–	(332)
Other provisions	140	7	(49)	–	98
	587	45	(255)	20	397

Provisions – Company 2022

Figures in Rand million	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	47	–	(10)	–	37

Provisions – Company 2021

Figures in Rand million	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	41	8	(2)	–	47

Foskor (Pty) Ltd

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

At 31 March 2022, a provision for rehabilitation of R336 million for the closure costs of the Gypsum dam area rehabilitation was made.

Estimated scheduled closure costs for the mine are R636 million. For unscheduled or premature closure, the Department of Mineral Resources, in accordance with the Minerals and Petroleum Resources Development Act, requires Foskor to provide for the liability of R803 million in the form of guarantees and cash.

Company provisions relate to those whereby IDC, as a primary shareholder, stands as security for the entire environmental provision for African Chrome (Pty) Limited until such time that the land is fully rehabilitated. Those relating to the Columbus Joint Venture – a partnership between IDC, Samancor Limited and Highveld Steel – where each partner is liable for its portion of the waste dumps' rehabilitation obligation. This obligation was not included in the sale of Middleburg Stainless Steel in January 2002.

28. Share based payments

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Equity-settled share-based payment reserve				
At the beginning of the year	304	304	–	–

In the 2011 financial year, Foskor and the IDC entered into a Black Economic Empowerment Transaction (BEE Transaction). In terms of the transaction the IDC sold 15% interest in Foskor to Strategic Business Partners (SBPs) and Special Black Groups (SBGs) (collectively, the Manyoro Consortium), 5% to the communities where Foskor operates and a 6% interest in Foskor to the Foskor Employee Share Ownership Plan Trust (ESOP). The transaction with the Manyoro Consortium and communities constitutes an equity-settled share-based plan and the transaction with the employees constitutes a cash-settled share-based plan. Under the equity-settled share-based plan, the shares vest immediately at grant date. In determining the fair value of services received as consideration for equity instruments granted, measurement is referenced to the fair value of the equity instruments granted.

Equity-settled reserve: Weighted average fair value assumptions

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

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

Grant date	31 December 2009
Initial company value (exercise price) (R'm)	3 500
Average share price at grant date	382.19
Annualised expected volatility (%)	24.30
Risk-free interest rate (%)	9.60
Dividend yield (%)	0.00
Strike price (R)	467.97

The holders of the equity instruments were required to hold the instruments to maintain the BEE status until 31 March 2022, however, due to the underperformance of the scheme, the participants have not exercised their options. The schemes funder has not called an event of default but neither has it made a commitment to extend the scheme, in the absence of the aforementioned, Foskor continues to recognise the Share-Based Payment Reserve. The volatility indicator used in the calculation was based on the market prices of globally listed proxy companies that are in the same industry as Foskor.

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

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Cash – settled share – based payment liability				
At the beginning of the year	–	1	–	–
Fair value adjustment through profit or loss	–	(1)	–	–
	–	–	–	–

Foskor entered into a cash-settled share-based payment plan with its employees. A total liability of Rnil (2021: R0.41 million) is carried. The share-based payment adjustment for the current year of R0.41 million was recognised in profit or loss.

28. Share based payments *(continued)*

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

The Employees Share Option Trust was due to end on 30 March 2022. However, due to the under performance of the scheme no exercising of options have taken place. The scheme's funder has not called an event of default, which results in the scheme being extended. Changes to the scheme are being considered for the future. The volatility indicator used in the calculation was based on market prices of globally listed proxy companies that are in the same industry as Foskor. The following weighted average assumptions were inputs into the model:

	Group	
Figures in Rand million	2022	2021
Exercise price (R)	3 500	3 500
Average share price at grant date (R)	382.19	382.19
Annualised expected volatility (%)	24.30%	18.51%
1 year expected option lifetime%	9.60%	4.88%
2 year expected option lifetime%	9.60%	6.75%
Dividend yield (%)	–	–
Strike price (R) – 1 year expected option lifetime	851.69	736.99
Strike price (R) – 2 year expected option lifetime	915.57	792.27

