ANNUAL REPORT 2019/2020

60 YEARS OF UNEARTHING PEOPLE'S POTENTIAL

MAKING IT HAPPEN TOGETHER

WWW.ITHALA.CO.ZA

Ithala

VISION, MISSION AND VALUES

VISION
Is to create a more prosperous and inclusive society where the previously disadvantaged have the opportunity for a better life.

MISSION
Is to reduce poverty through implementing infrastructure programmes, providing access to financial services, and building the economy of KwaZulu-Natal, with a focus on rural and township areas.

VALUES
- Passion
- Integrity
- Future-focused
- Service
- Respect

COMPANY INFORMATION

GROUP COMPANY SECRETARY:
LS Mahamba

BANKERS:
ABSA Bank Ltd.

AUDITORS:
Auditor-General

CORPORATE ATTORNEYS:
Approved Panel of Attorneys

BUSINESS ADDRESS:
Ithala Trade Centre, 29 Canal Quay Road,
Point Waterfront, Durban

POSTAL ADDRESS:
PO Box 2801, Durban,
KwaZulu-Natal, South Africa

CONTACT DETAILS:
Telephone: +27 31 907 8911
Facsimile: +27 31 907 5685
Website: www.ithala.co.za

CONTENTS

SECTION 01

ABOUT THIS REPORT

The annual integrated report encompasses the Ithala Development Finance Corporation Limited's (IDFC) strategy, material issues and its performance for the period **1 April 2019 to 31 March 2020** and our prospects for the future.

Ithala is a state-owned entity and, through this report, sets out to address material stakeholders, most notably being, our shareholder, regulators, clients, and communities, as well as potential investors, with regard to our ongoing viability. In determining the contents of this report, we are bound by the reporting requirements set by the Auditor-General with regard to conveying our performance against our annual performance plan (see pages 46 to 48).

Materiality is determined by the Board of Directors, in line with IDFC's mandate and the information requirements of both its shareowners and regulators, as well as other key stakeholder groups.

We have been guided by the International Integrated Reporting Council (IIRC) Integrated Reporting Framework, which was released in December 2013, and the King Code on Corporate Governance for South Africa (2016) (King Code). Further standards applied in defining the contents of this report include the IFRS, the Companies Act, Act No. 71 of 2008 (Companies Act) and the Public Finance Management Act, Act No. 1 of 1999 (PFMA).

FORWARD-LOOKING STATEMENTS

Certain statements in this document are deemed to be forward-looking. These relate to, inter-alia, the plans, objectives, goals, strategies, future operations and performance of Ithala.

Words such as 'anticipates', 'estimates', 'expects', 'projects', 'believes', 'intends', 'plans', 'may', 'will', 'should,' and similar expressions, are typically indicative of forward-looking statements. These statements are not guarantees of IDFC's future operating, financial or other results and involve certain risks, uncertainties and assumptions.

Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements.

Ithala makes no representation or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Ithala undertakes no obligation to update the historical information or forward-looking statements in this document.

APPROVAL AND ASSURANCE OF OUR REPORT

The Audit and Risk Committee is responsible for reviewing and recommending the annual integrated report and the annual financial statements to the Board of Directors for approval. The Board of Directors has applied its mind to the integrated report and believes that it addresses all material issues and fairly presents our performance.

Internal and external audit provide additional assurance on the effectiveness of our risk management of material issues.

STATEMENT OF THE BOARD OF DIRECTORS OF ITHALA DEVELOPMENT FINANCE CORPORATION LIMITED

The Board of Directors acknowledges its responsibility to ensure the integrity of the annual integrated report and, in the Board's opinion, it addresses all material issues and presents fairly the company's integrated performance.

....

Chairman

UNEARTHING PEOPLE'S POTENTIAL

WHO WE ARE

The Ithala Development Finance Corporation Limited (IDFC) was established in 1958 as a development finance agency, wholly-owned by the province of KwaZulu-Natal, mandated to assist government in promoting economic development and empowerment in the province. In its current form, IDFC functions through the promulgation of the KwaZulu-Natal Ithala Development Finance Corporation Act, 2013 (Act No. 5 of 2013), under the oversight of the Board and reports to the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). IDFC is listed as a Schedule 3D Provincial Business Enterprise in terms of the Public Finance Management Act (No.1 of 1999, as amended) (PFMA)

As a development finance institution, IDFC is regarded as one of the key channels through which Government funding and other small, medium and micro enterprise (SMME) support interventions reach communities. We are one of the pioneers of SMME development. We are also the first institution to bank unbanked communities and to establish shopping centers in rural areas, thus stimulating development in the more remote regions of KwaZulu-Natal. We seek to play a role in improving the quality of the lives of the province's people and economy.

We continue drawing on these core competencies in order to deliver ever more effectively and efficiently on our developmental mandate.

OUR PURPOSE
IS TO BE THE BRIDGE TO A BETTER LIFE, THROUGH SOCIO-ECONOMIC DEVELOPMENT.

OUR VISION
IS TO CREATE A MORE PROSPEROUS AND INCLUSIVE SOCIETY WHERE THE PREVIOUSLY DISADVANTAGED HAVE THE OPPORTUNITY FOR A BETTER LIFE.

OUR MISSION
Is to reduce poverty through implementing infrastructure programmes, providing access to financial services and building the economy of KwaZulu-Natal, with a focus on rural and township areas.

OUR VALUES
- **Passion;**
- **Integrity;**
- **Future-Focused;**
- **Service; and**
- **Respect.**

MANDATE OF ITHALA
IDFC's mandate is expressed in the KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013, which is concerned with the pivotal role fulfilled by IDFC in the development landscape of the Province of KwaZulu-Natal. The clauses of the Act outlining the service pillars of IDFC are as follows:
- Mobilise financial resources and provide financial and supportive services to persons domiciled, ordinarily resident, or carrying on business within KwaZulu-Natal;
- Plan, execute, finance and monitor the implementation of development projects and programmes in KwaZulu-Natal;
- Promote, assist and encourage the development of the province's human resources and its social, economic, financial and physical infrastructure;
- Promote, encourage and facilitate private sector investment in the province and the participation of the private sector and community organisations in development projects and programmes and contribute to economic development generally; and
- Act as Government's agent for performing development-related tasks and responsibilities which the Government considers may or be more efficiently or effectively performed by a corporate entity.

WE DELIVER

HOW WE DELIVER ON OUR MANDATE

- We fund business enterprises, SMMEs and Co-operatives;
- We provide entrepreneurial support and skills development;
- We develop and manage commercial and industrial properties;
- We provide savings, loans, insurance, home loans and financial services; and
- We strive to meet development goals, while deriving realisable economic opportunities for KwaZulu-Natal-based SMMEs and Co-operatives. Noting that ‘green energy’ is a growing field of practice, IDFC is committed to learning and adapting, in line with industry trends, in order to carve a niche in the sector, with a view to increasing the scope of engagement in development practices.

MEC'S FOREWORD

Ms Nomusa Dube-Ncube, MPL
MEC for Economic Development, Tourism and Environmental Affairs

ITHALA DEEPENED THE SUPPORT NEEDED BY EMERGING ENTREPRENEURS TO SURVIVE

During the year under review, negative economic conditions imposed hardships on millions of people. This heightened the public's fears and anxiety about job losses.

A growing number of forecasts revealed a rise in food prices. KwaZulu-Natal is one of the provinces that has been most affected by the rise in food prices.

The broad principles that governed our response to the economic challenges during this financial year included using institutions, such as Ithala, to drive socio-economic development through SMMEs and Co-operatives.

The programme of action focused on strengthening the capacity of the provincial economy to grow and create jobs using entrepreneurship as a catalyst.

Ithala deepened the support needed by emerging entrepreneurs to survive.

The entity sought to improve participation of primary and secondary co-operatives and small businesses in the mainstream economy and monitor progress in this regard.

The focus was on manufacturing, agriculture, tourism, transport and logistics and several other identified sectors which constitute the strength of the provincial economy.

Importantly, in the financial period 2019/20, IDFC dispersed R274,3 million and created 3 683 new jobs in the process.

Critically, as a shareholder, I wish to reiterate our commitment as Government to obtain a full banking licence.

This is clearly demonstrated by resources we have allocated to support Ithala to implement a Digital Core Banking System.

This is one of the conditions set by the Prudential Authority (PA).

In addition, Ithala SOC Limited will adhere to the Exemption Notice that was issued by the Prudential Authority.

This is for a period commencing 1 January 2020 and expiring 31 December 2021.

Ithala maintains the following performance standards in respect of prudential requirements:

- Maintaining minimum required capital of 15% of risk weighted assets;
- A leverage ratio of not less than 5%; and
- Liquid assets of at least 7,5% of liabilities.

It must be noted that Ithala has had profitable months from October to February; something that has not occurred in over five years.

Also included in the Exemption Notice are performance standards according to profitability and financial sustainability:

- Ithala is to be profitable at all times;
- A positive JAWS ratio (growth in operating income greater than growth in growth costs); and

- Cost-to-income (CTI) ratio of not more than 78% - currently our CTI is in the high 90s and the team is working very hard to decrease that to be in line with the Exemption Notice.

Through Imbokodo Iyazenzela Awards, Ithala has been leading all efforts aimed at fast-tracking the entry of women into different sectors of the economy, including agriculture, a sector previously dominated by men.

Emerging farmers have been supported to acquire farms, infrastructure (fencing and irrigation), assets (tractors, implements, delivery trucks) and working capital.

Imbokodo Iyazenzela Awards continue to generate interest.

Ithala received more than 650 nominations, which is a12% increase on the 568 entries received in 2018, a 35% increase on the 421 entries received in 2017 and more than triple the 201 entries received in 2016.

During this financial year, more than 2 000 SMMEs have been reached through the My Business Indaba initiative. More than 900 women had an opportunity to attend the business clinics in the nine towns visited.

I wish to pay tribute to the Board, Chief Executive Officer, executive management and all categories of staff.

....

Ms Nomusa Dube-Ncube, MPL
MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

CHAIRMAN'S LETTER TO STAKEHOLDERS

Mr Roshan Morar
Chairman

THIS INCLUDES PROVIDING APPROPRIATE FUNDING INSTRUMENTS TO SUPPORT SMALL BUSINESSES IN THE EXECUTION OF THEIR BUSINESS STRATEGIES.

The small business sector is a pivotal part of the South African economy and plays a crucial role in creating employment and sustainable social developmental opportunities.

Suffice to say, this sector's global role is evidenced by its contribution to growing economies the world over, and South Africa is no exception.

Therefore, the South African Government views the sector as a catalyst for economic recovery and poverty alleviation, hence, its emphasis towards an integrated and collaborative approach to develop and grow this sector.

To this end, IDFC is committed to continuing playing a meaningful role towards growing this sector by creating an enabling environment through the provision of funding and various business support activities.

This drive confirms that IDFC is cognisant of the responsibility entrusted to it, as the primary contact for small businesses and co-operatives seeking financial support.

Our large property portfolio, funding solutions from our Business Finance portfolio and transactional banking services, through our subsidiary Ithala SOC Limited, positions IDFC as a catalyst for driving economic recovery in the province and supporting Government in establishing programmes aimed at socio-economic change.

Subdued economic growth, coupled with a diminishing budget places IDFC in a difficult position in terms of its ability to deliver against its mandate, as stated by the shareholder.

Since IDFC caters, primarily, for businesses which are excluded from the mainstream economy, whilst also striving to create employment, a budget reduction implies that most township businesses and, especially, pre-start-ups and start-ups would not receive the necessary support required, leading to the failure of township and rural economy revitalisation.

In spite of the enormous economic challenges currently facing our country, IDFC continues to make positive strides in developing and empowering historically disadvantaged individuals, through our tailor-made solutions available through Business Finance, Properties portfolio and our banking services subsidiary, Ithala SOC Limited.

During the 2019/20 financial year, IDFC dispersed R274,3 million, facilitating the creation of 3 683 employment opportunities in the process.

Our Properties portfolio remains a key pillar in stimulating job creation in the province, particularly in rural areas of KwaZulu-Natal. Our banking service remains steadfast in its effort to obtain a banking licence, in order that we might provide our customers with leading value-added products and services.

The COVID-19 pandemic now poses our most significant challenge, as the clients and communities we serve have been adversely effected by the economic effects of the pandemic.

The shutdown of economic activity across numerous sectors proved incredibly devastating to customers in our portfolios.

This, coupled with generally poor national economic performance, has had a massively negative impact on our business objectives, which are - of course - aimed specifically at stimulating economic activity and the empowerment of the historically disadvantaged.

Our tailor-made COVID-19 interventions, such as payment holidays, rental relief and discounts, have positioned our organisation to support those of our customers who have been unable to meet their financial obligations to IDFC. However, those clients who are able to pay their instalments have been encouraged to continue honouring such payments.

As a Schedule 3D state-owned enterprise, IDFC depends on income generated from its activities in order to fund additional clients. Our more than 60 years experience in developing and empowering the people of KwaZulu-Natal will surely be put to the test, given that we will be required to play an ever bigger role in bringing our clients back to their feet in the face of the pandemic.

During the review period, IDFC reviewed and amended its current five-year strategy in order to mitigate growing concerns about the South African economy and the huge socio-economic challenges our country continues to experience, the lasting legacy of the Apartheid era.

I am, therefore, extremely pleased by the efforts made by both our Board and the Executive Committee of IDFC in establishing a new IDFC 2020-2025 Strategic Plan; a plan which aims to drive socio-economic change in the province.

Strategic outcomes for IDFC include:

- Increased investment in development programmes and projects by strategic partners;
- Optimised property portfolio to support industrial and priority sector development;
- Increased contribution of support for SMMEs and Co-operatives in terms of socio-economic transformation and job creation;
- Increased access to procurement and funding opportunities for KwaZulu-Natal residents and enterprises from designated groups;
- Effective implementation of development programmes and projects in the province; and
- A sustainable and high-performing organisation.

Achieving the IDFC 2020-2025 Strategic Plan outcomes will, no doubt, require strong co-ordination, strategic collaboration and effective partnerships, both internally and externally. IDFC's commitment to empower and develop the people of KwaZulu-Natal remains unwavering, regardless of the numerous challenges which stand before us.

In closing, I would like to thank the MEC for Economic Development, Tourism and Environmental Affairs, Ms Nomusa Dube-Ncube and her departmental staff for entrusting us with the responsibility of serving the province as an agent of transformation, development and empowerment.

....

Mr Roshan Morar

Chairman

FROM THE GROUP CHIEF EXECUTIVE'S DESK

Ms Pearl Bengu
Group Chief Executive

OUR SUCCESS IN THIS REGARD WAS EVIDENCED BY 6,1% HIGHER LOANS DISBURSEMENTS DURING THE YEAR COMPARED AGAINST TARGETED DISBURSEMENTS, WITH A TOTAL OF 574 NEW BUSINESSES FINANCED, IN SPITE OF THE DIFFICULT ECONOMIC CLIMATE.

IDFC's developmental mandate seeks to support the Provincial Government's vision of an equal society, by driving economic development in the province, with a strong and deliberate focus on historically disadvantaged individuals and, particularly, those from rural areas.

Our proud history and accolades achieved during the past 60 years is testament to our commitment to ensuring that the marginalised are a priority in everything we do and, as such, we are geared towards supporting and creating access for this market.

In the 2019/20 financial year, South Africa's Gross Domestic Product shrank significantly, year-on-year, due to, amongst other things, ongoing power outages, increasing unemployment and the global economic environment.

This situation was further exacerbated during the last quarter of the financial year by the effects of COVID-19 in South Africa, which added immeasurable pressure to an already fragile South African economy and, inevitably, led to a recession.

The deterioration of the local economy influenced both consumers and businesses, especially as they became more risk-averse in terms of new ventures. Equally, our clients did not escape these trying times.

Against this dire economic backdrop, IDFC set out to ensure that the organisation remained sustainable, whilst continuing to advance the delivery of our developmental mandate. IDFC remained resolute in its mission to support SMMEs and Co-operatives through the provision of on-lending and other business development services.

Our success in this regard was evidenced by 6,1% higher loans disbursements during the year compared against targeted disbursements, with a total of 574 new businesses financed, in spite of the difficult economic climate.

The challenging socio-economic environment, coupled with the global health and humanitarian crisis, put tremendous strain on SMMEs across all sectors and necessitated an evaluation of the carrying value of the organisation's assets. It also had a significantly negative effect on the performance of our loan book.

Nevertheless, IDFC remained committed to supporting SMMEs, Co-operatives and, in particular, operations in the agriculture sector; a sector which remains important to the KwaZulu-Natal Provincial Government's economic development plans, which sees our organisation diversifying the portfolio to also focus on agro-processing.

In order to assist our clients to remain sustainable, we introduced a COVID-19 relief scheme, through which we offered payment breaks for both Business Finance clients and our Tenants who were in good standing at the time of the hard lockdown.

We also continued providing pre- and post-investment support to our clients, empowering them and preparing them to become financially-viable and sustainable businesses. As one of the largest property portfolio holders in KwaZulu-Natal, with in excess of 1 million square metres of industrial and commercial space, IDFC remains ideally placed to service various business sectors, spread across KwaZulu-Natal.

IDFC continues its participation in a range of provincial programmes, such as Operation Vula. Our involvement in these programmes has been affirmed through the allocation of SMME and Co-operative grant funding to the value of R40 million for disbursement to qualifying entities.

For the year ended 31 March 2020, 17 Operation Vula beneficiaries were afforded funding, collectively amounting to R12,8 million. IDFC also assisted with the roll-out of the RASET programme.

The roll-out of these projects progressed well and will continue into the 2020/21 financial year. In addition, IDFC has continued its support of other provincial initiatives, including the School Nutrition Programme, and it is our intention to double our efforts in this critically important Government programme; a programme which provides nutritious meals to all learners in poorer primary and secondary schools on a daily basis.

We are actively gearing-up to effectively fulfil our mandate as Implementing Agent for Government Projects. In this regard, the Provincial Department for Economic Development, Tourism and Environmental Affairs (EDTEA) has entrusted IDFC with the responsibility of being the implementing agent for its R99 million Zimele Project, which is focused on supporting spaza shops.

Spaza shops play an important role in supporting local communities, but they are, however, plagued by a range of operational challenges.

IDFC continues to play a pivotal role in contributing towards the execution of the Radical Economic Transformation (RET) Programme, which is driven by the KwaZulu-Natal Provincial Government.

The project emphasises the empowerment of both women and the youth. In this regard, IDFC provided business funding, to the value of R70,5 million, to women-owned businesses and R71,2 million to youth-owned businesses during the 2019/20 financial year. Combined funding to women and youth represented approximately 52% of total disbursements in the year under review.

IDFC also continued with other successful programmes, such as Imbokod'iyazenzela (Women in SMMEs programme) and Inkunz'isematholeni (Youth in Business Programme), which are aimed at uplifting women and the youth respectively. In the ensuing years, we are looking to expand our support for women and youth-owned businesses through preferential procurement programmes. Our management team has been significantly strengthened, the consequence of a number of key senior appointments, thus filling vital positions in our Corporate Services and Human Resources Divisions. We are now actively working on an improved performance culture within the organisation.

The onset of the COVID-19 pandemic in March 2020 triggered the implementation of our business continuity plan and resulted in our establishment of a COVID-19 response team and the prioritisation of the health, safety and well-being of our staff, our clients and other stakeholders with whom we interact. We set about implementing safety protocols throughout all our offices, ensuring adherence to Disaster Management Regulations.