29. Operating profit/(loss)

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

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Auditor's remuneration – external				
Audit fees	21	19	10	9
Employee costs				
Salaries, wages, bonuses and other benefits	2 851	3 097	1 139	1 045
Depreciation and amortisation				
Depreciation of property, plant and equipment	466	531	17	21
Amortisation of intangible assets	10	7	5	2
Depreciation of right of use assets	48	54	49	48
Total depreciation and amortisation	524	592	71	71
Impairment losses				
Property, plant and equipment	(45)	893	–	–

29. Operating profit/(loss) *(continued)*

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Other				
Project feasibility expenses	52	88	52	88
Operating lease rentals	9	17	3	5
Expected credit losses on trade and other receivables	6	98	5	40
Fair value adjustment on investment property	(9)	57	(10)	4
Repairs and maintenance	837	685	4	13
Interest on lease liabilities	33	61	31	32
Loss on financial assets classified as FVTPL	(834)	(687)	(505)	520
Expected credit losses	188	1 900	796	263
Financial assets written off	2 524	311	4 010	255

30. Taxation

Major components of tax

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Current				
Local income tax – current period	(49)	277	176	–
Deferred tax – current year	1 220	850	1 014	282

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Applicable tax rate	28.00%	28.00%	28.00%	(28.00%)
Income from equity accounted investments	(14.72%)	-		
Dividend Income	(21.39%)	-	(64.24%)	(33.75%)
Capital loss, Impairment and write offs	20.73%	61.66%	57.43%	8.12%
Donations and grants	2.46%	7.60%	5.39%	2.32%
Non-deductible expenses*	0.65%	3.94%	1.15%	1.20%
Non-taxable insurance claim	(2.08%)	-	0.49%	–
Increase in assessed loss	(0.94%)	-	–	–
Tax rate change	1.51%	-	3.28%	–
Other	(0.35%)	2.00%	(0.64%)	2.14%
	13.88%	**103.20%**	**30.87%**	**8.03%**

* *The following forms part of the non-deductible expenses: Directors' fees paid, Computer equipment – rental, Bank charges, General expense, Maintenance on buildings, Cost of repossessed assets, Legal fees, Consulting fees, Interest expense on right of use assets, Non-deductible administration expenses.*

31. Deferred tax

Deferred tax

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Deferred tax assets	6 285	6 584	4 728	5 704
Deferred tax liabilities	(12 383)	(12 151)	(13 096)	(11 113)
Net deferred tax asset/(liability)	**(6 098)**	**(5 567)**	**(8 368)**	**(5 409)**

Net deferred tax presented in the statement of Financial Position

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Deferred tax assets	6 285	881	4 870	–
Deferred tax liabilities	(12 383)	(6 448)	(13 238)	(5 409)
Net deferred tax asset/(liability)	**(6 098)**	**(5 567)**	**(8 368)**	**(5 409)**

To avoid offsetting deferred tax assets and deferred tax liabilities from different Group entities, the deferred tax numbers are presented on the Statement of Financial Position as presented in the respective Group entities.

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Deferred tax assets:				
Provisions	502	411	192	144
Preference shares	1 275	1 476	1 275	1 476
Loans	2 344	2 005	2 344	2 006
Other financial instruments	95	(127)	–	–
PPE	66	(546)	–	–
Losses	3 081	4 148	917	2 078
Other deferred tax assets*	(1 079)	(783)	–	–
	6 284	**6 584**	**4 728**	**5 704**

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

The group has recognized deferred tax assets of R3 081b (2021: R4 148b) relating to tax losses carried forward.

The subsidiaries in the group that are in a net deferred tax asset position have conducted formal assessments of their future profitability based on detailed budgets and cash flow forecasts. As a result of those assessments performed, management believes that there will be sufficient taxable profits in future to be used against the assessed tax losses.

Foskor did not recognize deferred income tax assets of R277 million in respect of losses amounting to R3.84 billion that can be carried forward against future taxable income.

During the budget speech presented on 23 February 2022, the Finance Minister announced that the corporate tax rate will be reduced from 28% to 27%. Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 27% (2021: 28%).

31. Deferred tax *(continued)*

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Deferred tax liabilities:				
Provisions	(286)	(20)	(23)	(20)
Ordinary shares	(10 497)	(11 981)	(12 722)	(10 667)
Bonds	(343)	(414)	(343)	(414)
Other financial instruments	(745)	327	–	–
PPE	(510)	(64)	(8)	(12)
Other deferred tax liabilities**	(2)	1	(210)	–
	(12 383)	**(12 151)**	**(13 306)**	**(11 113)**

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

Deferred tax movements for the year

Figures in Rand million	Group 2022	Group 2021	Company 2022	Company 2021
Movements of deferred tax				
Opening balance	(5 567)	(463)	(5 409)	360
Charge for the current year (I/S)	(1 220)	(5)	(1 014)	(282)
Charge for the current year (OCI)	579	(5 090)	(2 055)	(5 487)
Charge directly in equity	110	(9)	110	–
Closing balance	**(6 098)**	**(5 567)**	**(8 368)**	**(5 409)**
Reconciliation of deferred tax asset/(liability)				
At the beginning of year	(5 567)	(463)	(5 409)	360
Temporary differences				
Provisions	252	48	183	33
Loans	(669)	(199)	201	(199)
Preference shares	(201)	(16)	(201)	(16)
Ordinary shares	(2 055)	(5 478)	(2 055)	(5 478)
Bonds	71	(220)	71	(220)
Property, Plant and Equipment	1	981	3	–
Other financial instruments	3 470	(305)	–	(2)
Tax loss utilised	(1 141)	113	(1 161)	136
Other	(258)	(28)	–	(23)
	(6 097)	**(5 567)**	**(8 368)**	**(5 409)**

32. Leases

Figures in Rand million **Right of use assets – Group**	Buildings	Plant and machinery	Total
Opening balance	464	11	475
Additions	10	–	10
Lease modifications	5	–	5
Terminations/cancellations	(326)	(3)	(329)
Depreciation charge for the year	(45)	(3)	(48)
At 31 March 2022	**108**	**5**	**113**

Figures in Rand million **Right of use assets – Company**	Buildings	Plant and machinery	Total
Opening balance	406	–	406
Additions	3	–	3
Lease modifications	–	–	–
Terminations/cancellations	–	–	–
Depreciation charge for the year	(49)	–	(49)
At 31 March 2022	**360**	**–**	**360**

Figures in Rand million **Lease liabilities– Group**	Buildings	Plant and machinery	Total
Opening balance	588	9	597
Lease modifications	23	–	23
Increase in lease liabilities	12	2	14
Interest expense	32	1	33
Terminations	(451)	(4)	(455)
Lease payments	(49)	(3)	(52)
At 31 March 2022	**155**	**5**	**160**

Figures in Rand million **Lease liabilities – Company**	Buildings	Plant and machinery	Total
Opening balance	452	–	452
Lease modifications	–	–	–
Increase in lease liabilities	3	–	3
Interest expense	32	–	32
Terminations	–	–	–
Lease payments	(59)	–	(59)
At 31 March 2022	**428**	**–**	**428**

32. Leases *(continued)*

Foskor

The lease is between Foskor 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 4 years remaining as at 31 March 2022. Foskor has sole use of the effluent pipeline and pays for the maintenance.

Eerste Flambeau

The Group enters into lease agreements for its Wellington factory shop and other equipment items. Leases of the Group's store has an average lease term of 2.5 years (2021: 3.5 years), although leases could be negotiated with varying terms.

Grinding Media

The company leases its operational land and buildings. The initial lease term was 10 years from 1 March 2018 and the remaining lease term is 6 years (2021: 7 years). The lease can be cancelled at the option of the lessee after 8 years by giving 24 months' notice. The lease contract stipulates that the lease payments will escalate at a rate of 7% p.a. for 5 years and then escalate by the property index rate of 4.7% p.a. for the remaining 5 years.