IDFC has since functioned well and is hopeful that we have come through the worst of the disruptions. This may be attributed to the actions of members of staff, who have demonstrated agility and commitment to embracing a 'new normal.' Given the unprecedented uncertainty resulting from the pandemic, we recently performed assessments on the potential impact that COVID-19 may have on IDFC in the upcoming financial year and the effects that certain scenario outcomes will have on our liquidity position and sustainability.

It became necessary to re-evaluate the five-year strategic imperatives we approved in February 2020, including related medium-term targets and timelines. Focusing on our immediate priorities will ensure that we remain strong and resilient, while we adapt our strategy and operating plans so that we may successfully emerge from the impact of the pandemic and continue to improve the lives of the people of KwaZulu-Natal for many years to come.

In conclusion, I would like to thank the MEC for Economic Development, Tourism and Environmental Affairs, Ms Nomusa Dube-Ncube, our Board Chairman, Mr Roshan Morar and members of the Board, for the support and guidance they have continued to provide IDFC, as we strive to deliver against our mandate and accurately execute our strategy.

I also acknowledge, with tremendous gratitude, IDFC's management team and all our members of staff for their hard work and strong commitment.

Finally, I would like to express my most heartfelt appreciation to our clients for their past loyalty and ongoing support.

....
Ms Pearl Bengu
Group Chief Executive

GROUP CHIEF FINANCIAL OFFICER'S REPORT

Mr Sandile Mnguni
Group Chief Financial Officer

THE ORGANISATION WAS SUCCESSFUL IN MAKING A PROFIT, AFTER CONSIDERING THE SIGNIFICANT IMPACT OF THE COVID-19 PANDEMIC ON THE ORGANISATION.

INTRODUCTION

IDFC remained financially strong during the 2019/20 financial year, in spite of the prevailing challenging economic times.

The organisation was successful in making a profit, after considering the significant impact of the COVID-19 pandemic on the organisation.

Net profit amounted to R34,9 million, which is significantly lower than the approved budget of R218,0 million.

This is due to the impact of IFRS 9, which is forward-looking and, therefore, with COVID-19 and the prevailing economic conditions, the expected credit losses on trade receivables and loans and advances increased significantly, compared against the prior year.

Expected credit losses increased to R445,0 million from R288,0 million in the 2018/19 financial year.

The other main contributor to the significant decrease in profit, was a decrease in fair value adjustment for investment property, which decreased from prior year, to R73,0 million compared against R114,0 million in 2019. The fair value adjustment was also impacted by COVID-19 as the evaluation takes into account market and economic conditions.

In spite of the above-detailed conditions, the organisation managed to invest in its identified strategic areas during the 2019/20 financial year, with refurbishments on investment property of R46,0 million.

In addition and in order to grow our loan book for future returns, a total of R274,3 million in loans was approved and disbursed during the review period.

FINANCIAL PERFORMANCE

IDFC's operating income decreased by 17%, due to the current challenging economic times. The operating income decline is mainly attributable to expected credit losses for both Ithala SOC Limited and IDFC.

IDFC greatly appreciates the continued support it receives from tenants and clients alike.

The increase regarding our property portfolio was driven by a reduction in vacancies in our property portfolio, largely attributable to our investment in major refurbishments undertaken during the past year.

We will continue with the refurbishment programme across our properties in KwaZulu-Natal. With a challenging decline in revenue, the group managed to minimise increases in operating expenditure.

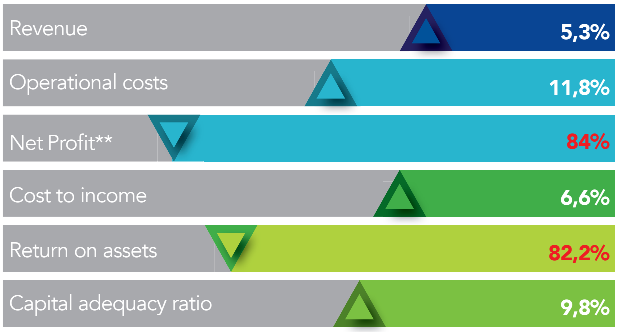
Compared against the 2018/19 financial year, operating expenditure increased by approximately 1%, mainly due to the focus on maintaining expenditure at an acceptable level.

FINANCIAL POSITION

IDFC has grown its total asset book by approximately 3%. This growth is mainly the result of lower than anticipated investment in the major refurbishment of our properties and increased loan disbursements during the year under review.

The Group adopted IFRS 16 for the first time, resulting in a recognition of a right of use asset of R38,9 million in the statement of financial position. The Group opted to adopt the standard using the modified approach. Therefore, the prior year numbers are still accounted for under IAS 17.

The financial performance of the Group compared against budget may be depicted as follows:



**** Net profit includes two exceptional items pertaining to a fair value year-on-year increase in investment property of R73,0 million and the recognition of grant income of R133,0 million pertaining to a share capital injection in the wholly-owned subsidiary, Ithala SOC Limited.**

The Properties Department recorded a profit of R255,0 million. There has been a year-on-year decrease in revenue of 31%, with the major contributors being an increase in provision for bad debts, which increased by R34,0 million compared against the prior year.

This was offset by an increase in rental income of R8,1 million, the result of new leases coming into effect, and fee income of R18,8 million, which was primarily driven by electricity recoveries.

The appreciation in fair value of investment property gave rise to a fair value adjustment of R73,0 million. This was lower than expected, due to the impact of COVID-19.

The debtors' book deteriorated by 5,4% compared against the prior year, owing to an increase in bad debts written-off and an increase in expected credit losses.

The Business Finance Department recorded a loss of R63,5 million. This was the consequence, largely, of the impact of COVID-19 on the expected credit losses. This resulted in an increase of R78,8 million compared against the prior year.

Interest income decreased by R2,5 million, due mainly to cuts in interest rates by the South African Reserved Bank and volume mix as advances were mainly from the Enterprise Development Fund, which attracts lower interest.

The largest subsidiary in the group, Ithala SOC Limited, reported a loss of R75,4 million, which reflects a decline of 61,7% year-on-year. This decline is due, primarily, to an increase in credit impairment of 78%, in comparison with the prior year.

FUTURE OUTLOOK

The Board approved a five-year strategy, in February 2020, with pillars aligned to the Ithala mandate and strategic focus areas.

Six outcomes were developed to direct the effort and focus of the entity towards the achievement of its intended impact over the period. Outcomes are as follows:

- Increased investment in development programmes and projects by strategic partners;
- Property portfolio optimised for tenant retention and attraction, with a focus on priority sectors;
- Increased contribution of supported SMMEs and Co-operatives to socio-economic transformation and job creation;
- Increased access to economic opportunities for KwaZulu-Natal residents and enterprises from designated groups;
- Effective implementation of development programmes and projects in the province; and
- Sustainable and high-performing organisation.

Both Board and management believe that the above-detailed outcomes will assist in turning the performance of the organisation, thus leading to the growth of the revenue base, through investment in our property investment.

In addition, as an implementing agent of Government, IDFC will continue to capacitate itself to ensure that projects are delivered in line with service level agreements.

Furthermore, IDFC will continue investing in SMMEs and Co-operatives, in line with the approved strategy. Business Finance will improve capacity so as to provide support for businesses, whilst collection on overdue loans has been identified as a top priority, as funds are required to support additional businesses.

Ithala SOC Limited's banking licence exemption has been extended until 31 December 2021 and Ithala will continue providing support to the subsidiary as it prepares for its licence application, which is due by June 2021.

SBMnguni

....

Mr Sandile Brian Mnguni
Group Chief Financial Officer

BOARD OF DIRECTORS

Roshan Morar
Independent Non-Executive Director (Chairman)
B Com, B Com Honours, Chartered Accountant (SA), Certified Fraud Examiner
Appointed 01/06/17

AREA OF EXPERTISE	OTHER DIRECTORSHIPS
• Financial Management • Business Advisory • Audit • Accounting • Forensic Services and Investigations • Taxation	• Harith General Partners • Capital Appreciation Ltd • Lancaster Group (Pty) Ltd

Siphesihle Mkhize
Independent Non-Executive Director (Deputy Chairman)
B Compt, B Com (Honours) CTA, Auditing Specialised Course (APT), Chartered Accountant (SA)
Appointed 01/06/17

AREA OF EXPERTISE	OTHER DIRECTORSHIPS
• Financial Management • Audit • Accounting • Supply Chain Management • Strategy Formulation and Management Taxation	• University of Zululand

Sipho C Gina
Independent Non-Executive Director
Social Legal Studies Diploma, Political Economy, Conciliation and Arbitration - Certificate, Arbitration - Certificate
Appointed 01/06/17

AREA OF EXPERTISE	OTHER DIRECTORSHIPS
• Human resources and Labour Specialist • Social and Ethics	• National Textile Bargaining Council • Tsogo Sun International • Edufund • KZN Economic Council

Inkosi Sbonelo Mkhize
Independent Non-Executive Director
International Baccalaureate (IB) Diploma,
B Com, Public Policy Certificate
Appointed 01/06/17

AREA OF EXPERTISE	OTHER DIRECTORSHIPS
• Financial Management • Economic Development • Social and Ethics • Credit and Investment Management • Foreign Exchange and Equities • Strategy Formulation and Management	• KZN Provincial House of Traditional Leaders • uThukela House of Traditional Leaders • KZN Financial Literacy Association • uThukela Local House of Traditional Leaders Development Trust • Ithala SOC Ltd

Njabulo Nzuza
Independent Non-Executive Director
B Com Economics, Certificate in Corporate Funding Strategies JSE,
Non-Executive Director Port Shepstone Quarries
Appointed 01/06/17
(Resigned 31 May 2019)

AREA OF EXPERTISE	OTHER DIRECTORSHIPS
• Strategic Management • Economic Development • Project Management • Financial Management	• Port Shepstone Quarries (Pty) Ltd

Precious N Sibiya
Independent Non-Executive Director
B Accounting, Post-graduate Diploma in
Accounting, Leadership Development Certificate,
Chartered Accountant (SA), Advanced short course
in Business Rescue Practice
Appointed 01/06/17

AREA OF EXPERTISE	OTHER DIRECTORSHIPS
• Financial Management and Reporting • Auditing (Internal and External) • Risk Management • Financial Planning (Budgets and Forecasts) • Supply Chain Management • Credit and Investment Management • Strategy Formulation and Management • Business Turn-around	• SENTECH SOC • AWCA Investment Holdings (AIH) • Reef Tankers (Pty) Ltd • Financial Intelligence Centre • Human Sciences Research Council

Sihle L Ndlovu
Independent Non-Executive Director
MBA, Professional Accountant (SAIPA), Advanced Diploma in Management Accountant (CIMA), National Diploma in Cost Management Accounting (CIMA), Business Management on Developing Countries Certificate, Tax Practitioner (CIMA), Post-Graduate Diploma in Accounting and Finance, Professional Accountant member with Chartered Institute of Management Accountants (CIMA) UK, Doctoral of Business Administration (PHD) degree candidate UKZN
Appointed 01/06/17

AREA OF EXPERTISE	OTHER DIRECTORSHIPS
• Financial Management • Economic Development • Credit and Investment Management • Agriculture • Planning (Budgets and Forecasts) • Client Relationship Management • Performance Management • Strategy Formulation and Management • Project Management • Social and Ethics Management	• Ezemvelo Wildlife Conservation Board • Joburg Market under City of Johannesburg Municipality • ILembe District Municipality and ILembe Enterprise Development Agency - Audit and Risk Committee Member • Built Environment Support Group - Chairman • Inzalo Group of Companies - Chairman • BFG Retail Ltd - Non-Executive Director

Khulekelwe G Mbonambi
Independent Non-Executive Director
B Accounting, B Com Honours (CTA), Certificate in Board Governance Certificate, Enterprise-Wide Risk Management Certificate
Appointed 01/06/17

AREA OF EXPERTISE	OTHER DIRECTORSHIPS
• Financial Reporting • Financial Management • Risk Management and Internal Controls • Supply Chain Management • Compliance with Laws and Regulations • Corporate Governance • Strategy and Performance Management • South African Tax Legislation	• Railway Safety Regulator - Member of Audit & Risk Committee • Water Research Commission - Non-Executive Director and Chairman of the Audit and Risk Committee • Rand Water - Non-Executive Director and Deputy Chairperson of the Board and Member of the Nominations Committee • Department of Agriculture, Land Reform and Rural Development - Member of the Audit & Risk Committee

MANAGEMENT TEAM

Pearl Bengu
Group Chief Executive
Appointed 01/11/18

QUALIFICATIONS
• Master's Degree in Public Administration • Financial Services Board Compliance Certificate • Advanced Certificate Programme in Management Development for Municipal Finance • Certificate Programme in Management Development for Municipal Finance • B Com • Licentiate Diploma Part 1

Sandile Mnguni
Group Chief Financial Officer
Appointed 15/03/2019

QUALIFICATIONS
• MBA • Chartered Accountant (SA) • B Com (Honours)

Xolani Mkhize
Properties Executive
Appointed 18/03/2019

QUALIFICATIONS
• Post-graduate Diploma Management • Post-graduate Diploma Project Management • B Scsc • Global Executive Development Programme

Bonginkosi Shangase
Business Finance Executive
Appointed 01/06/2017

QUALIFICATIONS

- MBA (Investments and Portfolio Management)
- Chartered Accountant (SA)
- B Com (Honours)
- B Com (Accounting)
- Diploma Development of Small Businesses and Industries
- Auditing Specialism Certificate

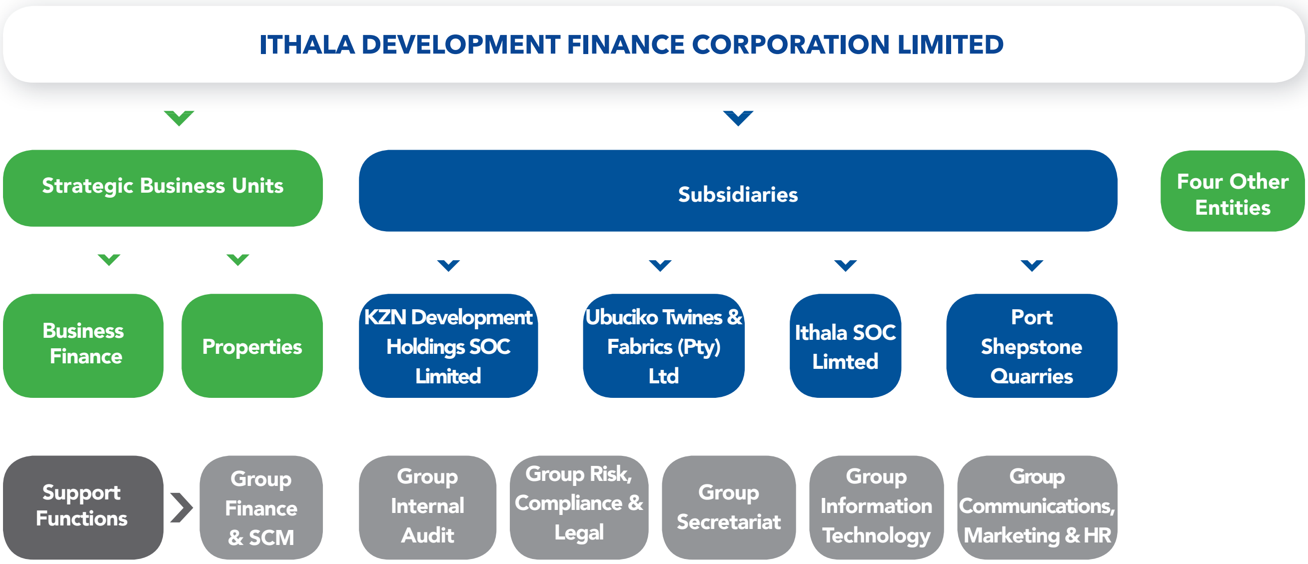
Boitumelo Mokgatle
Group Chief Risk Officer
Appointed 01/06/2017
(Resigned with effect from 29 February 2020)

QUALIFICATIONS

- MBA - Enterprise Risk Management
- B Com (Accounting)

UNEARTHING PEOPLE'S POTENTIAL

ORGANISATIONAL STRUCTURE



PROPERTIES

Our properties business is responsible for the effective management and development of IDFC's property portfolio, which comprises a range of large industrial, retail, light industrial and SMME properties.

Ithala is regarded as one of the largest property portfolio holders in KwaZulu-Natal. Details of the Properties Department's performance and prospects are contained on pages 32 to 33.

BUSINESS FINANCE

IDFC's lending activities are delivered through the Business Finance Department, which offers financial services to SMMEs and Co-operatives across KwaZulu-Natal. In so doing, we package a range of products and services designed to stimulate entrepreneurship amongst, especially, historically disadvantaged individuals and communities.

Our lending activities focus on sectors highlighted in the Provincial Spatial Economic Development Strategy, as well as meeting our primary mandate, as expressed in the Ithala Act. Details of our business finance performance and prospects may be found on pages 29 to 31.

SUBSIDIARIES

Ithala SOC Limited:

Ithala SOC Limited, formally established in 2001 to enhance our service portfolio by providing effective deposit-taking activities, today provides financial services to the people of KwaZulu-Natal in, especially, areas where such services were lacking in the past.

We offer customers retail financial services, savings and investment products, home loans, vehicle finance and other loan products.

Ithala SOC Limited functions in terms of a multi-channel distribution network, servicing the needs of individuals, groups, businesses and other public sector entities.

Please refer to the Ithala SOC Limited annual integrated report for additional information regarding this wholly-owned subsidiary. Such information may be downloaded from the website: www.myithala.co.za.

Ubuciko Twines And Fabrics SOC Limited:

Originally located in Mkondeni, Pietermaritzburg, Ubuciko Twines and Fabrics is a wholly-owned subsidiary and was established in 2006. It used to produce polypropylene twine, woven material and polypropylene bags and sacks.

Materials produced were aimed at several economic sectors, including the mining and agricultural sectors, as well as the geo-textiles, poly-chemical, sugar and furniture industries.

During the 2017/18 financial year, Ithala was successful in securing a company to lease both the equipment and the property previously occupied by Ubuciko Twines and Fabrics.

These two rental revenue streams continue to be collected by Ithala. The majority of the enterprise's operational staff members, originally employed by Ubuciko Twines & Fabrics, were absorbed into the business by the new operator.

KwaZulu-Natal Property Development Holdings:
In December 2016, the then MEC for Economic Development, Tourism and Environmental Affairs directed the Chairman of Ithala to wind-up KwaZulu-Natal Property Development Holdings, in line with its legal duty as the shareholder of the entity.

In February 2017, IDFC's Board, by written resolution, gave instruction to the Board of KwaZulu-Natal Property Development Holdings to cease the continuation of business by the end of March 2017, except to the extent necessary to wind-up the business.

The shareholder further resolved that KwaZulu-Natal Property Development Holdings be deregistered from the register of the Companies and Intellectual Property Commission. The winding up process was in progress as at 31 March 2020.

Port Shepstone Quarries (Pty) Limited:
Port Shepstone Quarries (Pty) Ltd (PSQ) is a business operation active in quarry mining on a leased farm in Port Shepstone.

Ithala initially acquired a 30% shareholding in this company when it granted it debt facilities in September 2013. In July 2015 Ithala acquired the remaining 70% shareholding, through a settlement agreement entered into with the majority shareholder following the company's failure to service its debt obligations.

In May 2017, the company was placed under business rescue until the end of January 2018. The company had developed and produced a turn-around plan, which explained, in detail, areas upon which it needed to focus and improve into the future.

The quarry operations were temporarily closed. Ithala is currently exploring options on the way forward due to challenges that were brought to its attention.

Four Other Entities:
Four other entities include Cowslip Investment (Pty) Ltd, Sundumbili Plaza (Pty) Ltd, Nongoma Plaza (Pty) Ltd and Durban Wharfside Trust.