IDC Company

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

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Commitments for future minimum rentals payable under non-cancellable leases are as follows:				
– due within one year	38	59	33	27
– due after one year but within five years	98	260	254	166
– due after five years	24	278	141	259
Present value of minimum lease payments	**160**	**597**	**428**	**452**
Future finance charges	**43**	**144**	**150**	**179**
Undiscounted value of minimum lease payments	**203**	**740**	**578**	**631**

Undiscounted minimum lease payments exclude lease payments from discontinued operations.

32. Leases *(continued)*

Amounts recognised in profit or loss relating to lease assets and liabilities

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Expenses relating to short term leases	6	5	1	1
Expenses relating to leases of low-value assets	5	5	–	–
Interest expense on lease liabilities	41	63	32	32

33. Tax (paid) refunded

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Balance at the beginning of the year	(220)	222	78	200
Current tax for the year recognised in profit or loss	49	(276)	(176)	–
Non-cash tax entry	–	(45)	–	13
Balance at the end of the year	(435)	220	(450)	(78)
	(606)	**121**	**(548)**	**135**

34. Trade and other payables

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Financial instruments:				
Trade payables	3 501	3 316	844	791
Deferred grants payable	4 183	2 639	–	–
Accrued leave pay	241	246	138	136
Accrued bonus	186	58	119	–
	8 111	**6 259**	**1 101**	**927**

35. Retirement benefits

Pension and provident schemes

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

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

Defined contribution schemes

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

Defined benefit scheme

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

35. Retirement benefits *(continued)*

The fund is valued every three years using the projected unit credit method. The actuarial valuation for purposes of IAS 19 was performed on 31 March 2022.

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

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

	Group	
Figures in Rand million	2022	2021
Present value of funded obligations	298	297
Fair value of plan assets	(333)	(342)
Impact of asset ceiling	35	45
Liability recognised	**–**	**–**
The movement in the defined benefit obligation:		
Opening balance	297	275
Current-service cost	1	1
Interest cost	35	33
Actuarial (gains)/losses	(6)	18
Benefit paid	(29)	(30)
Closing balance	**298**	**297**
Movement in plan asset		
Fair value of plan assets at the beginning of the year	342	300
Expected return on asset	40	36
Actuarial (loss)/gain recognised during the year	(21)	35
Benefits paid	(28)	(29)
Fair value of plan assets at the end of the year	**333**	**342**
The amounts recognised in profit or loss are as follows:		
Current-service cost	1	1
Interest cost	35	32
Expected return on assets	(40)	(36)
Net actuarial gain recognised during the year	(4)	(3)
Total included in operating expenses	**(8)**	**(6)**
The actual return on plan assets was:		
Expected return on plan assets	40	36
Actuarial gains/(losses) on plan assets	21	(35)
Actual return on plan assets	**61**	**1**
Plan assets are comprised as follows		
Equity instruments	46%	55%
Cash	12%	7%
Debt instruments	37%	33%
Other	5%	5%
	100%	**100%**

35. Retirement benefits *(continued)*

The principal actuarial assumptions for accounting purposes were:

Figures in Rand million	2022	2021
Discount rate %	10.51	12.56
Expected return on plan assets %	6.23	8.03
Future salary increases %	7.23	9.03
Future pension increases %	6.76	8.71
Normal retirement age	60	60

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

	Impact on overall liability	
	2022	2021
Inflation rate (increase of 1%)	6.8%	6.6%
Inflation rate (decrease of 1%)	7.8%	7.5%

The expected contributions to the post-employment pension scheme for the year ending 31 March 2022 are R0.506 million.

Post-retirement medical benefits

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

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

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Present value of unfunded obligation:				
Medical aid members	348	374	183	178

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
Movement in the liability recognised in the statement of financial position:				
At the beginning of the year	374	341	178	158
Contributions paid	(24)	(23)	(13)	(12)
Current-service costs	3	4	1	1
Interest cost	36	41	19	20
Loss of control of discontinued operation	(34)	–	–	–
(Deficit)/surplus	(7)	11	(2)	11
Balance at the end of the year	**348**	**374**	**183**	**178**