Associate Company:
Ntingwe Tea Estate (Pty) Ltd, which is located in the Nkandla district, was established in 1988. Ithala has 38% ownership, while 62% is held by the KwaZulu-Natal Department of Agriculture and Rural Development.

Ithala was responsible for the management support of the enterprise. However, with effect from the 2019/20 financial year, operations were moved to the Agribusiness Development Agency, in line with the recommendation of KwaZulu-Natal Rationalisation of Public Entities Task Team (RAPETT), as adopted by the Provincial Executive Council, in principle.

ITHALA TRADE CENTRE

SECTION 02

OUR STRATEGY

IDFC develops strategic objectives aligned with the shareholder's expectation. The progress towards the achievement of such objectives is monitored through key performance indicators (please refer to our Annual Performance Plan details contained on pages 46 to 48 in this report).

IDFC's strategic focus areas for the year under review were as follows:

- To drive SMME and Co-operative development;
- To recapitalise and grow the property portfolio;
- To improve financial sustainability;
- To forge development partnerships;
- To improve the customer experience; and
- To drive radical economic transformation.

CORE STRATEGIC THEMES

OVERVIEW OF EXTERNAL ENVIRONMENT

Characterising the environment at the time of the strategic review were several economic, political and social dynamics.

Key amongst these were the following:

Macro-Economic Environment:

According to the World Bank's Global Economic Prospects (GEP), the outlook for the global economy has significantly worsened amid slowing activity and heightened risks.

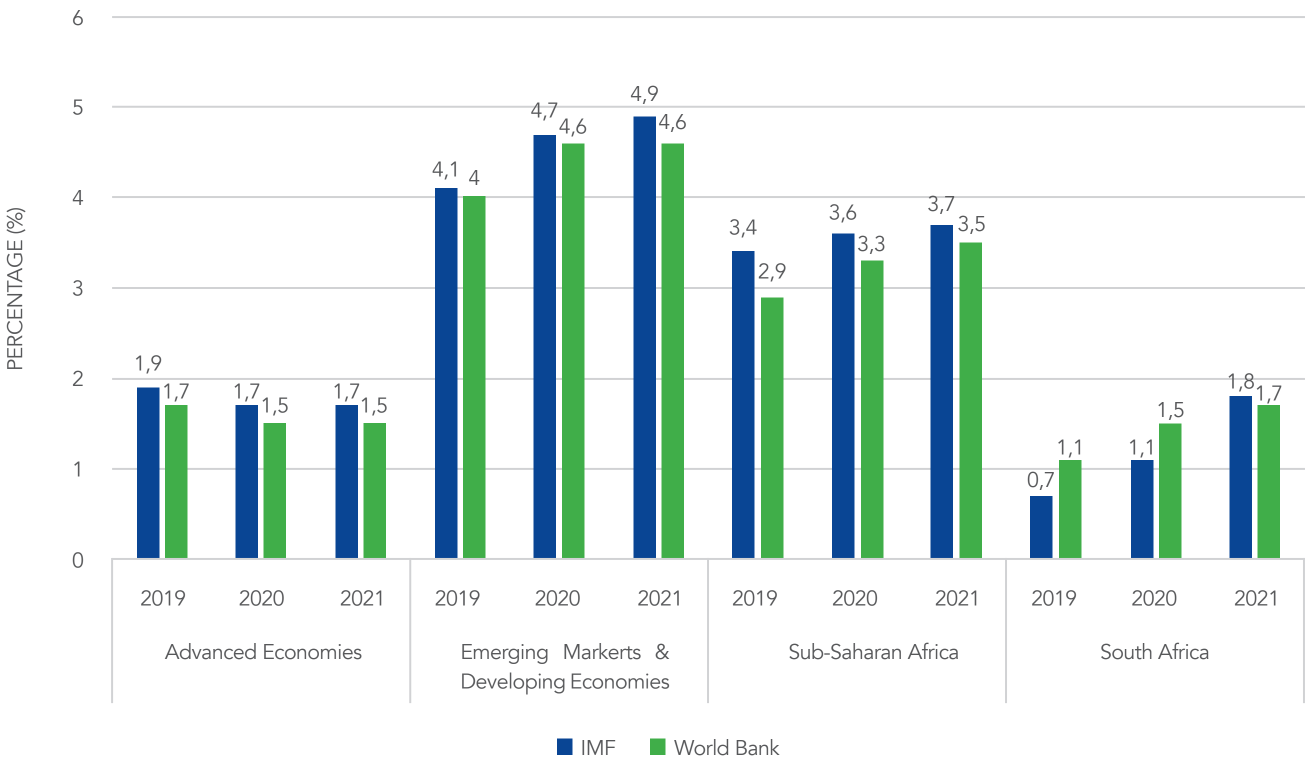
Global growth was expected to slow to 2,6% in 2019 (0,3% down from the estimate earlier in the year), slowly rising to 2,8% in 2021[1].

The International Monetary Fund (IMF) had world output at 3,6% in 2018, down from 3,8% in 2017. The IMF's forecast of a growth rate of 3% for 2019 is the lowest since the global financial crisis[2].

[1]www.worldbank.org: Global Economic Prospects

[2]IMF, 2019

Global GDP growth forecasts, 2019-2021[3]



Since early 2018, business confidence and financial market sentiment have been repeatedly buffeted by a sequence of US tariff actions and retaliation by trading partners, a scenario that has yet to fully play itself out.

This disruption was further exacerbated by prolonged uncertainty surrounding the United Kingdom's withdrawal from the European Union.

South Africa's macro socio-economic environment has been under pressure for some time, characterised by lower than expected growth rates, high structural unemployment, unsustainable poverty levels and amongst the highest levels of inequality in the world.

At 1,1% in 2019, 1,5% in 2020, and 1,7% in 2021, the World Bank's projected upside Gross Domestic Product growth until 2021 remains well short of the trajectory required by the National Development Plan to reduce unemployment to 6%, eradicate poverty, and sharply reduce inequality by 2030.

These forecasts assume less policy uncertainty and a gradual growth dividend from reforms to improve the business environment, reflecting the Government's commitment to accelerate public investment projects in co-operation with the private sector, as well as a comprehensive plan to deal with dangerously indebted and currently unsustainable State-owned companies (SOCs), particularly Eskom[4].

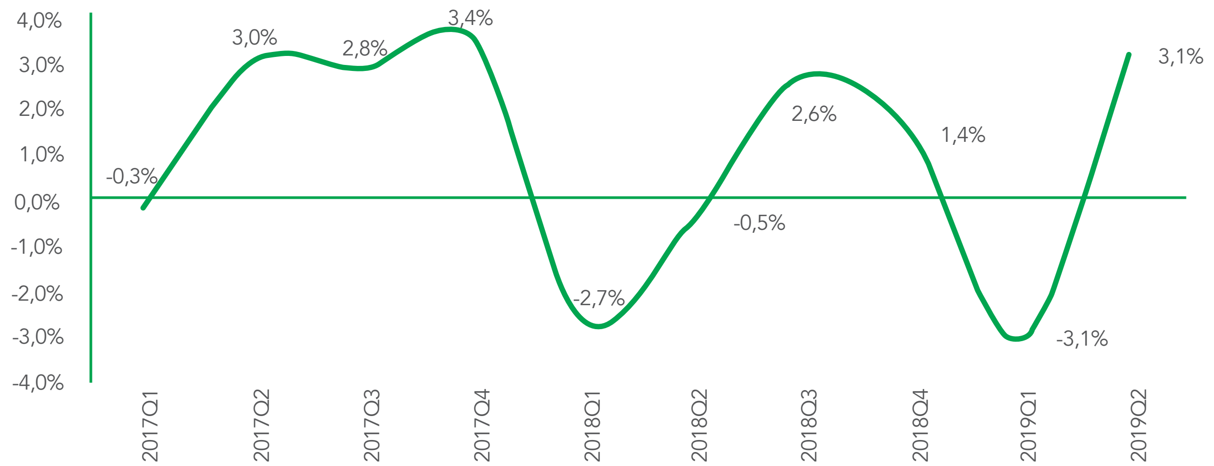
There are a number of positive signs, however, and after contracting sharply in the first quarter of 2019, the economy rebounded to record positive growth of 3,1% in the second quarter (April to June 2019). Mining, finance, trade and Government services were the main drivers of growth.

Mining was the strongest performer in the second quarter, expanding by 14,4%. This was the industry's strongest showing in three years since the second quarter of 2016, when production jumped by 16,3%.

[3]Data: World Bank and IMF. Graph: Gauteng Economic Barometer, Board Strategic Planning Session, August 2019

[4]World Bank, Global Economic Prospects, Heightened Tensions, Subdued Investment, June 2019

SA Gross Domestic Product[5]



However, not all industries performed well. Transport and communication edged lower and agriculture fell by 4,2% on the back of the lower production of field crops and horticultural products. The construction industry remained firmly in recession, contracting for the fourth consecutive quarter.

A drop-off in activity related to non-residential buildings and construction works constrained growth in the second quarter. Closely linked to sector Gross Domestic Product performance is the level of expenditure on Gross Domestic Product, which includes Government spending, household spending, investment spending and net exports, with decreases in both components representing the least desirable scenario.

As evidenced in the figure below, expenditure on Gross Domestic Product in the second quarter increased by 3% quarter-on-quarter.

Particular emphasis is placed on the Gross Fixed Capital Formation (GFCF), which improved to 6,1% in the second quarter of 2019, from -4,1% in the first quarter, driven primarily by increased spending on machinery and transport equipment.

This is the first positive rise in gross fixed capital formation since the fourth quarter of 2017. However, activities related to construction works and non-residential buildings were down in the second quarter of 2019 and remain an ongoing concern.

GFCF rates and contributions

FIGURE 9a-GFCF growth rate (%)

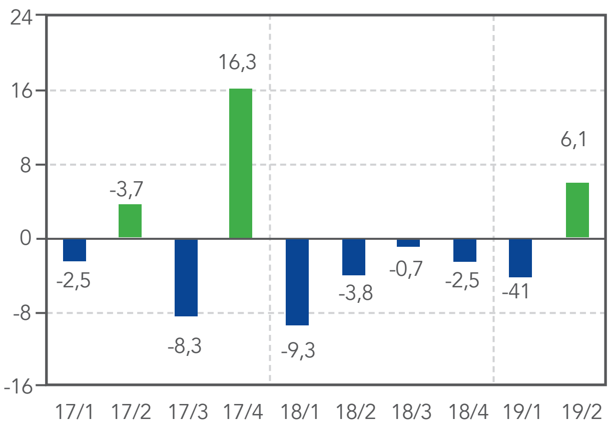
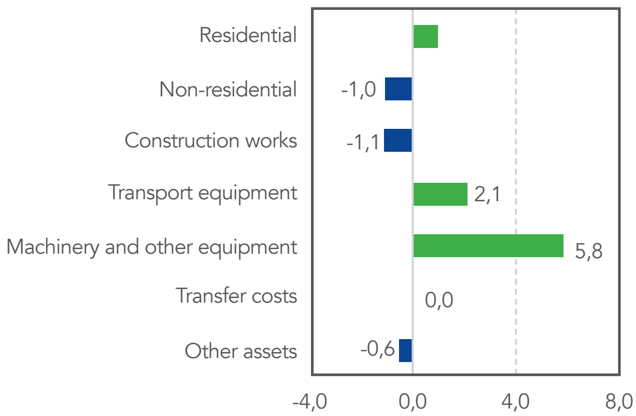


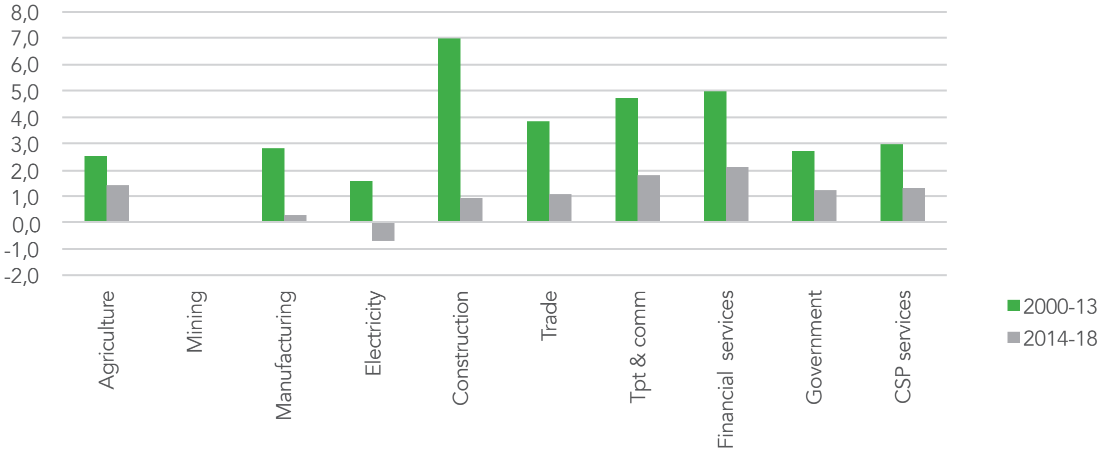
FIGURE 9b-GFCF contributions, Q2 2019 (%) Points



In addition, the second quarter 2019 GFCF must be viewed within the context of five preceding quarters of negative investment, which has had a detrimental effect on construction companies (both larger corporates and SMMEs), with many construction companies closing down, and on on-lenders (including development finance institutions), which experienced a rise in business failures and non-performing loans.

Of concern, too, is the decline in the primary and secondary sectors for the period 2000-2013 and 2014-2018, depicted below, which has a direct impact on the take-up of investment and development finance in these sectors, thereby impacting growth prospects[6].

GDP comparison 2000-2013 and 2014-2018



These sectors traditionally absorb the bulk of South Africa's skilled, semi-skilled and unskilled labour and, thus, the economy has not grown at a sufficient rate to absorb the increasing number of economically active members of the population.

Whilst the number of employed persons increased by 21 000, to 16,3 million, in the second quarter of 2019, the number of unemployed persons increased at a substantially higher rate, by 455 000, to 6,7 million in the same period. This is the highest increase in the number of unemployed persons in the second quarter of the year since 2013, pushing the unemployment rate to 29%[7]. The rate of youth unemployment continues to be a cause for major concern and creating varied and wide-reaching opportunities for young people to enter the job market remains one of the country's most critical challenges

Implications for Ithala of Key Macro-economic Factors:
The macro-economic context discussed above has direct implications for the successful execution of IDFC's mandate in terms of its core business of properties and business finance.

- **Slowdown in Manufacturing:**
  The tertiary sector (trade, services, transport and warehousing) accounts for almost 50% of the South African economy versus a downward trending 13,2% for manufacturing[8]. The decline of the primary and secondary sectors has meant changes in the industrial accommodation requirements. This continues to negatively impact the industrial property sector in terms of vacancies and low rental rate growth. Demand for industrial space has displayed gravitation towards prime light industrial units and large warehouses (5 000m² or above) for the use of logistics, distribution and warehousing (JLL, 2018). Commercial property trends reflect that vacancies in large industrial estates will not be filled by traditional manufacturing companies, because the sector is shrinking. Global retail and consumption patterns (i.e. growth in e-commerce) and requirements for more efficient and integrated distribution models means that there is a significantly increased demand for specialised logistics properties. It is estimated that an additional 130 000 square metres of warehousing space will be required to service e-commerce growth in the next 18 months.

IDFC, however, has significant exposure in the industrial property sector, with 839 513 square metres of large industrial assets, and needs to consider the following in planning:

- Repurposing industrial properties to meet new and future demands. In line with SONA 2019, to revitalise selected industrial parks and to establish digital hubs;
- Rezoning of currently least-profitable retail or industrial properties for alternative purposes, for example, to offer unused or under-utilised space for pop-up, mid-week or weekend "flea market" or "organic market" (e.g. the Musgrave Centre mid-week evening "flea market" on its top floor);
- To turn selected vacant land into container storage facilities, due to the rising demand in this area;
- In line with SONA 2019, to support the implementation of master plans developed by government in conjunction with business and labour in industries, such as clothing and textiles, chemicals and plastics, gas, renewables, steel and metals fabrication;
- Support for key agro-processing value chains, including new market development and the pursuit of import replacement opportunities.

[5]Statistics South Africa
[6]Statistics South Africa, cited in IDFC (2019). Performance of Economic Sectors. Presentation at IDFC Strategic Planning Session, September 2019.
[7]Statistics South Africa, Quarterly Labour Force Survey, Quarter 2, 2019
[8]Statistics South Africa, June 2019.

- **Constrained Growth in the Retail Sector:**
  There is fierce competition, particularly in terms of new retail property in small towns, townships and rural areas. IDFC has significant exposure in the retail property sector, with 141 534 square metres of retail space and needs to consider the following in planning:
- Student accommodation is an area of significant growth and, therefore, is a potential focus area for development;
- Using vacant land or non-revenue-generating properties for community service purposes (e.g. there is a huge need for ICT centres for rural and township entrepreneurs);
- Retail property owners are looking at various innovative solutions, such as 'pop-up shops' (short-term, temporary retail space), which allows space for budding entrepreneurs:
  - In rural malls, it creates opportunities for incorporating local communities 'as a nexus between the formal and informal economy, thus driving sustained community loyalty' (MD, Vukile Property Fund); and
  - A developing trend is that many pop-up shops have been converted to longer tenures, which brings new additions to the tenant mix in retail properties (SAPOA); and
- Alternative sources of revenue/non-rental revenue (e.g. paid parking, digital advertising boards, or making use of dead space in centres, such as under stairways/escalators, or in corridors to provide additional retail or entertainment).

- **The Growing Importance of 'Green Buildings':**
  Research commissioned by the SA Green Building Council indicates that lower energy usage costs translate into better profitability for companies. 'Green' buildings attract relatively higher rentals and have higher resale value. Certain corporate clients are beginning to specifically demand 'green' building-compliant rental properties. The 'big 4' banks and leading commercial property companies all include 'green' building compliance as a key component of their sustainability reporting.

  IDFC, therefore, needs to respond to this growing area by reviewing its property strategy to ensure a robust response to the issue of 'green' building compliance.

- **Land expropriation and other challenges in the agricultural sector:**
  Financial institutions face increasing uncertainty regarding lending risks to commercial farmers, whose farms may be expropriated. Whilst concerns have been raised around this issue, financial institutions continue to provide lending to commercial agriculture businesses and there is no evidence of a slow-down in lending to this sector.

  IDFC has significant exposure in the agriculture sector, the bulk of which is biased towards sugar cane. Owing to drought conditions and challenging economic factors, approximately 59% of the portfolio is non-performing. To compound this challenge, IDFC has never succeeded in repossessing farm properties. Irrespective of the potential risks posed by the land expropriation without compensation policy stance and the high probability of default, demand remains high and IDFC cannot abstain from investments in the sector.

The following needs to be considered in planning:

- Creative ways to stabilise IDFC's exposure to the sector. This could include exploring opportunities in timber, livestock and dairy - where the economic outlook is considered more favourable. Also, in line with Government policy, to focus on agro-processing and value-addition, thus stimulating the secondary and tertiary sectors;
- Increase the focus on providing business support to farmers through debt restructuring, debt consolidation - as opposed to repossessing farms; and
- Engage other stakeholders in the sector, including the Agricultural Development Agency (ADA) and the KwaZulu-Natal Department of Rural Development to identify mutually beneficial solutions to the challenges associated with this sector.

Implications of the macro-economic context on Business Finance:

The decline in the construction and agriculture sectors has had a significant effect on the state of the credit portfolio of IDFC's loan book. At 33,7%, agriculture constitutes the largest proportion of the loan book and has seen a sharp increase in the percentage of stage 3 default accounts, from 34,3% (Q4 2018/19) to 59,60% (Q1 2019/20).

Primary agricultural production, particularly in sugar cane farming, is the biggest driver of challenges in this sector.

The ongoing contraction in the construction sector, the constrained fixed investment and Government expenditure growth rates have, and are foreseen to continue to lead to higher rates of non-performing loans (NPLs) and business failures in this sector.

The COVID-19 pandemic has been described by the International Monetary Fund (IMF) as having caused a global economic crisis like no other, resulting in a global recession far worse than the aftermath of the 2008/09 global financial crisis.

It has resulted in unprecedented monetary and fiscal measures being implemented by Central Banks and Governments world-wide, in order to contain the economic fall-out and contribute to increased health-care expenditure and stimulus programmes.

The IMF expected the global economy to contract by 4,9% in April 2020 and to increase by 4,6% in 2021[1]. This has resulted in reduced global demand for South African export goods and a sharp decline in commodity prices, except for gold, which increased by 13% since January 2020, due to its 'safe-haven' demand.

The Bureau for Economic Research (BER) has predicted that the South African economy will contract by 9,5% in 2020, with muted growth of 3,1% in 2021[2]. Together with Government's risk-based approach to mitigating the impact of the pandemic, this is expected to result in increased business closures and higher unemployment, with many businesses, especially in the services and tourism sectors, not expected to survive.

The pandemic is also expected to have a serious impact on South Africa's already precarious public finances. Treasury expects a R300 billion tax shortfall for 2020/21 resulting in a budget deficit of R761,7 billion which is 15,7% of Gross Domestic Product[3].

This will increase Government borrowings, with a resultant decrease in credit ratings. A key concern is whether investors will continue to fund large fiscal deficits, especially considering recent downgrades.

Inflation was expected to settle to around 3% to 3,5% in 2020, largely due to lower oil prices and weak domestic demand[4]. The South African Reserve Bank has responded aggressively to the crisis by consistently lowering interest rates, with the Repo Rate now at 3,5%, being the lowest since 1998[5]. The resultant lower price pressures for consumers and lower interest rates usually result in additional disposable income for consumers. However, a decline in spending is expected, due to retrenchments and salary cuts.

Private Sector Fixed Investment (PSFI) was expected to decrease by 22,1% in 2020 as companies opt to maintain cash reserves during this unsettling time. Government capital infrastructure investment is also expected to decrease by 18% due to the reprioritisation of budgets[6]. This will contribute to a slower economic recovery and hamper job creation efforts.

[1]International Monetary Fund (IMF): World Economic Outlook
[2]Bureau for Economic Research (BER): Economic Outlook Forecast
[3]Minister of Finance's Supplementary Budget: June 2020
[4]Stats South Africa
[5]South African Reserve Bank
[6]Bureau for Economic Research: Economic Prospects Report

OUR STRATEGY
(CONTINUED)

STRATEGIC GOALS: 2018-2022

STRATEGIC GOALS	SUB-GOALS
To drive SMME and Co-operative development	a) To provide SMME and Co-operative finance for up to 1 332 entities; b) To lend up to R1,3 billion to SMMEs and Co-operatives; c) To drive youth entrepreneurial development; and d) To support small-scale subsistence farmers.
To recapitalise and grow the property portfolio	a) To double the value of the property portfolio; b) To recapitalise the property portfolio; and c) To attain compliance standards across the total portfolio.
To improve financial sustainability	a) To improve cost-to-income ratio to 60% (excluding grants and fair value adjustments); b) To lobby for grant funding from Government (R500 million); and c) To leverage external funding (up to R1,5 billion).
To forge development partnerships	a) To forge partnerships with other Government lending agencies; b) To forge a development partnership with the Department of Small Business; c) To double business support activities through development partnerships; d) To increase the value of lending on the National School Nutrition Programme to R100 million; e) To increase the value of lending on the Scholar Transportation Programme to R60 million (26% of asset loan book); f) To re-establish Ithala as an implementing agent for the Provincial Government's social infrastructure projects; and g) To increase the footprint of collaborative initiatives in order to advance business support, entrepreneurial development and social outreach.
To improve the customer experience	a) To improve loan turn-around times; b) To improve property lease turn-around times; c) To improve maintenance turn-around times; d) To improve the condition of the retail portfolio; e) To reduce client complaints; and f) To improve client service.
To drive radical economic transformation	a) To effect procurement set-asides; b) To effect B-BBEE thresholds for lending; c) To implement supplier and enterprise development initiatives; and d) To drive Government's radical economic transformation initiatives.

OUR PERFORMANCE

BUSINESS FINANCE STRATEGIES

Business Finance Mission:
To provide financial and supportive services to persons and businesses carrying on businesses within KwaZulu-Natal.

Target Market:
Primarily historically disadvantaged individuals seeking to establish and/or grow their small and medium-sized business enterprises.

PORTFOLIO PERFORMANCE: PAST 3 YEARS	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
Loans book ('Rm)	895,0	890,0	839,9	871,6	845,9	915,9
Non-performing loans ('Rm)	421,8	266,7	218,2	201,5	138,3	157,1
Non-performing loans % - total	47,3%	30%	24,24%	23,10%	16,40%	21,10%
Non-performing loans per product type: Micro finance %	28,16%	22,12%	15,50%	9,40%	7,70%	8,90%
Agri-finance %	66,11%	29,53%	5,50%	5,10%	3,70%	34,70%
Franchise finance %	20,61%	17,29%	32,90%	18,90%	9,30%	6,60%
Procurement finance %	53,54%	23,69%	77,80%	66,30%	74,30%	52,60%
Property finance %	30,93%	12,58%	27,50%	22,40%	80,00%	1,90%
Asset finance %	34,49%	33,54%	27,00%	32,60%	30,70%	18,80%
Structured finance %	43,38%	28,96%	34,80%	34,70%	32,30%	34,60%

PROVINCIAL DEVELOPMENT IMPERATIVES RELATED TO SMME AND CO-OPERATIVE FINANCE

Alignment with Provincial Growth Development Strategy:

- Improve access to finance by KwaZulu-Natal-based SMMEs and Co-operatives;
- Propel sustainable economic development and job creation;
- Drive and support programmes aimed at reducing poverty and inequality;
- Beneficiation in agriculture and manufacturing;
- Enable tourism and services sector;
- Institutionalise business support services;
- Drive rural and township economic development;
- Drive Radical Economic Transformation, such as RASET;
- Improve SMME support interventions;
- Reduce unnecessary red tape;
- Build a culture of service excellence; and
- Drive innovative business solutions.

COMPETITOR ANALYSIS

COMPETITOR
a) Business Partners
b) Small Enterprise Finance Agency (SEFA)
c) Industrial Development Corporation (IDC)
d) National Empowerment Fund (NEF)
e) Land Bank
f) Growth Fund
g) National Youth Development Agency (NYDA)

FOCUS ECONOMIC SECTORS

ECONOMIC SECTOR
a) Agriculture and agro-processing
b) Manufacturing
c) Trade and services
d) Commercial property
e) Micro-finance
f) Construction
g) Logistics
h) Mining
i) Tourism

KEY CHALLENGES IN BUSINESS FINANCE

Funding:
Presently, the total loans book lacks sufficient growth. The Development Fund, provided by the Shareholder, has been gradually reduced over the years, as detailed in the sections above.

This occurs when IDFC is highly dependent on the fund in order to advance its on-lending activities. For this reason, the IDFC Fund requires re-capitalisation as a matter of urgent priority.

Profitability:
The variables affecting profitability include:
- The interest rate on the Development Fund, which is below the market rate;
- Reduction in management fee on the Development Fund;
- Zero interest income on the restructured portfolio (R169 million); and
- Increased provisions as a result of high non-performing loan levels.

Lack of Business Support:
The organisation lacks capacity in terms of providing ongoing non-financial business support, which would contribute to a reduction of business failures, optimise levels of SMME success and translate to the timely repayment of loans disbursed.

In the Business Finance value chain, this relates to:
- Pre-investment support (business planning, feasibilities and the like); and
- Post-investment support (coaching, mentorship, training and the like).

Adverse Market Economic Conditions Affecting Small Businesses:
Unfavourable trading conditions, as stated above, have a bearing on the SMME sector and the likelihood of success of entrepreneurial ventures.

Inadequate Secondary Source of Repayments (Collateral):
IDFC's target market, largely as a result of past inequalities, often has minimal or no collateral to back-up their loan commitments, from which recovery can be guaranteed in the case of defaulting loans.

Human Capital and Information Technology:
The profile and needs of clientele served by Business Finance evolves at a rapid pace, adapting to opportunities that become available within the environment.

There appears to be a lapse between the pace of these changes and the capability of the organisation to align itself in respect of people (structure, skills, attitudes and behaviours) and technologies.

BUSINESS FINANCE STRATEGIC OPTIONS

In the face of reduced grant funding, the organisation seeks to employ well-defined interventions to secure the resources necessary to fulfil the developmental mandate assigned to IDFC.

To this end, the following options have been examined for viability and suitability to the environment.

They have been defined as follows:
Capitalisation of the IDFC Fund through Grant Funding:
This option entails drawing more funding resources from the existing base. It involves the following actions:
- Submitting a proposal to the Department for Economic Development, Tourism and Environmental Affairs to re-capitalise the current fund. Such recapitalisation would be used to anchor the development fund in accordance with current practice;
- Funding would be provided purely on a commercial basis, with capital ring-fenced to ensure the sustainable growth of the fund;
- Linked to the above, the application of correct credit extension principles would need to be enforced; and
- Keeping the Development Fund available would be beneficial to the sector as it provides clients with a reduced cost of credit.

Capitalisation of IDFC Fund through Borrowings and Self-funding:
This option requires applying a focus beyond the present funding mechanisms and involves the following undertakings:
- Approaching wholesale credit providers for on-lending capital;
- IDFC gradually contributing its own resources to the IDFC Fund;
- Gradually ring-fencing the IDFC Fund (excluding repayments to capital providers) to ensure growth;
- Funding to be provided purely on a commercial basis; and
- Applying the correct credit extension principles.

Utilisation of Strategic Partnerships:
This option implies the establishment of partnerships focused on churning funding resources from other sources through IDFC infrastructure.

Such partnerships would entail:
- Driving lending programmes for other development finance institutions, whereby such institutions provide input or direction on credit extension policy;
- Reaching customers that may not necessarily be similar to those serviced by IDFC; and
- Recognising that in this arrangement, sustainability would be marginal, as IDFC would earn a portion of interest and fees.

This option is to be robustly pursued if options 1 and 2 above prove unsuccessful.

FUNDING REQUIREMENTS

Funding requirements ('R000)	2018/19	2019/20	2020/21	2021/22	2022/23
IDFC Fund (Internal)	52 000	50 000	50 000	50 000	50 000
IDFC Fund (sourced externally)	100 000	100 000	100 000	100 000	100 000
Development Fund	88 000	108 000	118 000	128 000	138 000
TOTAL	**240 000**	**258 000**	**268 000**	**278 000**	**288 000**

DEVELOPMENTAL RETURNS

Developmental returns	2018/19	2019/20	2020/21	2021/22	2022/23
Loan approvals ('Rm)	250	260	270	280	290
Loans advances ('Rm)	240	258	268	278	288
Collections ('Rm)	207	198	201	208	214
Non-Performing Loans (%)	25%	25%	25%	25%	25%
No. of businesses financed	200	210	220	230	240
No. of jobs facilitated	2 810	2 850	2 860	2 880	2 890
No. of businesses supported	100	105	110	115	125

STRATEGIC OUTCOMES

Advances - per entrepreneur category ('R000)	2018/19	2019/20	2020/21	2021/22	2022/23
Women-owned businesses financed	72 000	77 400	80 400	83 400	86 400
Youth-owned businesses financed	48 000	51 600	53 600	55 600	57 600
Other	120 000	129 000	134 000	139 000	144 000
TOTAL	**240 000**	**258 000**	**268 000**	**278 000**	**288 000**

ADVANCES CONCENTRATION

Advances - rural versus urban ('R000)	2018/19	2019/20	2020/21	2021/22	2022/23
Rural and peri-urban	72 000	77 400	80 400	83 400	86 400
Urban	168 000	180 600	187 600	194 600	201 600
TOTAL	**240 000**	**258 000**	**268 000**	**278 000**	**288 000**

PORTFOLIO GROWTH

Total portfolio - per product ('R000)	2018/19	2019/20	2020/21	2021/22	2022/23
Micro-Finance	12 318	17 140	22 200	27 453	33 112
Franchise Finance	31 338	45 261	59 741	74 763	90 401
Structured Finance	172 796	159 490	145 719	131 437	116 852
Commercial Property Finance	204 684	200 214	195 631	190 880	186 207
Procurement Finance	13 380	8 182	7 070	6 980	7 011
Asset Finance	178 594	190 994	203 928	217 348	231 474
Agricultural Finance	319 113	370 421	423 753	479 076	536 533
TOTAL	**932 226**	**991 704**	**1 058 045**	**1 127 941**	**1 201 593**

BUSINESS SUPPORT SERVICES

Business support refers to the provision of non-financial services which are intended to nurture, grow and sustain small businesses. The historical performance of IDFC-funded SMMEs indicates that significant non-financial support is required in order to sustain benefits derived from the funding activities carried out by IDFC.

Such support takes the form of end-to-end hand-holding support, offered during the pre- and post-investment phases of the client relationship.

The scope of Business Information Services Includes:

- Business advisory (general/technical);
- Business directory and market linkages, and
- Business counselling.

Business Development Services Include:

- Technical and business training, mentorship and coaching;
- Business plan development;
- Marketing plans and research;
- Feasibility studies;
- Budget preparation and cash flow projections; and
- Administrative and compliance support.

Purpose of Business Support Services:

- Business finance activities to be complemented by a robust business support capability;
- Business support programme to drive and contribute to SMME development;
- Business support to assist in reducing business failures and non-performing loans;
- To implement an outsourced business support model; and
- To offer tailor-made support for specific sectors.

Key Performance Indicators:

- Decrease in business failures;
- Increase in number of start-up businesses (pre-funding);
- Increase in success rate of start-up businesses;
- Increase in the average life-span of existing businesses; and
- Number of training mentorship programmes implemented for SMMEs.

Value Proposition:

- Pre-investment support:
  - Capacitate Business Support Division;
  - Provide business advisory services;
  - Assist clients to access grants and incentives;
  - Establish partnerships for clients' referrals e.g. to SEDA;
  - Establish sector-specific business support database through SCM; and
  - Assist with business plans and feasibility studies (outsourced service)
- Post-investment support:
  - Facilitate coaching, training and mentorship (skills development);
  - Provide periodic reporting per IDFC funding agreements;
  - Provide administrative and compliance support; and
  - Provide business turn-around solutions where applicable.

PROPERTIES STRATEGY: 2018-2023

Background to IDFC Properties Business:

Large Industrial Portfolio:

The portfolio consists of three Industrial estates, Isithebe, Ezakheni and Madadeni, which were funded by the previous Government through infrastructure grants.

Various other incentives were provided to industrialists to establish in former decentralised areas. All grants and subsidies were phased-out after 1990.

Municipal Services:

The large industrial portfolio ('estates') which constitutes 70% of IDFC's property portfolio was also given the responsibility of providing municipal services to industrialists, such as the provision of electricity, water, sewage, refuse removal, roads and the like.

IDFC has a responsibility to maintain such historical services and infrastructure.

Retail Portfolio:

The retail portfolio was a catalyst for economic activity in peri-urban and rural towns. Most shopping centres in the portfolio are anchored by national retailers. Again, rental rates were historically below market pricing norms, as these were deemed to be catalytic projects.

Key Challenges in IDFC Properties Business:

The strategic business unit faces five key challenges, which may be summarised as follows:

- **Condition:** The portfolio is some 45 years of age and its condition has deteriorated and requires urgent intervention to restore functionality and compliance;
- **Competition:** The portfolio is facing competition from new developments, resulting in increasing vacancies;
- **Profitability:** Operational expenses are increasing at a rate higher than rental escalations;
- **Growth:** The portfolio has not grown during the past 15 years as there were no new developments; and
- **Funding:** The portfolio is in urgent need of funding to recapitalise the assets and address current condition and growth

opportunities.

Decline of the Current Industrial Sector Business:

- The sector is in decline, due largely to the globalisation of the South African economy and the removal of import restrictions;
- Industrial estates have experienced the shut-down and/or relocation of industrialists due to the phasing-out of incentives and subsidies, as well as the effects of global competition;
- Industrial estates have experienced an exodus of skilled labour; and
- 70% of IDFC's property portfolio is at risk.

Competitive Forces in the Retail Property Sector:

The retail portfolio faces competition from private sector-driven developments. Growth in these areas has attracted new players, as evidenced by the entry of the following developments in areas previously dominated by IDFC:

- Ulundi - Four new centres;
- KwaMashu, Madadeni, Umlazi, Mandeni and Nongoma - Two new centres;
- Tugela Ferry, Harding, Jozini, Mbazwana and Howick - One new centre.

PROPERTIES BUSINESS STRATEGIC OPTIONS:

Optimisation of Strategic Partnerships:

An opportunity exists for IDFC to pursue strategic partnerships with the Private Sector and Government Departments and, in particular, the Department of Public Works, in terms of facilitating a needs analysis and the provision of office space for end-user departments in the province.

A Properties Strategic Partnerships Policy (PSP) has been approved by Board and will be implemented over the next five years.

DIVERSIFICATION OF PORTFOLIO:

Portfolio	%	Square metres
Industrial	70%	839 513
Light Industrial	12%	142 185
Retail	12%	143 238
SMME	3%	38 270
Commercial	3%	34 316
	100%	1 197 522

IDFC's properties footprint provides for a gross lettable area of 1,2 million square metres and spans the entire province, from Manguzi in the north to Kokstad in the south and inland to Newcastle. The portfolio is highly concentrated in large industrial properties. The strategy of growing the retail and commercial portfolio aims at balancing the portfolio.

Focus on Rental Vacancy Reductions:

Concentrated marketing initiatives to attract tenants to our properties through focused business development strategies, and the addition of a Business Developer role in the organisational structure.

ISITHEBE INDUSTRIAL ESTATE

ENTERPRISE RISK MANAGEMENT

IDFC recognises that effective risk management is fundamental to generate sustainable profits, safeguard its reputation and create a competitive edge.

The Board has overall responsibility for the effective management of risks and has mandated the Audit and Risk Committee (ARC) to assist it in executing its responsibilities with respect to risk management, in order to ensure that its risk management is embedded into all processes and activities of IDFC.

The implementation of the Enterprise Risk Management (ERM) Framework included enhancing our Enterprise Risk Management Operational Risk Management activities within IDFC.

The ARC reviews the Enterprise Risk Management Framework of the organisation and oversees the control and enhancement of systems, policies, practices and procedures to ensure risks (strategic, operational and fraud), including their key risk indicators, risks appetite, tolerance and avoidance levels are identified, measured, controlled, monitored and reported.

Risk management at IDFC is guided by the following important principles:

- Protect the organisation's reputation through a sound risk culture;
- Compliance with regulatory requirements and principles;
- A strongly defined risk management structure;
- Communication and co-ordination between Executive Committee (EXCO), as Executive management; and
- Communication and co-ordination between and the ARC, and the Board.

The ARC and mangement are responsible for the identification and assessment of risks which could be faced by IDFC in the execution of its strategy.