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
The principal actuarial assumptions used for accounting purposes were:				
– Discount rate (%)	11.10	11.00	–	–
– General inflation rate (%)	6.20	6.20	–	–
– Medical inflation rate (%)	8.20	8.20	–	–
– Normal retirement age	63	59/63	–	–

35. Retirement benefits *(continued)*

	Group		Company	
	Change in past-service liability		Change in service cost plus asset	
Present value of unfunded obligation history				
Inflation rate (increase of 1%)	10.4% increase	10.6% increase	11.1% increase	11.4% increase
Inflation rate (decrease of 1%)	8.7% decrease	9.1% decrease	9.5% decrease	9.7% decrease

	Group
	Change in discount rate
Present value of unfunded obligation history	
Discount rate (increase of 1%)	6.8% decrease
Discount rate (decrease of 1%)	7.8% increase

	Group
	Change in pension increases
Present value of unfunded obligation history	
Pension (increase of 1%)	7.9% increase
Pension (decrease of 1%)	7.0% decrease

A 1% upward and 1% downward percentage change in salary increases has a negligible impact on the value of the Group unfunded obligation.

36. Commitments

	Group		Company	
Figures in Rand million	2022	2021	2022	2021
In respect of:				
Undrawn financing facilities approved	8 952	9 242	8 766	8 958
Undrawn guarantee facilities approved	1 276	506	235	358
Capital expenditure approved by subsidiaries	105	222	–	–
– Contracted	105	222	–	–
Capital expenditure approved by equity-accounted investments	211	123	–	–
– Contracted	81	119	–	–
– Not contracted	130	4	–	–
Commitments net of counter-guarantees	**10 544**	**10 093**	**9 001**	**9 316**

Commitments will be financed by a combination of internally generated funds as well as borrowings.

37. Other comprehensive income

Components of other comprehensive income – Group – 2022

Figures in Rand million	Gross	Tax	Net
Items that will not be reclassified to profit or loss:			
Movements on valuation of equity investments	19 435	1 484	20 919
Remeasurements on net defined benefit liability/asset	15	–	15
Total items that will not be reclassified to profit or loss	**19 450**	**1 484**	**20 934**
Items that may be reclassified to profit or loss:			
Share of associates comprehensive income	1 516	–	1 516
Exchange differences on translating foreign operations	9	–	9
Total items that may be reclassified to profit or loss	**1 525**	**–**	**1 525**
Total	**20 975**	**1 484**	**22 459**

Components of other comprehensive income – Group – 2021

Figures in Rand million	Gross	Tax	Net
Items that will not be reclassified to profit or loss:			
Movements on valuation of equity investments	31 699	(6 526)	25 173
Remeasurements on net defined benefit liability/asset	(1)	–	(1)
Total items that will not be reclassified to profit or loss	**31 698**	**(6 526)**	**25 172**
Items that may be reclassified to profit or loss:			
Share of associates comprehensive income	1 383	–	1 383
Exchange differences on translating foreign operations	(665)	–	(665)
Total items that may be reclassified to profit or loss	**718**	**–**	**718**
Total	**32 416**	**(6 526)**	**25 890**

Components of other comprehensive income – Company – 2022

Figures in Rand million	Gross	Tax	Net
Items that will not be reclassified to profit or loss:			
Movements on valuation of equity investments	26 248	(1 945)	24 303
Remeasurements on net defined benefit liability/asset	15	–	15
Total items that will not be reclassified to profit or loss	**26 263**	**(1 945)**	**24 318**
Total	**26 263**	**(1 945)**	**24 318**

Components of other comprehensive income – Company – 2021

Figures in Rand million	Gross	Tax	Net
Items that will not be reclassified to profit or loss:			
Movements on valuation of equity investments	31 198	(5 487)	25 711
Remeasurements on net defined benefit liability/asset	1	–	1
Total items that will not be reclassified to profit or loss	**31 199**	**(5 487)**	**25 712**
Items that may be reclassified to profit or loss:			
Share of associates comprehensive income	130	–	130
Total items that may be reclassified to profit or loss	**130**	**–**	**130**
Total	**31 329**	**(5 487)**	**25 842**

38. Irregular, fruitless and wasteful expenditure

	Group		Company	
Figures in Rand	2022	2021	2022	2021
Fruitless and wasteful expenditure				
Fruitless and wasteful expenditure relating to the current year	5 112 369	4 432 533	876 217	51 161
Fruitless and wasteful expenditure relating to the prior year	12 060 409	1 715 000	–	–
Recoveries	(722 289)	(46 992)	(722 289)	(46 992)
	16 450 489	**6 100 541**	**153 928**	**4 169**
Irregular expenditure reconciliation				
Opening balance	9 195 160 091	5 495 184 603	9 145 937	7 810 425
Irregular expenditure – relating to prior year	14 055 058	–	14 055 058	–
Irregular expenditure – relating to current year	5 779 296 515	3 699 975 488	104 277	1 335 512
Prior year amounts condoned	(7 529 000)	–	–	–
Recoveries	(926 554 313)	–	–	–
Closing balance	**14 054 428 351**	**9 195 160 091**	**23 305 272**	**9 145 937**
Details of fruitless and wasteful expenditure				
Travel – cancellations and rescheduling	36 116	4 169	36 116	4 169
Interest and penalty payments to SARS – current year	1 150 275	21 255	1 275	–
Interest and penalty payments to SARS – prior year	12 060 409	1 715 000	–	–
Penalty on late payment to suppliers	123 790	–	35 522	–
Separation costs	2 998 884	4 360 117	–	–
Payment erroneously made to additional cleaner	–	46 992	–	46 992
Overpayment of management fees	722 289	–	722 289	–
Losses incurred from the Tirisano bursary scheme	81 016	–	81 016	–
Recoveries	(722 289)	(46 992)	(722 289)	(46 992)
	16 450 489	**6 100 541**	**153 928**	**4 169**
Details of irregular expenditure				
Relating to current year				
Erroneous additional payment to vendor	104 277	64 949	104 277	64 949
PFMA Exemption not received iro procurement at certain Group subsidiaries	5 779 192 237	3 660 904 794	–	–
Condonements	(7 529 000)	–	–	–
Relating to prior year				
Contract extensions	–	1 270 563	–	1 270 563
Expiry of exemption to apply requirements of PPPFA	–	37 735 182	–	–
Irregular appointment of vendors Learning and Development	14 055 058	–	14 055 058	–
Recoveries	(926 554 313)	–	–	–
	4 859 268 259	**3 699 975 488**	**14 159 335**	**1 335 512**

39. Events after the reporting period

Listed portfolio

The value of the Group listed shares decreased by R12.2 billion to R55 billion between the financial year end and signing of the financial statements on 30 August 2022.