These risks include strategic risks, fraud risks and operational risks (in all areas of business, i.e. Properties, Business Finance, and the like) and are monitored by the ARC on a quarterly basis, including key risk indicators, through the adoption and implementation of our Enterprise Risk Management (ERM) Framework enhanced Risk Management at both a Strategic and Operational Risk level in the organisation.

IDFC defines risk as any factor, which could cause it not to achieve its desired business objectives or result in adverse outcomes, including reputational damage.

IDFC's risk management process is to ensure that its risks are identified and understood, evaluated and managed. Risk mitigation is an integral part of this process.

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It includes processes and systems, regulatory compliance, legal risk and business continuity.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

These include risk issues that impact IDFC's day-to-day operations. Fraud risk entails intentional misconduct, designed to evade detection and is an intentionally deceptive action designed to provide the perpetrator with an unlawful gain.

Fraud requires the collusion of at least two people. Thus, poorly-defined job descriptions and approval processes present a clear opportunity for fraud.

To be the centre of excellence in risk mitigation and monitoring of management action in order to effectively address evolving business needs, we recognise that identifying and managing risks and opportunities is fundamental to generate sustainable profits, safeguard IDFC's reputation and create a competitive edge.

Risk management is required to ensure the organisation's success and stability, primarily for the benefit of historically disadvantaged people in the region.

Group Risk pro-actively manages IDFC's strategic risk by ensuring that strategic risks are identified annually, in terms of the strategic objectives and direction of the organisation, and their key risk indicators are also then updated in terms of managing these risks and their corresponding key risk indicators, risk appetite, tolerance and avoidance levels.

We have also embedded our governance culture, which includes the management of ethics and fraud risks with the formulation of an Anti-Fraud and Ethics Committee that reports to Board's Human Resource, Social and Ethics (HRSEC) Committee on fraud, ethics and governance issues that sets the foundation for embedding a robust risk culture within IDFC.

Management is committed to ensuring that the risk management process remains robust to ensure that IDFC assets are protected and, where necessary, risk is mitigated through adequate insurance. An IDFC risk workshop was held in March 2019 whereby the strategic risk register was revised and mapped to the organisation's strategy.

In total 14 strategic risks IDFC faces were identified and are listed opposite:

Risk Name	Strategic Goals	Opportunities	Mitigating Controls
Liquidity risk	To improve financial sustainability	• Diversification of funding sources • Proactive cash and capital management • Cost rationalisation	• Credit collections management; • Cash-flow management; • Monthly cash flow forecasting; and • Monthly management information reporting.
Return on Properties assets risk	To recapitalise and grow the property portfolio	• Diversification of funding sources; • Public-Private Partnerships; and • Implementation of properties turn-around strategy.	• Market rental valuation to ensure market-related rentals are charged; • Monthly management information reports; • Commission of market studies to support investment decisions; • Financial viability analyses are conducted to ensure the required rates of return are achievable; and • Execution and monitoring of refurbishment and maintenance programmes.
Return on Business Finance assets risk	To drive SMME and Co-operative development	• Improved loan book performance; • Improved governance, risk and compliance management; and • Diversification of revenue streams.	• Approval of structures and committees for the assessment and approval of client loan facilities; • Due diligence team analyses for loan applications; • Robust portfolio management; and • Implementation of client services policy as part of our customer base and client services strategy.
Return on Subsidiary investments assets risk	To improve financial sustainability	• Defining Return on Investment (ROI); • Assessing sustainability of investment (ROI); • Measurement of performance; and • Enforcing shareholders compact.	• Standardised performance reporting; • Approved turn-around plan; and • Measurement and reporting of performance
Technology risk	To improve customer experience	• Systems readiness for business continuity; • Retention of IT personnel; and • Improved operationalisation of IT projects.	• IT strategy has been developed to drive the department's budget and key IT projects to be delivered, including staffing requirements; • A disaster recovery plan has been implemented to assist in recovering systems in the event of disasters; and • Return on Investment (ROI) Framework is used to monitor the effectiveness of the utilisation of systems.
Strategy risk	To drive SMME and Co-operative development	• Alignment of strategy with stakeholder expectations; • Meeting stakeholder expectations; • Improved reputation; and • Increased stakeholder engagement to communicate plan successes and foster co-operation between role-players.	• Quarterly Economic Indicator Reporting to EXCO; • The corporate plan is developed to adapt to the changes in the external environment; • KPIs and targets are set in the Annual Performance Plan that are directly linked to the SMME and Co-operative development mandate; and • Performance is monitored quarterly against the Annual Performance Plan.
Over reliance on third party service providers	To improve financial sustainability	• High performance culture; • Proactive talent management; and • Skills development.	• There are budgets set for each department for the use of professional services that are monitored monthly and reported upon; • We have an approved recruitment and retention policy, whilst a talent management policy and procedure are also in place; • EXCO performs consistency checks and moderation of the performance ratings of employees in relation to their departmental performance; • We have implemented a succession planning programme; and • There is monitoring of performance through the use of score cards on a quarterly basis.

ENTERPRISE RISK MANAGEMENT

(CONTINUED)

Risk Name	Strategic Goals	Opportunities	Mitigating Controls
Developmental impact on the economy and society	To drive SMME and Co-operative development	• Attract target market; • Client perceptions; • Client-centricity; • Market intelligence; and • Innovative product offerings.	• Classification of clients into different socio-economic profiles; • Industry sector analyses and reporting by the Research and Development Division to identify declining industry sectors; • An EDTEA Steering Committee is in place to ensure alignment with the Provincial Development Plan and alignment of IDFC's new strategy with the EDTEA strategy; • Business Finance lending policies have been updated to include companies/individuals with an unfavourable credit rating status; and • Weekly Management Credit Committee (MCC) meetings are held to assess applicants and the developmental impact of applications on an individual basis.
Appropriate skills at governance structures	To improve client experience	• Maintain good governance of risks; and • Compliance with applicable legislation.	• The Ithala Act (S 6 (2)) defines the minimum skills, expertise and qualification that the Board must possess; • HR developed a Skills Matrix (based on the minimum skills matrix requirements, in line with the Ithala Act and strategy); • The Act allows the Board to co-opt required skills it believes are lacking; and • We have a Board Continuity Policy and Board Rotation Plan in place, providing for succession planning at Board level.
Fraud, theft and corruption	To improve financial sustainability	• Maintain good governance of risks and compliance with applicable legislation; and • Ethical work environment.	• Robust implementation of ethics programme and policies; • The implementation of the Anti-fraud and Ethics Committee has led to accountability for the monitoring of and reporting on fraud and ethics activities; • Anti-fraud and ethics policies enhance the mitigation of fraud and the enhancement of the ethics environment; • The forensic investigation unit assists in the investigation and reporting of irregular and fraudulent activities; and • IDFC has implemented an ethics and values rejuvenation programme, re-defining its values, mission and vision.
Inability to harness and build human capacity to be competitive	To improve client experience	• High performance culture; • Proactive talent management; • Building trust with organised labour; • Skills development; • Staff wellness; • Cost rationalisation; • Improved customer relationships; and • Increased revenue.	• HR talent acquisition, talent development and performance management policies and procedures are in place; • HR talent acquisition, succession and performance management policies and procedures are in place to up-skill employees; • A remuneration and benefits policy and procedure has been developed to offer employees attraction and retention benefits; • Job-specific learning and development solutions have been developed, linked with training and development programmes based on identified gaps; and • HR has conducted a remuneration benchmarking exercise, benchmarking salaries against the marketplace.

Risk Name	Strategic Goals	Opportunities	Mitigating Controls
Non-compliance to laws, regulations and operating policies	To improve financial sustainability	• Compliance with all applicable legislation; and • Building trust with regulators.	• Annual compliance plan is developed to monitor, test and report on compliance issues; • Quarterly reporting to EXCO and the Audit and Risk Committee of compliance issues and related areas of concern takes place; • Performance management monitoring; • Governance structures have been implemented; and • The Legal Compliance Department deals with regulatory compliance issues.
Competitor risk	To improve client experience	• Private and Public sector Partnerships; and • Research exercise to identify market trends	• Conducting market research; • Tracking of industry trends; and • Participation in business forum EXPOs to market IDFC's commercial and industrial properties.
Innovation risk	To improve financial sustainability	• Market intelligence; and • Innovative product offerings.	• KPIs and targets are set in the Annual Performance Plan; and • Performance is monitored quarterly against the Annual Performance Plan.

Existing controls are in place for identified risks and where additional controls are required, management develops detailed risk mitigation action plans to address the residual risk exposure.

Fraud risk, strategic risk, operational risk, risk appetite and tolerance are Key Risk Indicators and are continuously monitored and integrated into all business processes in order to ensure business sustainability.

Group Risk has continued capacitating the risk function so as to ensure that it has subject matter specialists from business who will be the business drivers of all risk matters.

To ensure that IDFC is able to execute its roles and responsibilities diligently, it has formally appointed risk champions in all its business units, so enabling the organisation to improve its risk maturity level.

However, there have been several resignations in some departments that have not yet been filled.

COMPLIANCE

IDFC operates in a highly regulated environment and we consider all applicable legislative and regulatory requirements when determining our strategic objectives.

Regulatory compliance ensures that the organisation meets its legal and regulatory requirements across the industry. Failure to do so could lead to potential litigation for not complying with applicable regulatory requirements.

Key controls that have been put in place to mitigate this risk include the development of compliance manuals, policies and procedures and Compliance Regulatory Management Plans (CRMPs).

During the past financial year our focus was on testing of CRMPs, embedding a compliance culture within the organisation.

IDFC's strategic objectives are defined through the Ithala Act No. 5 of 2013. We are a public entity in terms of the Public Finance Management Act No. 1 of 1999 and listed under Schedule 3 D of the Act.

IDFC is defined as an Accountable Institution in terms of Schedule 1 to the Financial Intelligence Centre Act No. 38 of 2001.

We are also a registered credit and authorised financial services provider in terms of the National Credit Act No. 34 of 2005 (NCA) and Financial Advisory and Intermediary Services (FAIS) Act No. 37 of 2005 respectively.

IDFC is the holding company of Ithala SOC Limited, a subsidiary which operates under an exemption notice, as a deposit-taking institution, and is regulated by the provisions of the Banks Act No. 94 of 1990.

Compliance is also strategically important in protecting our reputation, minimising our operational risk and setting the standard for a strong compliance culture throughout all our business activities. Legal Compliance has forged partnerships with regulatory bodies to strengthen knowledge and work relationships.

Regulatory Compliance ensures assurance with legislation and statutory reporting to relevant third-party regulators and the paying of annual levies.

We have adopted a compliance risk management framework that is aligned with the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa, which supports the active management of compliance risk.

Compliance is also regarded as being strategically important in protecting the organisation's reputation, minimising operational risk and setting the standard for a strong compliance culture throughout all our business activities.

The regulatory compliance universe was developed to integrate compliance legislation affecting all business processes. IDFC's primary legislations are then extracted, identifying those affecting the organisation, after consultation with all business units, and are listed as follows:

ENTERPRISE RISK MANAGEMENT
(CONTINUED)

IDFC KEY LEGISLATIONS	
No.	**Legislations**
1.	Financial Intelligence Centre Act, Act No. 38 of 2001 (FICA)
2.	National Credit Act, Act No 34 of 2005 (NCA)
3.	Public Finance Management Act, 1999
4.	Preferential Procurement Policy Framework Act, Act No. 5 of 2000
5.	Ithala Development Finance Corporation Act, 2013
6.	Protection of Personal Information Act, 2013 (POPI)
7.	Occupational Health and Safety Act, Act No. 85 of 1993
8.	Labour Relations Amendment Act, Act No. 6 of 2014
9.	Consumer Protection Act, Act No. 68 of 2008
10.	Prevention and Combating of Corrupt Activities Act, Act No. 12 of 2004
11.	Electronic Communications and Transactions Act, 2002
12.	Basic Conditions of Employment Amendment Act, Act No. 20 of 2013
13.	The Financial Advisory and Intermediary Services Act, Act No. 37 of 2002

The Regulatory Compliance Division monitors levels of compliance in terms of the above legislations, identifying, measuring, aggregating and testing CRMPs, monitoring management actions and reporting the level of compliance thereto.

The Legal Compliance Division endeavours to implement efficient business processes capable of further improving operations within IDFC, so as to ensure regulatory compliance through the capacitation of this function as a centre of excellence in regulatory research, thereby effectively addressing evolving regulatory requirements and business needs.

VERY GREEN- SUPER MAMAS

UNEARTHING PEOPLE'S POTENTIAL

STAKEHOLDER CONTEXT

IDFC's Board actively promotes a stakeholder-inclusive approach with regard to the governance of the organisation.

In determining our strategy to deliver against our developmental mandate, we remain ever mindful of the diverse needs of our range of stakeholder groups; groups, which have either a direct or indirect economic and social interest in IDFC's business activities by virtue of such stakeholders being in the position to affect or be affected by our decisions, actions, objectives and policies.

Stakeholders material issues	Engagement Method	Stakeholder Expectations	Ithala's Response
Provincial Government	• Quarterly performance report • Quarterly meetings • Annual general meeting • Meeting with legislature/Portfolio Committee	• Financial sustainability and viability • Alignment with Government's economic development agenda • Efficient and effective utilisation of allocated funds	• We signed our Shareholder's Compact with the Department of Economic Development, Tourism and Environmental Affairs • Our Annual Performance Plan (APP) is aligned to the Provincial Growth and Development Plan • Quarterly performance reports against the APP are compiled and submitted to the department • Quarterly engagements are held with the department to discuss performance and the achievement of targets
Clients	• Business Finance clients pre-funding interaction • Post-funding interaction • We visit and interact with our properties clients and tenants on an ongoing basis	• Accessible and affordable financial services • Non-financial support service • Well maintained commercial and industrial properties • Affordable rentals • Business premises in prime development nodes	• Pricing for Government Grant funding is less than prime • Post-funding non-financial support is provided through the post-investment monitoring units of Business Finance • Increased allocation for capital and maintenance expenditure • We offer competitive and, in most cases, highly favourable rentals • Industrial and commercial premises are located in growth nodes
Regulators	• Regulatory reporting	• Responsible lending • Fair treatment of clients • Safekeeping of client records • Good corporate governance	• Submission of all regulatory reports in a timely manner • A fully capacitated compliance unit established
Employees	• Quarterly briefings by the Group Chief Executive • Online internal magazine business broadcasts	• Job security • Fair rewards and recognition • Personal growth and development • Healthy working environment	• Stabilising the finances of the organisation to ensure sustainability • Advancing skills development through study loans and other forms of training support • Advancing talent management initiatives
Service Providers	• Ongoing	• Fair and transparent process of selecting service providers • Pay for services rendered in a timely manner • More opportunities for smaller enterprises	• Approved supply chain policies and procedures in line with Government policy • Specific focus on engaging B-BBEE-compliant service providers

SHAREHOLDER/STAKEHOLDER EXPECTATIONS

At the time of formulating this strategy, the Shareholder and the broader development finance sector had developed a renewed set of expectations, expressed in a variety of forums.

It was expected of IDFC to:

- Bolster its capacity to execute on commitments, improve governance and advance engagement with the community sectors its serves;
- Deliver visible transformational shifts, in line with its mandate, create jobs, capacitate SMMEs and Co-operatives and sustain inputs;
- Participate actively in Government initiatives aimed at improving inclusive and radical economic transformation, such as the Black Industrialist Programme, Operation Vula, RASET and the like;
- Participate in spin-off catalytic initiatives that advance economic activities in rural and township environments;
- Demonstrate its unique relevance, relative to other players involved in development finance; and
- Execute business support with SMMEs and Co-operatives at both pre- and post-investment stages.

HOW WE CREATE VALUE

IDFC's approach to creating value is to focus on activities which optimise developmental outcomes across all sectors supported by the organisation in KwaZulu-Natal.

Our value proposition vests in the achievement and sustainability of opportunities which would otherwise be unavailable without our intervention.

We fully subscribe to the principles of the International Integrated Reporting Council, which seeks to enhance accountability for and stewardship of the broad base of capitals, being financial, manufactured, intellectual, human, social and relationship and natural, and promotes an understanding of organisational value creation through the active consideration of the relationships between its various operating and functional units and the capitals it uses or affects.

BUSINESS ACTIVITY

- Business Finance offers financial and support services to SMMEs and Co-operatives operating within KwaZulu-Natal;
- We develop and manage large industrial, retail, light industrial and SMME properties;
- We invest in developing and retaining our people in order to execute our strategy and ensure delivery to our customers and clients;
- We invest in our operations, inclusive of information technology systems and infrastructure, in order to improve efficiency and deliver appropriate products and services to our customers and clients;
- We offer bursaries and internships to top-performing students in KwaZulu-Natal; and
- We provide both public sector banking and corporate and investment banking services to SMME businesses, as well as to Co-operatives, through our subsidiary, Ithala SOC Limited.

OUR IMPACT

- Our activities result in a broad economic impact, by stimulating the private sector and assisting to fuel the economy through the creation of employment opportunities, providing income and improving living standards, thus generating lasting development impacts;
- During the past six years, we have facilitated the creation of 20 042 employment opportunities, generated by way of our lending activities, and have advanced loans valued in excess of R1 billion;
- We facilitate access to financial services, enabling socio-economic development and financial well-being, which are especially relevant to our markets;
- Our activities facilitate the allocation of capital for economic development; and
- We focus on understanding the needs of the public sector environment and to developing innovative solutions relevant to the local environments.

THIS YEAR

During the 2019/20 financial year, we:

- Created 3 683 employment opportunities through the financing of business enterprises;
- Funded 574 new business enterprises; and
- Disbursed business loans to the value of R274,3 million.

PROPERTIES

IDFC's Properties Department assumes responsibility for the management of the organisation's large and diverse property portfolio, which currently comprises approximately 1,2 million square meters of gross lettable area located in, primarily, urban and peri-urban areas across KwaZulu-Natal.

The property portfolio serves as a catalyst for economic development in the province.

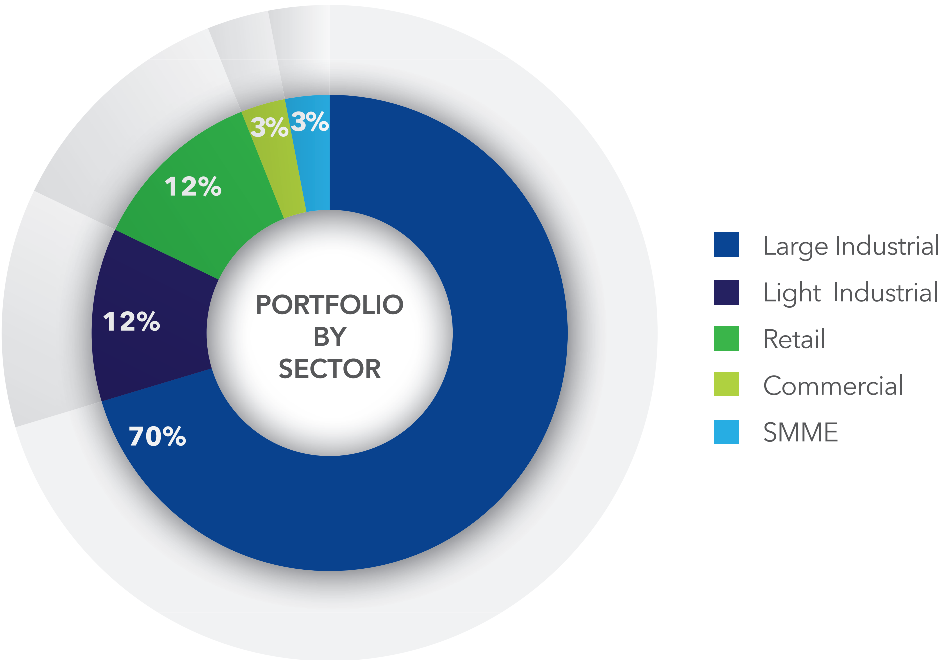
The Properties Department also undertakes the management of certain projects in which IDFC acts as an implementing agent on behalf of Government's infrastructure programmes.

Both these objectives are closely aligned to IDFC's mandate.

The Properties Department comprises four main divisions, being:

- Property Management - Responsible for leasing, ensuring an optimal tenant mix and managing tenants;
- Asset Management - Responsible for long-term, strategic and financial planning to optimise property asset values and realise returns and growth objectives;
- Property Development and Project Management: Responsible for managing construction and refurbishment projects;
- Technical Operations - Comprises two sub-divisions, namely:
  - Facilities Management: Responsible for both the planned and reactive maintenance of properties; and
  - Engineering Services: Responsible for the management of infrastructure and Municipal services, such as electricity, water, sewage and solid waste disposal provided to tenants.

Portfolio Overview:



The property portfolio comprises large industrial, light industrial, retail, commercial and SMME properties.

The large industrial portfolio consists of the three industrial estates, namely Isithebe, Ezakheni and Madadeni, which collectively accommodates 207 large manufacturing and other enterprises, which provide employment to approximately 40 000 people from areas surrounding these estates.

The light industrial portfolio comprises nine industrial parks and five stand-alone factories, providing accommodation for 204 businesses. Two of these light industrial parks are co-owned with Growth Point Properties.

Our retail portfolio comprises 21 shopping centres, with shops ranging from just four-square metres up to 5 158 square metres and caters for both small businesses and national tenants. There are currently 519 tenants in the retail portfolio.

The commercial portfolio consists of 13 properties, inclusive of six office blocks and seven other commercial buildings.

Two office blocks are occupied by IDFC, whilst the remainder are let as part of the leasing portfolio, accommodating 67 tenants.

Ithala Trade Centre, located in Durban's Point Waterfront precinct, is the organisation's flagship property and is IDFC's head office.

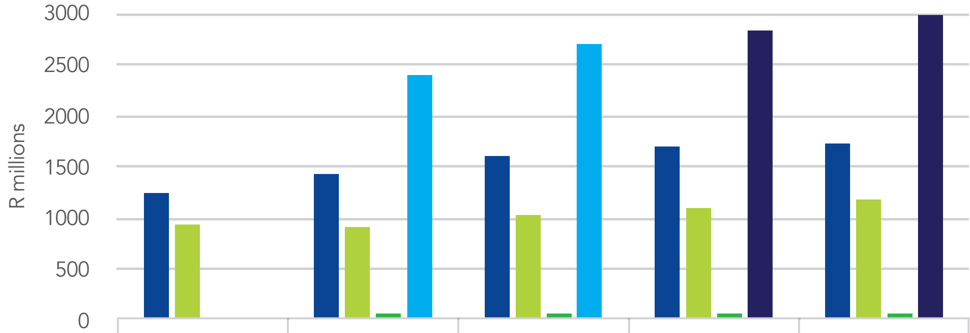
The SMME portfolio consists of 43 small properties, let as small industrial factories, handicraft centres and motor parks.

In terms of vacant land, IDFC currently holds 167 fully serviced sites, which are located within our industrial estates, 19 commercial sites and 235 residential sites. A total of 120 of these sites are illegally occupied.

HOW WE CREATE VALUE
(CONTINUED)

Investment Overview:

VALUE OF PROPERTY INVESTMENT



	2015/16	2016/17	2017/18	2018/19	2019/20
Industrial	1258	1432	1612	1704	1730
Retail	928	922	1037	1098	1176
SMME	42	48	54	58	64
Value	2 228	2 402	2 703	2 860	2 970

The total portfolio investment grew by 3,85% during the financial year under review.

The industrial, retail and SMME portfolio grew by 1,53%, 7,1% and 10,34% respectively.

Refurbishment Programme:
IDFC continued with a refurbishment programme involving 10 shopping centres in our retail portfolio and six light industrial parks, one SMME industrial park and one residential building.

In addition, re-roofing and the refurbishment of roof structures of our factories was undertaken at the industrial estates.

The refurbishment programme focused on the physical condition, functionality and compliance requirements of the properties.

Work in respect of the major refurbishment of retail and industrial properties of some R350 million has been carried out to date, with a further R50 million to be expended during the 2020/21 financial year.

Investment Opportunities:
A number of investment opportunities identified during the review period are being pursued.

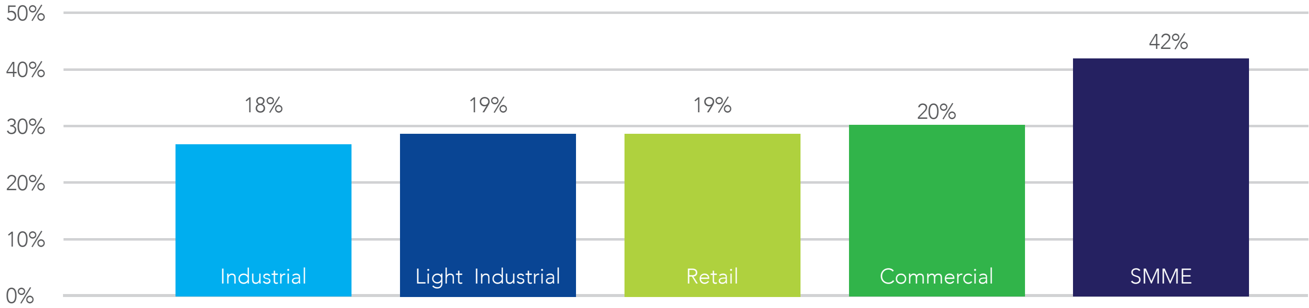
Seven high-yielding retail properties have been identified for major remodelling, at an estimated cost of R2 billion.

It is anticipated that these projects will be funded through a combination of own funds, commercial borrowings and contributions from strategic partners. In addition, two new retail property developments are being planned at Mondlo and Ulundi, as part of our growth strategy.

The Mondlo project is located in the central hub of Mondlo and is being touted as a catalytic project for the area, given that no such facilities currently exist in Mondlo.

The Ulundi development is aimed at providing a modern and up-market-styled shopping mall, catering for the middle to upper LSM (Living standards Measure) groups in Ulundi.

Vacancy Levels



VACANCIES PER SECTOR

The 2019/20 financial year saw the portfolio's vacancy rate increase from 15,97% to 19,09%, split as follows:

- 13% large industrial;
- 2% light industrial;
- 3% retail; and
- 1% SMME.

Implementing Agent:

The Properties Department currently manages a number of projects on behalf of the Provincial Department of Economic Development, Tourism and Environmental Affairs, including:

- Industrial Hubs - Clothing and textiles and leather processing;
- Ndumo Retail Development; and
- Proposed Refurbishment of Thokazi Royal Lodge.

Prospects for 2020/21:

Looking ahead, the Properties Department is targeting to achieve the following objectives:

- Grow property revenue by 9%;
- Maintain operational expenditure at current levels;
- Reduce property vacancy levels to 18%; and
- Improve the value of the investment portfolio.

ITHALA SOC LIMITED

The 2019/20 financial year ended with Ithala SOC Limited registering a net loss of R75,4 million (2018/19: R28,9 million).

This decline may be attributable to expected credit loss due to the impact of COVID-19. Ithala SOC Limited had an investment with the Land Bank. Due to the Land Bank defaulting on some of its obligations, Ithala SOC Limited was forced to assess this investment for impairment.

This resulted in an impairment of R28,9 million being raised for this investment.

The organisation has prepared a detailed strategy to achieve the goal of establishing itself as a bank with the financial means to comply with the requirements of the Banks Act and a solid management capability to manage and grow the bank.

The strategy articulates how it will turn performance around to achieve profitability, as well as quantifying the re-capitalisation value required to successfully implement its turn-around strategy.

The plan encompasses all aspects of the turn-around, including the necessary business model, IT and infrastructure investment and the amount and timing of fiscal transfers and/or capital injections.

In addition, all key executive and senior management positions are to be filled by the end of the 2021 financial year to comply with all applicable legislations.

During the past several years, the business has focused on growth in the transactional business, in terms of new accounts and increased account usage and, for the year ahead, this remains a key focus from a growth perspective.

In addition, a new growth strategy for the insurance business will be implemented that will see an added increase in revenue streams over the short and medium-term.

ANNUAL PERFORMANCE REPORT 2019/20

Strategic Goal 1: To drive SMME and Co-operative development				
Strategic Objectives	**Key Performance Indicators**	**Target 2019/20**	**Annual actual output**	**Management Comment**
Enterprise Development	Number of jobs expected to be facilitated - Total (cumulative)	3 850	3 683	Achieved 95% of target. No new NSNP loans in March, due to early closure of schools.
	Number of jobs expected to be facilitated - Women (cumulative)	981	1 604	Target achieved
	Number of jobs expected to be facilitated - Youth (cumulative)	655	1 170	Target achieved
	Number of new businesses financed - Total (cumulative)	917	574	63% of target. Most loans done on EDF.
	Number of new businesses financed - Women (cumulative)	305	153	50% of target. No new NSNP loans done, as new contracts were not awarded by March.
	Number of new businesses financed - Youth (cumulative)	204	274	Target achieved
	Total value of loans disbursed - Total (cumulative)	R258,4 million	R274,3 million	Target achieved
	Total value of loans disbursed - Women (cumulative)	R61,0 million	R70,5 million	Target achieved
	Total value of loans disbursed - Youth (cumulative)	R40,0 million	R71,2 million	Target achieved
Business Support	No of businesses supported (cumulative)	250	0	Business Support was not fully capacitated, due to budgetary constraints.
	`			

Strategic Goal 2: To recapitalise and grow the property portfolio				
Strategic Objectives	**Key Performance Indicators**	**Target 2019/20**	**Annual actual output**	**Management Comment**
Property Investments	Capital and maintenance expenditure (cumulative)	R172,4 million	R72,4 million	The negative variance of R100 million comprises capital expenditure under-spent by R99,1 million and maintenance expenditure over-spent by R2,3 million. New developments and expansions of R53 million and refurbishments of R46,1 million were not incurred as planned.

Strategic Goal 3: To improve financial sustainability				
Strategic Objectives	**Key Performance Indicators**	**Target 2019/20**	**Annual actual output**	**Management Comment**
Financial Sustainability	Gross collections (cumulative)	R1 083 billion	R1 182 billion	Target achieved.
	Non-performing loans percentage ceiling	29%	46,30%	Target not met. One of the high value loans moved to non-performing during the year.
	Net profit (cumulative)	R242,4 million	R11,6 million	Targeted profit not achieved, due mainly to increased impairments because of COVID-19 and impact of COVID-19 on investment property and Ithala SOC Limited investment.
Financial Efficiency	Cost to income ratio ceiling	70,61%	72%	Cost to income is driven by total income and total costs. Budgeted total income is below budget, due, mainly, to rental income, interest income and fair value adjustment which were below budget.

`

Strategic Goal 4: To forge development partnerships				
Strategic Objectives	**Key Performance Indicators**	**Target 2019/20**	**Annual actual output**	**Management Comment**
Forge and Sustain Strategic Partnerships	Sustain and operationalise community partnerships	4	16	Target achieved.
	Sustain and operationalise business partnerships	7	10	Target achieved.
	Sustain and operationalise Government partnerships	4	26	Target achieved.

Strategic Goal 5: To improve customer experience				
Strategic Objectives	**Key Performance Indicators**	**Target 2019/20**	**Annual actual output**	**Management Comment**
Client experience (external)	Recent brand experience - Business Finance (Annual Measure)	88%	82%	Mainly communication, slow response to queries and lack of digitisation.
	Recent brand experience - Properties (Annual Measure)	80%	81%	Target achieved.
Engaged and Capable Workforce	Vacancy Rate	10,1%	22%	The filling of budgeted vacancies requires approval by Executive Authority and Premier.
	Human Resources (Staff) turn-over	10,1%	8,39%	Target achieved.

Strategic Goal 5: To improve customer experience				
Strategic Objectives	**Key Performance Indicators**	**Target 2019/20**	**Annual actual output**	**Management Comment**
Customer experience (Internal)	Information technology operating expenditure (cumulative)	R59,6 million	R46,7 million	1) SCM - Delays in the finalisation of specifications and SCM processes. 2) Delay in finalising SLAs. 3) Delay in the approval process to fill vacancies. 4) Cancellation of training due to the COVID-19 pandemic
	Information technology capital expenditure (cumulative)	R45,9 million	R8,8 million	1) SCM - Delays in the finalisation of specifications and SCM processes. 2) Delay in finalisation of contracting. 3) Non-responsive bids and delays with advertising of cancellations to restart the bid processes.

`

Strategic Goal 6: To drive radical economic transformation				
Strategic Objectives	**Key Performance Indicators**	**Target 2019/20**	**Annual actual output**	**Management Comment**
B-BBEE Spend	% spent on B-BBEE-compliant service providers	90%	122,52%	Target achieved
Improve Human Capital	Number of new interns, learners and graduates admitted (cumulative)	19	35	Target achieved

HUMAN CAPITAL

IDFC's human capital function aims to be a key resource in partnering with business as a means of driving the strategic imperatives of the organisation, by way of thoroughly consistent and professional human resource management services.

We set out to:

- Provide a human capital base that is capable, motivated and challenged/stimulated enough to ensure that IDFC drives economic development and empowerment, whilst remaining financially sustainable, and continues to remain relevant as a development financial institution; and
- Ensure that our human capital strategy supports the business's human capital initiatives, making certain that IDFC is properly staffed with resources who possess the requisite skills and competencies to deliver on the organisation's mandate through:
  - Inculcating a high-performance orientated organisational culture;
  - Implementing an integrated human resources system to support a transformational human resources service philosophy;
  - Supporting business units in achieving their business objectives;
  - Implementing human resources processes aimed at transformational activity and service delivery;
  - Implementing an effective talent management process;
  - Implementing an Integrated Employee Value Proposition as a retention mechanism;
- Implementing a delivery model to achieve our strategic intent, as follows:
  - **Human Resource Operations -** Partner with business to deliver on their resourcing needs;
  - **Centre of Excellence -** Performance management, talent management, organisation design, learning and development, change and transformation management, reward management and employee wellness; and
  - **Transactional Function -** Payroll services and logistical services.

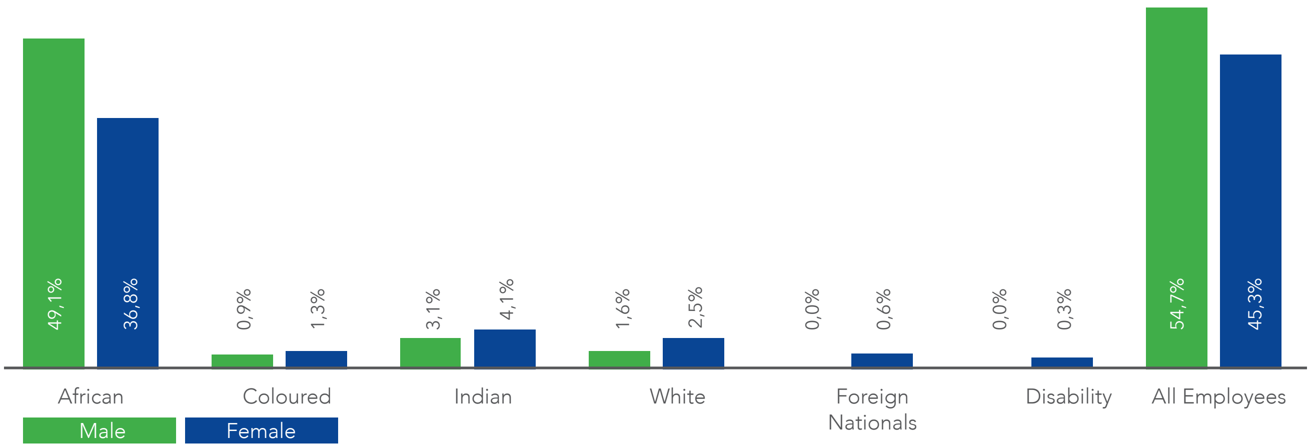

ITHALA STAFF

Staff Profile:

The table below depicts the IDFC's employee profile as at 31 March 2020 per Band.

	DESIGNATED											Foreign Nationals			Non Designated		Grand Total	Disabled
	African			Indian			Coloured			White					White			
	M	F	TOT	M	F	TOT	M	F	TOT	F	TOT	M	F	TOT	M	TOT		
FU	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	
FL	3	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	3	
EU	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	
EL	2	2	4	1	2	3	-	-	-	-	-	-	-	-	-	-	7	
D4	15	4	19	3	2	5	-	-	-	-	-	-	-	-	4	4	28	
D3	-	2	2	2	-	2	-	-	-	-	-	-	-	-	-	-	4	
D2	7	5	12	-	-	-	-	-	-	-	-	-	-	-	-	-	12	
D1	11	8	19	2	3	5	1	1	2	2	2	-	1	1	1	1	30	
C5	7	8	15	-	2	2	1	1	2	1	1	-	-	-	-	-	20	
C4	20	38	58	2	2	4	1	1	2	1	1	-	1	1	-	-	66	1
C3	6	7	13	-	1	1	-	-	-	-	-	-	-	-	-	-	14	
C2	2	6	8	-	-	-	-	-	-	-	-	-	-	-	-	-	8	
C1	12	18	30	-	1	1	-	1	1	4	4	-	-	-	-	-	36	
B4	12	4	16	-	-	-	-	-	-	-	-	-	-	-	-	-	16	
B3	11	7	18	-	-	-	-	-	-	-	-	-	-	-	-	-	18	
B2	6	-	6	-	-	-	-	-	-	-	-	-	-	-	-	-	6	
B1	13	1	14	-	-	-	-	-	-	-	-	-	-	-	-	-	14	
A3	3	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	3	
A2	26	5	31	-	-	-	-	-	-	-	-	-	-	-	-	-	31	
Total Permanent	**156**	**117**	**273**	**10**	**13**	**23**	**3**	**4**	**7**	**8**	**8**	**-**	**2**	**2**	**5**	**5**	**318**	
Fixed Term Contracts	18	1	19	-	-	-	-	-	-	-	-	-	-	-	-	-	19	
Graduate Trainees/ Learners	39	39	78	-	3	3	-	-	-	-	-	-	-	-	-	-	81	
Non-Permanent Total	57	40	97	-	3	3	-	-	-	-	-	-	-	-	-	-	100	
Grand Total	**213**	**157**	**370**	**10**	**16**	**26**	**3**	**4**	**7**	**8**	**8**	**-**	**2**	**2**	**5**	**5**	**418**	**1**

- The profile of our staff complement provided for 331 permanent employees, as at 1 April 2019. However, due to attrition, as at 31 March 2020 there were 318 permanent employees, reflecting a decline in employment of 13 employees;
- The decline is attributed to the moratorium of the filling of positions, which increases the vacancy rate and talent acquisition turn-around times;
- During the reporting period, IDFC had only one employee who had declared a disability. As such, IDFC is taking this matter seriously and to the extent of developing an Employment Equity Plan effective from 1 October 2019 to 30 September 2022, wherein IDFC seeks to address issues of equity in the workplace, including the equitable representation of women in management positions;
- As reflected in the graph below, 45,3% of IDFC staff are female and 54,7% are male. There has been a slight decrease of 0,3% in the female complement year-on-year. This stability is attributable to IDFC's focus on cost containment and to performing an organisational review over the past two financial years. However, more effort needs to applied to retain female employees and replace male exits with females in order to achieve more than 50% overall female representation.