Flooding in Kwa-Zulu Natal and the Eastern Cape

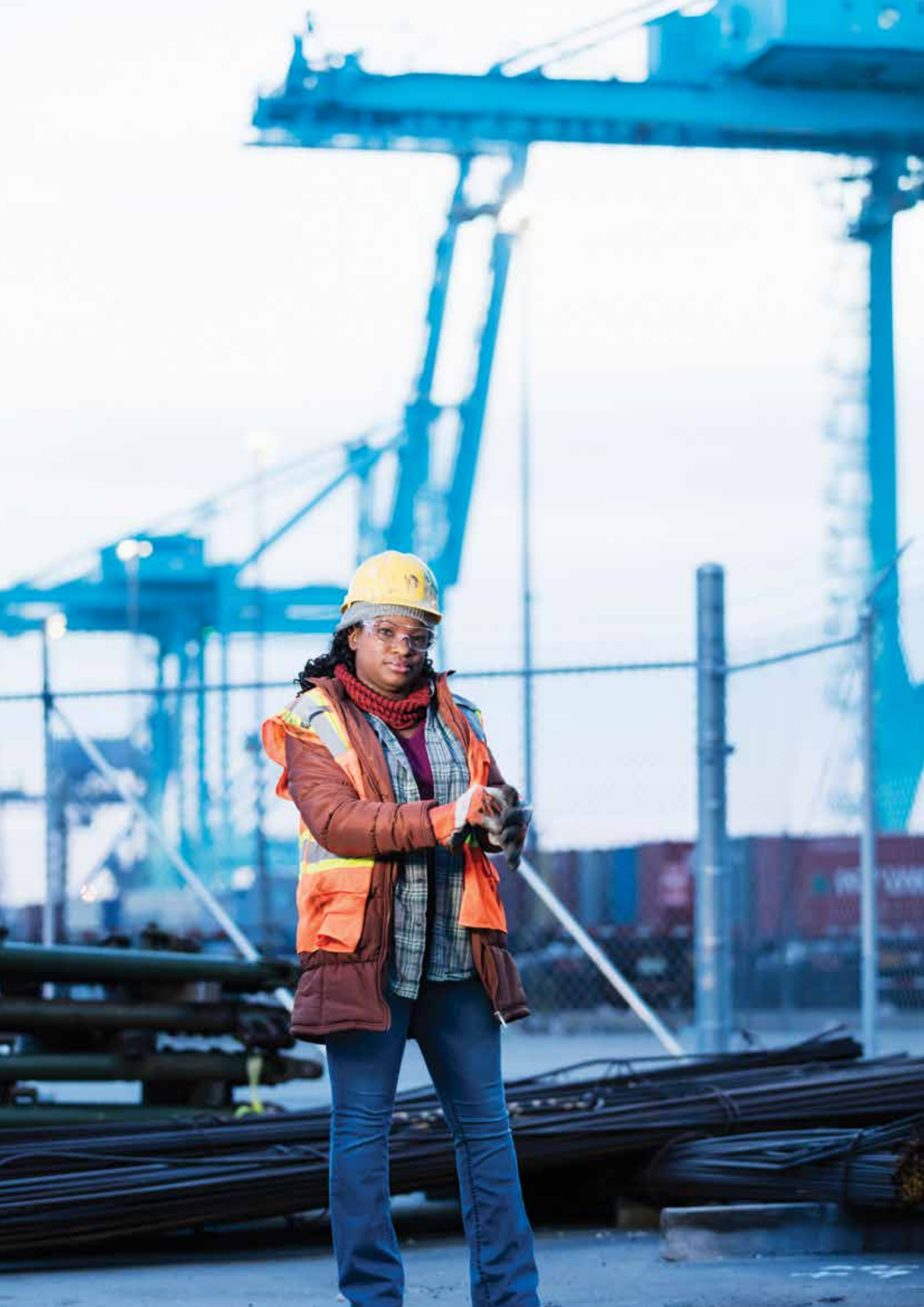
In April 2022, large parts of Kwa-Zulu Natal and certain areas in the Eastern Cape received significant amounts of rainfall in a small period of time resulting in wide-spread floods. This significantly impacted lives, livelihoods, business-in-general and IDC clients located in those areas. The financial impact of the damage is yet be quantified. In response to the flooding, the IDC established a rapid relief package of R500 million to support those impacted by the floods. The IDC has approved R187.6 million in loan funding and R66.3 million in grant funding to date.

40. Going concern

The past financial year has seen the IDC Group performance track well ahead of the recent years owing to strong investments in the resources sector, a focus on managing the loan book and strong dividend income. The Corporation's financial position has strengthened significantly as shown in the improved gearing ratio which moved from 51.6% at the end of March 2021 to 34.5% at the end of the current reporting period. Cash reserves have remained strong, and the Corporation was able to early-settle on some of its more onerous debt obligations. The relationships with lenders remain strong and supportive

The impact of COVID-19 continues to linger, and the onset of the Omicron variant saw sudden travel restrictions imposed on South Africa and further restrictions placed on the movement and gatherings. Further to this, the July 2021 unrest impacted a number of IDC clients. The IDC was and remains well placed and financially able to provide the necessary support to its clients impacted by these events through deferments, additional debt funding as well as grant funding.

The IDC remains a going concern. The Corporation is financially stable and has sufficient liquidity to meet its current obligations, and remains confident that, for the foreseeable future, it will be able to meet its financial obligations and leverage its robust financial position to support the economy through new advances.



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RP290/2022
ISBN: 978-0-621-50651-8