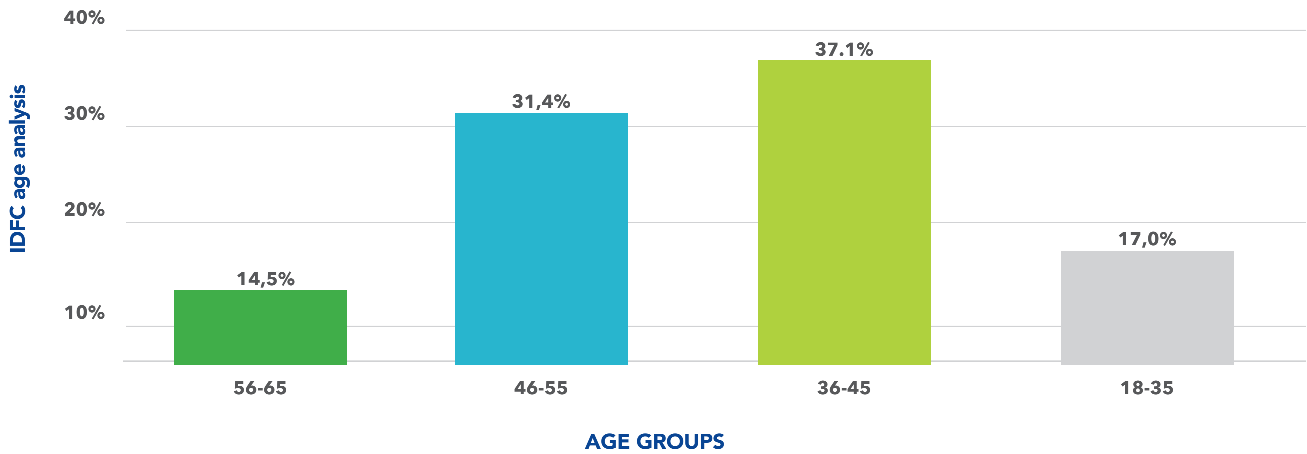


IDFC gender and racial representation as at 31 March 2020

- The graph below reflects that the age bell curve of IDFC employees has not changed significantly year-on-year. However, there has been an increase of employees aged 56 and above by 1,5% and a decrease of 3% of 35 and below. This still represents a healthy profile for long-term institutional knowledge and retention of employees, as only 14,5% of employees are due for retirement in less than 10 years and the majority are in the 36 to 55 age groups.

A managerial analysis reflects that IDFC needs to attract more youths (35 years and below) into the E and F band levels, whilst balancing that with the retention of employees with sufficient skills and experience, as there are no employees at this age group in these grades.

IDFC Q4 2019/20 ALL EMPLOYEE'S AGE ANALYSIS



- Due to the Employee Value Proposition which is being rigorously implemented at IDFC, staff turn-over for the 2019/20 financial year was at 2,56%, which is below the industry benchmark labour turn-over rate of 10%.

Training and development:
- As at 31 March 2020, IDFC had in place 81 Interns and Graduate Trainees. This forms part of development programmes which IDFC utilises to assist the youth gain experience and training for employability, thus contributing to reducing the unemployment rate;
- A total of 360 employees were exposed to different developmental programmes, so as to improve their skills and capacity. These developmental programmes included technical, policy and legislative compliance and other soft skills;
- A total R1 525 806 was spent on these training interventions; and
- A total of 17 employees were enrolled under the IDFC Study Loan Scheme. During the year, five employees completed their studies successfully. A total of R207 981 was spent on this scheme for employees.

Talent Management and Succession Planning:
- We firmly believe that our members of staff are our organisation's most valuable asset and, accordingly, we constantly seek to identify and develop talented people who have the skills, potential and ability to take IDFC to the next business level; and
- Human Resources Management is currently in the process of developing a Succession Planning Strategy, which will be finalised in the 2020/21 financial year and which will assist in retaining scarce skills and employees who are adding value to IDFC.

Effective and Efficient Employee Relations:
- Our approach to employee relations ensures that we develop relations with all our stakeholders and further recognise our employees' rights to fair and equitable employment practices;
- It is pleasing to note that the organisation did not experience any industrial action during the 2019/20 financial year;
- IDFC continues to apply a zero-tolerance policy with regard to dishonest and fraudulent behaviour by any member of staff. Robust systems have been put in place to ensure a significant reduction of any such incidents;
- The entity maintains a Recognition Agreement with its Union, NEHAWU. Currently, NEHAWU enjoys 67,1% membership of the workforce who are within the bargaining unit of Bands A to C;
- The Local Labour Forum has a schedule of meetings wherein both NEHAWU and IDFC Management meet to discuss matters of mutual interest, excluding special meetings that were held as per the request of either party;
- The collective bargaining process on salary negotiations went smoothly, resulting in an agreement that for the 2019/20 financial year employees within the bargaining unit were to receive 7,2% for A to C salary adjustments, effective 1 April 2019; and
- In keeping with good governance and consequence management within IDFC, eight employees were disciplined for various acts of misconduct, resulting in two employees being dismissed, two receiving written warnings, two resigning prior to the finalisation of their cases and two cases still pending.

Remuneration practices and management
- We remunerate people for performance and value created to ensure successful implementation of our business strategy. The following principles are at the core of our remuneration philosophy and policy:
  - Remuneration practices are fair, transparent and responsible, while respecting the confidentiality of the individuals being remunerated;
  - Remuneration is managed at all times ensuring that it is internally equitable and externally competitive;
  - The remuneration system is sufficiently flexible so as to provide managers at all levels with the tools necessary to attract, retain and motivate key talent required to achieve organisational goals;
- Our employees are remunerated based on a total rewards model. Our reward mix consists of fixed pay, variable pay and intangible rewards. This is tailor-made to meet the diverse needs of our employees;
- Remuneration practices are benchmarked annually to remain competitive within the relevant market;
- In the year under review, IDFC also participated in the Top Employer Institute survey with the aim of aligning our practices with best national and international HR standards.
- The Nominations, Governance and Remuneration Committee ensures strict governance of our remuneration practices and adherence to King IV principles; and
- The highlights for the year under review were the implementation of the following programmes:

Recognition of Excellence:
A Mathala Amahle recognition and reward platform was launched to continue cultivating a high performance culture and recognising excellence through various programmes. Making our employees feel valued and appreciated is our prioity.

Employee Wellness:
We are committed to ensuring that the well-being of our employees is afforded high priority. To this end, a proactive and comprehensive Employee Assistance Programme was put in place to ensure the total well-being of our people.

The programme encompasses four pillars that cater for emotional well-being, physical well-being, financial well-being and legal support. We also continued to support our employees through chronic management programmes, administered by our medical aid schemes.

Change Management:
- The utilisation of a structured methodology for the delivery and facilitation of change has greatly assisted in assessing the corporation's change maturity and to understanding whether we are making progress in terms of looking after the interests of our people in times of change, as well as the level of leadership involvement and ownership during such times.

SOCIO-ECONOMIC TRANSFORMATION

IDFC believes in and contributes towards the national socio-economic transformation agenda, placing special emphasis on Broad-Based Black Economic Empowerment and related community-based initiatives.

As a Public Entity, IDFC is subject to the Public Finance Management Act (PFMA) and Broad-Based Black Economic Empowerment principles.

Central to our mission is the requirement to incorporate historically disadvantaged and marginalised Black people into the mainstream economy of the country.

In giving effect to this need, we set out to conduct business activities which are designed to contribute appreciably to Broad-Based Black Economic Empowerment.

This is inclusive of corporate social investment, poverty alleviation, bursary schemes, sponsorships, skills development, employment equity, the application of preferential procurement ideals, female empowerment workshops and the approval of loans to Black-owned Co-operatives and SMME business enterprises.

As a State-owned entity, we adhere to the PFMA, which promotes the objective of good financial management in order to maximise service delivery through the effective and efficient use of limited resources.

In terms of the PFMA, and in line with section 217 of the Constitution, an appropriate procurement and provisioning system must be maintained, which aims to be fair, equitable, transparent, competitive and cost-effective.

IDFC is a Level 4 B-BBEE contributor and is classified as a value-adding supplier, a benefit that accrues to those who utilise the organisation as a supplier.

Our procurement spend during the 2019/20 financial year amounted to R228,6 million, against R251 million during the prior year.

In addition, our weighted procurement spend from B-BBEE suppliers in the 2019/20 review period totalled R280 million (2018/19: R262,5 million).

In an effort to align IDFC with the Provincial Government's mandate to catalyse radical economic transformation, the organisation has committed itself to enforcing fundamental change through the robust implementation of preferential procurement in favour of African Exempted Micro-Enterprises (EMEs) and Qualifying Small Business Enterprises (QSEs), together with women, the youth and people with disabilities for the 2020/21 financial year onwards.

IMBOKODO IYAZENZELA WOMEN IN SMMES

CORPORATE SOCIAL INVESTMENT ACTIVITIES

IDFC's Corporate Social Investment (CSI) programmes all resonate with our organisation's brand message 'Enabling Dreams,' creating hope, access and opportunity for the people of KwaZulu-Natal.

Our flagship CSI programmes are focused on:

- **Skills Development:** Through Imbokodo Iyazenzela Women in SMMEs and the Siyasebenza Entrepreneur Development, Co-operative Financial Literacy and Business Support;
- **Job Creation and Entrepreneurship Focusing on the Youth:** Through our Inkunzi'sematholeni Youth in Business Competition; and
- **Financial Wellness:** Through the Teach Children to Save 'Starsaver' initiative.

My Business Indaba:

The 'My Business Indaba' road-shows brought together IDFC's three main empowerment programmes, which are specifically designed for SMME development in KwaZulu-Natal namely:

- Imbokodo Iyazenzela Women in SMME Workshops;
- Inkunz'Isematholeni Youth in Business Competition; and
- Siyasebenza SMME Development Workshops.

During the past five years, more than 5 000 SMMEs have been reached through such SMME development initiatives.

Imbokodo Iyazenzela Women in SMME Programme:

Imbokodo Iyazenzela Women in SMMEs programme is a pillar of support to women entrepreneurs in KwaZulu-Natal who require access to information and the resources in order to grow. The theme of the programme 'Imbokodo Iyazenzela Women in SMMEs is aligned with the following key priority areas:

- Rural Development;
- Township Revival; and
- Youth and Women Empowerment.

In 2019 a total 2 017 women were afforded the opportunity to attend business clinics in nine towns visited. This programme culminates in an awards ceremony that recognises, acknowledges and celebrates the top 20 women who have advanced in the small business category.

Key Highlights:

The top 19 female entrepreneurs were exposed to a mentorship programme that provided mentorship solutions specifically designed to meet the individual needs of their businesses.

Inkunz'isematholeni Youth in Business:

The development and enhancement of the knowledge economy is one of the key strategic goals of the KwaZulu-Natal Provincial Government, whilst the growth of the 'Green' economy is in line with Government's agenda to encourage and support the youth to present innovative ideas within this economic sector.

Key Highlights:

- **Martin Ngcobo, of Ngcobo Business, Group**, in Pietermaritzburg, who invented a product called Instant Fire Wood, which is specially treated firewood that does not require a flammable substance to ignite;
- **Trever Colvelle, of Technote**, from Elandskop, who designed a solar- operated portable power source; and
- **Blessing Nzuza, of Respo Technology**, from Durban, who developed a mobile app solution that introduces uber-like technology in the Emergency Medical Services (EMS) sector.

Siyasebenza Entrepreneur Development Programme:

This means 'We are working' and is a series of developmental outreach workshops aimed at uplifting the youth, women and SMMEs in townships and rural areas. The intention is to educate and inspire existing and aspiring entrepreneurs with ways to build and grow sustainable businesses.

The series comprises presentations and one-on-one consultations with KwaZulu-Natal-based SMMEs and Co-operatives on key topics of importance related to starting a business, compliance, market research, funding a business and financial record-keeping. A total of 1 085 SMMEs attended road-shows in identified Municipalities

Abantwana Bethu:

This 'Back to School Drive' is driven by IDFC employees and is aimed at providing much-needed support to schools in regions in which the organisation operates. Support ranges from providing vital school uniforms, to providing non-perishable food items to schools whose learners are in desperate need of nutrition.

Working in partnership with Amakhosi Traditional Councils within the areas in which IDFC operates, 200 learners from two schools benefited from the school uniform drive. The Traditional Councils are tasked with identifying schools within their respective areas.

Starsaver (Teach Children to Save):

Aligned to IDFC's vision to drive financial literacy, the organisation embarked on the Starsaver programme, which is aimed at empowering young children by teaching them to save. The Starsaver campaign's key objectives are to enhance the organisation's role in youth development, to drive financial literacy and to empower the youth with access to information through learning and exchanges within the financial services sector. During the 2019/20 financial year, a total of 500 learners participated in such financial literacy classes.

Key Highlights:

In partnership with the Banking Association South Africa, Safer South Africa and the Amakhosi in areas within which IDFC operates, organisation volunteers visited the following schools:

- Camperdown Combined School;
- Sehole Secondary School;
- Harding Secondary School;
- Olwandle High school;
- Gamalakhe Commercial School;
- Gcwalamoya Primary School; and
- Dendethu Primary school.

INFORMATION TECHNOLOGY

Information and Communication Technology (ICT) plays a crucially important role in the enablement of IDFC's business units to meet their respective mandates, inclusive of goals and objectives, by delivering cost-effective business solutions and services by way of people, processes and technology.

The role played by our ICT Department includes the provision of IT Governance, the automation of business processes, the provision of robust ICT infrastructure, IT strategic planning and architecture, information security and IT risk management, application design, development and implementation, application support and maintenance, data and information management.

During the 2019/20 financial year, our ICT Department achieved a number of outcomes, including:

- Successful testing of the Disaster Recovery Plan;
- Award and appointment of a service provider for the implementation of Smart Meters;
- Successful upgrade of SharePoint 2010 to SharePoint 2013;
- Implementation of the following systems:
    - Auditing and financial statement system;
    - In-house Service Desk system; and
    - Asset scanning system.
- Successful completion of the Business Intelligence QlikView Dashboard for Business Finance Executive reporting to the Board's Credit and Investment Committee on the following sections:
    - Financial Overview;
    - New Investment Overview; and
    - Development Impact Overview.
- Ensuring exceptional service uptime. The average availability of IDFC's ICT infrastructure was 98,33% during the review period. This meant that operations within the organisation facilitated by information technology are reliable and available when required; and
- Ensured user satisfaction. A Customer Satisfaction Index of 99,85% was achieved, based on the number of satisfaction ratings provided by users after calls were serviced by our ICT support personnel. This indicated that customers were generally satisfied with the services provided by the Department. We will continue with endeavours to further improve service delivery to our customers.

The ICT Department had to make tools available to enable users to work remotely during the National lockdown. Personnel that perform critical functions were issued with laptops, 3G cards and virtual private network (VPN). Due to the increase in users working remotely, IDFC's data and information had to be secured over usage of public internet connections (Mobile 3G and personal WIFI). The organisation had to put in place Security Services, Microsoft Licencing and Tools to protect IDFC from possible infrastructure vulnerabilities, malicious software and cyber threats.

HEALTH, SAFETY AND ENVIRONMENT

Health, safety and the environment are areas of great concern to IDFC and, consequently, are accorded the priority status they deserve. It is for this reason that continuous awareness is promoted across the organisation.

Our health, safety and environment strategy centers around a combination of risk management, policy setting, employee awareness and a culture which seeks to promote the desired health, safety and environment behaviours, the implementation of management systems and the promotion of staff health and well-being, along with compliance.

IDFC sets out to be compliant with all legal requirements pertaining to the protection of health, safety and the environment.

This is achieved through:
- Identifying, controlling, eliminating or reducing both health and safety risks and significant environmental impacts;
- Preventing pollution and accidents, or ill-health and to deliver continuous improvement;
- Training and informing all members of staff, so as to ensure they are equipped with adequate knowledge regarding health, safety and environment activities, and to inculcate across the organisation a positive health, safety and environment culture; and
- Making appropriate resources available, thus ensuring effective compliance with our health, safety and environment policies and procedures.

On a periodic basis, we assess our levels of compliance, inclusive of assurance processes. Such checks are undertaken as a means of providing assurance to the relevant authorities that our operations and business units do, in fact, comply with policies and all legislative requirements.

In this regard, we have made good progress towards the development and implementation of improvement plans, as follows:

HEALTH
IDFC remains wholly-committed to ensuring the health of members of staff, achieved through the implementation of continuous medical surveillance and other monitoring programmes.

This is executed through a combined effort between the Occupational Health and Safety Business Unit and the Wellness Business Unit. The health of our staff is a priority, as they are regarded as our most important resource, at all times, especially during the prevailing COVID-19 pandemic.

SAFETY
There were no reportable incidents that took place during the 2019/20 financial year. OHSE training, awareness campaigns, inspections and audits are regularly undertaken as a means of maintaining the health and safety of our members of staff in the workplace.

Occupational Health and Safety Committee meetings are held on a quarterly basis, being the minimum requirement contained in the Occupational Health and Safety Act.

ENVIRONMENT
IDFC recognises and understands the importance of the environment and that non-compliance does not only impact the environment alone, but the business as well.

We continue to strive to ensure that the environment is not adversely affected by any of our business activities, so as to create a sustainable and profitable business, together with the provision of professional and reliable services to our tenants.

During the 2019/20 financial year, there were two reportable environmental incidents at the Ezakheni Industrial Estate. We continue working with the relevant authorities towards ensuring a harm-free environment.

We have in place valid permits, issued for waste management at our industrial estates, and we vigilantly continue monitoring the performance of landfill sites, in line with legal requirements.

The two incidents mentioned above were fully investigated and closed with no further outstanding concerns by the authorities.

Monthly awareness broadcasts are disseminated to enhance staff awareness of their role and responsibilities regarding matters of health and safety.

GOVERNANCE

INTRODUCTION
IDFC's Board of Directors subscribes to the highest standards of corporate governance and expects the implementation of such standards across all the organisation's business operations.

The Board is ultimately accountable for putting corporate governance structures and policies in place, so as to ensure that all internal stakeholders take responsibility for ethical behaviour and adhere to the IDFC Code of Conduct. The Board comprehends and values long-term and ethical client relationships and has well-established governance processes in place to safeguard the balance between achieving business growth and meeting the reasonable expectations of stakeholders. The Board has expressed a position of zero tolerance to any form of fraud, theft or corruption.

The Group Chief Executive is the only member of the management team who is an ex-officio member of the Board. Therefore, the balance between Non-executive and Executive Directors is not at the level recommended by the King Report. This is mitigated by the appointment of Executives as members of certain Board Committees.

The Board of Directors believes that in all material aspects that are relevant to its business, IDFC has complied with the recommendations contained in the King IV Report during the year under review.

BOARD COMPOSITION
The Board is appointed by the responsible Member of the Executive Council of the Province of KwaZulu-Natal. In terms of Section 6 (1) (a) of the Ithala Act, the Board must comprise at least seven, but no more than 13 members. The term of office of the Board was renewed for a further three years ending 31 May 2021. After the resignation of Mr Nzuza, with effect from 31 May 2019, the Board comprised seven Non-executive Directors and the Group Chief Executive, who is an ex-officio member of the Board.

BOARD EFFECTIVENESS
A skills gap analysis is undertaken annually against the minimum skills as stipulated in the Ithala Act, as well as those skills the Board considers essential for the achievement of the organisation's strategic goals.

The results of the skills gap analysis indicated that the Board needed to bolster its information technology and legal skills. Information technology and legal specialists were co-opted onto the ICT Governance Committee and the Audit and Risk Committee respectively, with effect from 1 June 2019 and 1 April 2020 respectively, in terms of Section 16 (1) of the Ithala Act.

In terms of the Board performance evaluation framework, the Board is required to evaluate its performance on a three-year cyclical basis:
Year 1: The Board as a collective, individual members' self-evaluation and peer evaluation;
Year 2: Board Committees, their Chairpersons Committee members peer evaluation;
Year 3: An independent service provider will evaluate the performance of the whole Board and its Committees.

The Board collective, individual members' self-evaluation and peer evaluation was conducted at the end of the 2018/19 financial year and the results are summarised below:

Collective Evaluation:
The majority of Non-executive Directors expressed satisfaction with the performance as meeting all reasonable requirements of a good Board, except in the following areas where the average scores were below the acceptable standard by some Board members:
- Monitoring of execution of strategy;
- Training;
- Quality and detail of information presented to the Board; and
- Succession planning for top management roles.

The following were areas identified for improvement:
- Definition of the role and responsibilities of the Board, as well as its scope of authority;
- Identification of information required by the Board on a regular basis, including information by which to benchmark the strategic plan;
- Improvement of the Board's strategic role;
- The Directors' ability to influence the agenda; and
- Board effectiveness in the assessment of outside risks that have an impact on IDFC.

Self-Evaluation:
Most Non-executive Directors rated themselves as meeting all reasonable requirements of good Board performance and above average, although some were not satisfied with their performance in the following areas:
- Effective contribution to the process of risk identification and management;
- Demonstration and use of knowledge and awareness of obligations in terms of the Ithala Act, Companies Act, PFMA and understanding of financial reports;
- Contribution towards ensuring that the organisation meets its goals and obligations in terms of its business plan;
- Preparedness and ability to express disagreement with colleagues on the Board - demonstration of candour and examination of alternatives; and
- Engagement with management and soliciting information required to make informed decisions.

Peer Evaluation:
Due to their personal nature, peer evaluation results were left for

discussion by individual Board members with the Chairman on a one-on-one basis.

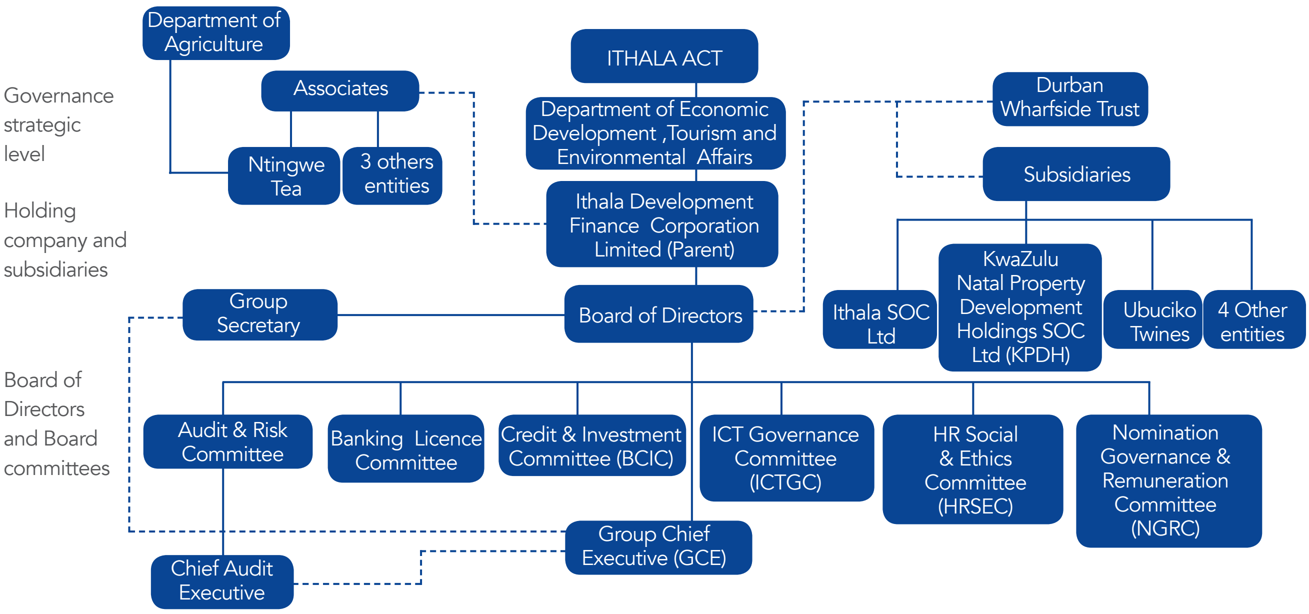
Generally, Board members were satisfied with the performance of their peers, except in terms of the following areas, which were a concern for some Directors:

- Balanced and penetrating discussions;
- Awareness of industry trends;
- Questioning of corporate practices and policies of IDFC, as well as the conduct of the affairs of the Board and its Committees;
- Expression of thoughtful, honest concerns and enquiries or opinions on issues; and
- Constructive and productive conflict management.

The Board approved a training plan, which was partly based on the results of such evaluation, and additional training requirements to improve the Board members' effectiveness.

GOVERNANCE STRUCTURE

Illustrated below is the IDFC governance structure.



Board Committees have been established in terms of Section 15 (1) of the Ithala Act to assist the Board discharge its responsibility of reviewing operational performance and monitoring risk management. The allocation of members to the Committee is based on skills and every effort is made to distribute Committee membership evenly among all Non-executive Directors.

The Board approved the terms of reference and delegated powers of authority for the Committees.

Each Board Committee has a work plan which serves as a mechanism to ensure that meetings are structured in such a manner that meet the King Report on Corporate Governance recommendations, and that Public Finance Management Act (PFMA) and Companies Act requirements are addressed.

The Board Committee Chairpersons make reports on the activities of their respective Committees to the Board at every meeting, highlighting emergent risks and recommending strategies, as they deem appropriate, to enable the Board to monitor, among others, key risk areas that are relevant to the organisation.

The Board Committees have the right to obtain independent outside professional advice to assist with the execution of their duties, at the organisation's cost, subject to following a Board-approved process.

Membership of the Board and Board Committees is as follows:

BOARD AND COMMITTEE MEMBERSHIP - 2019/20

Board of Directors	Audit and Risk Committee (ARC)	Credit & Investment Committee (BCIC)	Info, Tech Governance Committee (ICTG Co)	Human Resources, Social & Ethics Committee (HRSEC)	Nomination, Governance & Remuneration Committee (NGREMCO)	Banking Licence Committee (BLC)
Mr R Morar (Chairman)					√	√
Mr S Mkhize (Deputy Chairman)	√	√			√	√
Mr C Gina				√		
Ms K Mbonambi	√		√	√	√	
Inkosi S Mkhize		√			√	√
Mr S Ndlovu	√	√		√	√	
Mr N Nzuza (Resigned 31/05/2019)			√	√		
Ms P Sibiya	√	√	√		√	√
Ms B Mokgatle (GCRO)				√		
Mr E Zaca (Co-opted)	√					
Ms P Bengu		√		√		
Mr S Mnguni (GCFO)		√				
Mr K Cele (Co-opted)			√			

Board and Committee meeting attendance: 2019/20 financial year - 01 April 2019 to 31 March 2020

Director		Board of Directors		Audit and Risk Committee (ARC)		Banking Licence Committee (BLC)		Credit and Investment Committee (BCIC)		Nominations and Governance Committee (NGREMCO)		Human Resources, Social and Ethics Committee (HRSEC)		Info, Tech & Coms Governance Committee (ITCGC)	
Name	Date of Appointment	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings
Mr R Morar (Chairman)	01/06/2017	11	10	n/a	n/a	4	3	n/a	n/a	4	3	n/a	n/a	n/a	n/a
Mr S Mkhize (Deputy Chairman)	01/06/2017	11	11	8	8	4	4	10	9	4	3	n/a	n/a	n/a	n/a
Ms P Sibiya	01/06/2017	11	9	8	8	4	3	10	10	4	4	n/a	n/a	6	6
Inkosi S Mkhize !	01/06/2017	11	11	n/a	n/a	4	4	10	9	4	4	n/a	n/a	n/a	n/a
Ms K Mbonambi	01/06/2017	11	9	8	8	n/a	n/a	n/a	n/a	4	3	7	6	6	6
Mr S Ndlovu	01/06/2017	11	11	8	8	n/a	n/a	10	10	4	4	7	7	n/a	n/a
Mr N Nzuza *	01/06/2017	11	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mr C Gina	01/06/2017	11	10	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7	6	n/a	n/a
Mr K Cele $ (Co-opted Member)	01/01/2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6	6
Mr E Zaca # (Co-opted Member)	01/10/2018	n/a	n/a	8	2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ms PS Bengu (GCE)	01/11/2018	11	10	8	7	4	2	10	7	4	2	7	6	6	4

n/a = Director is not a member of the Committee or Board, in the case of co-opted members. Co-opted members are appointed for a one-year term.
* = Mr N Nzuza resigned with effect from 31 May 2019.
# = Mr E Zaca's term as a co-opted member of the Audit and Risk Committee ended on 30 September 2019 and was not renewed.
! = Inkosi Mkhize resigned with effect from 6 May 2020.
$ = Mr K Cele was disqualified from being a co-opted member of the ICT Governance Committee in March 2020 when he applied for the position of Group Chief Information Officer

AUDIT AND RISK COMMITTEE

The primary role of the Audit and Risk Committee as a sub-committee of the Board is to assist the Board of Directors in fulfilling its oversight responsibilities to ensure the integrity of the financial statements, to oversee the effectiveness of risk management framework and the internal control systems as well as compliance matters. The Committee provides oversight on the effectiveness of the internal and external assurance provider(s); and system of risk management by assessing the independence, objectivity and quality of the audit performed by the external and internal auditors.

The Committee also reviews significant risks and related mitigations and reports back to the Board after each meeting. Each business area is responsible for identifying, assessing and managing the risks in their respective areas. Annual risk assessment workshops are held and identified risks are documented in a risk register and assessed on the basis of likelihood of occurrence and potential impact on Ithala (risk exposure). The quarterly updates regarding the identified risks, related mitigations and emerging risks are provided to the Committee for consideration.

The Committee also focused on occupational health, safety and environmental risk. Efficient health and safety at the workplace not only ensures that employees are happy and productive, but can also assist in reducing both human and business costs and unnecessary lawsuits.

During the year under review, the Audit and Risk Committee focused on the group's financial performance and performance against the Annual Performance Plan, as agreed upon with the Department of Economic Affairs, Tourism and Environmental Affairs.

Internal Audit continuously provides assurance on the adequacy of controls and effectiveness of risk management within the organisation. Based on the review conducted during 2019/20, the risk management function has adequate systems and policies, however the effective embedding and ownership by management can be improved.

To improve the control environment and ensure attainment of the organisational goals, the areas of focus by the Audit and Risk Committee include:

- The internal and external audit findings, to which management continuously attends. The resolution of the audit findings is monitored and reported to the Committee by Internal Audit;
- Increase in vacancy in critical positions, which has a potential to affect decision making and delay strategy implementation.
- Non-adherence to the supply chain management policy, resulting in instances of irregular and/or fruitless and wasteful expenditure continues to be a key focus of the Committee; and
- The impact of non-performing loans on the loan book and business.

During the 2019/20 reporting period, the Audit and Risk Committee reviewed and recommended the following to the Board for approval:

- The Committee's Terms of Reference;
- The Corporate Plan (IDFC's 5 year Strategic Plan and Annual Performance Plan) 2020/21 – 2024/25;
- Strategic Risk Register;
- The Corporation 2020/21 budget;
- Integrated Report 2018/19;
- The whistle-blowing policy;
- Supply Chain Management Policy;
- FICA Risk Management and Compliance Programme;
- Anti-Fraud and Corruption Policy, and
- Occupational Health, Safety and Environmental (OHSE) Policy Statement.

BANKING LICENCE COMMITTEE

The Banking Licence Committee continued focusing attention on the regularisation of Ithala SOC Limited's banking activities, with special emphasis on the shareholding structure for the proposed bank and the capital requirements for a fully-fledged bank.

The Committee also monitored the implementation of a digital banking system, which is geared towards modern-day banking.

CREDIT AND INVESTMENT COMMITTEE

The Credit and Investment Committee continued its focus on the performance of the loan book and, particularly, high-value matters which have a material impact on the levels of non-performing loans in spite of being in the minority.

Given the deterioration in the performance of the loan book, due to, among others, the state of the South African economy, management was requested to present a plan for reducing non-performing loans.

The Committee continued to monitor the progress of the turn-around plan for Port Shepstone Quarries (Pty) Ltd. Mr Chris Gina was appointed the new Chairman of the Board, replacing Mr N Nzuza, who resigned with effect from 31 May 2019. The Committee recommended to the IDFC Board the shareholder capital injection for Port Shepstone Quarries (Pty) Ltd operational costs.

During the reporting period, the Committee reviewed and recommended to the IDFC Board the following:

- The Business Finance Strategy;
- The Properties Strategy;
- The Strategic Partnership Policy;
- The Enterprise Development Policy;
- The IDFC Policy; and
- The Domestic Influential Persons Policy.

In addition, during the year under review, the Committee was delegated to approve deals of R10 million and above. Seven deals were approved during the reporting period. The Committee further reviewed the NPL Strategy by management.

HUMAN RESOURCES, SOCIAL AND ETHICS COMMITTEE

In September 2018, the Board resolved to have an Organisation Review initiated and implemented.

The scope of this review involved analysing the existing organisation design (structure) and conducting an analysis of the required competencies and skill sets necessary for the organisation.

In practice, the development of succession plans and the identification of critical skills and positions for retention require a definite organisation structure.

Accordingly, certain aspects of talent identification and succession planning were placed on hold and will be completed once the Organisation Review has been completed and a new organogram(s) approved, along with the development of required competencies for various jobs.

In December 2019, on the recommendation of the HRSEC, the Board resolved to approve the Macrostructure for the organisation.

An employee wellness strategy was approved by the Board in February 2019, which aimed to achieve the following goals and objectives:

- Reduce health-care costs;
- Reduce the high rate of absenteeism;
- Increase employee productivity and performance; and
- Improve employee morale, engagement and retention.

On a quarterly basis the Committee tracked the progress made towards the implementation of the employee wellness strategy and noted that employee participation was continuously growing.

In addition to human resources-related matters, the Committee tracked the progress of all marketing initiatives conducted by IDFC for the financial year under review.

In the last quarter, the Board approved the organisation's 60-Year Brand Campaign. The aim of the campaign was to highlight IDFC's 60 years of developing and empowering the people of KwaZulu-Natal.

ITC GOVERNANCE COMMITTEE

In line with King Code guidelines, the Board takes responsibility for Information Technology governance and has delegated the oversight role of IT risk and governance to the ITC Governance Committee by way of:

- Delegated powers of authority, as set out in the approved Terms of Reference of the ITC Governance Committee, which terms specifically include responsibility for Information Technology, communication and IT governance;
- The appointment of a co-opted IT specialist member, who is included in the composition of the ITC Governance Committee, fulfilling the main purpose of ensuring the effectiveness of and providing assurance for the Information Technology function;
- Ensuring that the Group Chief Executive has appointed a suitably qualified and experienced Group Chief Information Officer, responsible for the management of Information Technology; and
- Ensuring that Information Technology governance is integrated into the IDFC group's operations and governance practices and frameworks, which are reviewed as part of the annual internal audit plan.

The ITC Governance Committee reports to the Board on a quarterly basis with regard to its oversight responsibilities, inclusive of Information Technology governance. In terms of Information Technology governance, key deliberations of the Committee focused on the Information Technology Strategy, Disaster Recovery Planning and Testing, as well as business continuity.

NOMINATIONS, GOVERNANCE AND REMUNERATION COMMITTEE

The Committee utilised a skills matrix to review the range and relevance of the Directors' skills and interests in terms of the business of the organisation in order to determine whether the current mix enables it to bring independent judgement to Board deliberations and decision-making.

The exercise confirmed the Board was lacking in legal expertise, resulting in the appointment of a legal specialist, as a co-opted member, to the Audit and Risk Committee.

The Board believes that establishing and implementing good governance practices is one of the most useful activities to create a higher-functioning Board, whilst building the correct foundation for achieving IDFC's Vision and Mission.

The Board has mandated the Nominations, Governance and Remuneration Committee with responsibility for ensuring that the organisation follows good governance practices.

With regard to remuneration practices, IDFC offers its employees a performance-based remuneration package, a system which drives a culture of performance and accountability within the organisation.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee is appointed under the leadership of the Group Chief Executive to provide day-to-day leadership for the activities of IDFC.

It enjoys overall responsibility for developing and delivering against the organisation's corporate and business plans.

The Committee is the highest management operational committee and functions to assist the Group Chief Executive in carrying out her executive duties, as delegated by the Board.
The Committee comprises the Group Chief Executive, as Chairperson, the entire Executive Team and the Group Company Secretary.

The Chief Audit Executive and the Programme Manager: Group Chief Executive's Office are standing invitees to meetings of the Group Executive Committee.

Committee members are prescribed officers, as defined in the Companies Act and are obliged to act in terms of the roles and responsibilities, as required of a prescribed officer. The Committee holds sufficient scheduled meetings to effectively discharge its duties, as set out in its Terms of Reference, with a minimum of one meeting per month.

UNEARTHING PEOPLE'S POTENTIAL

ANNUAL FINANCIAL STATEMENTS

CONTENTS

The Annual Financial Statements are audited by the Auditor-General, as an independent auditor, in terms of the Public Finance Management Act (Act No. 1 of 1999).

The Annual Financial Statement preparation has been supervised by Mr Sandile Mnguni, the Group Chief Financial Officer of Ithala Development Finance Corporation.

REPORT OF THE AUDIT AND RISK COMMITTEE

Report of the Audit and Risk Committee of the Board in terms of regulation 27.1.10(B) and (c) of the Treasury regulations [in terms of sections 51(1) (a) (ii) and 76(4) (d) of the Public Finance Management Act of 1999 as amended], The Companies Act, No 71 of 2008 and the recommendations of the King IV code of governance.

BACKGROUND

The Board's Audit and Risk Committee, in addition to having specific statutory responsibilities in terms of the Companies Act, assists the Board in fulfilling its oversight responsibilities with regard to the evaluation of the adequacy and effectiveness of accounting policies, internal controls, risk management and financial reporting processes of the Corporation and Group.

In addition, the Audit and Risk Committee assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

TERMS OF REFERENCE

The Audit and Risk Committee has adopted formal Terms of Reference that have been approved by the Board and has executed its duties during the past financial year in accordance with such Terms of Reference.

COMPOSITION

The Audit and Risk Committee comprises four Independent Non-Executive Directors and at 31 March 2020 the Audit and Risk Committee comprised:

- Ms PN Sibiya, (Chairperson), Chartered Accountant (SA);
- Ms K Mbonambi, B. Com Honours;
- Mr S Mkhize, Chartered Accountant (SA);
- Mr S Ndlovu, Professional Accountant (SA), ACMA, CGMA, MBA; and
- Mr EB Zaca, BProc and LLB (appointed 01/10/2018 – 30/09/2019).

For detailed qualifications of the afore-mentioned Audit and Risk Committee members, please refer to pages 14 to 16 of the Integrated Annual Report.

The Group Chief Executive, the Group Chief Financial Officer, Group Chief Risk Officer, Chief Audit Executive, other executives and representatives from external audit attend committee meetings by invitation only.

The internal and external auditors have unrestricted access to the Audit and Risk Committee.

MEETINGS

The Audit and Risk Committee held eight meetings during the period under review.

Meeting attendance is reflected in the following table:

	13/05/19	29/05/19	12/06/19	20/08/19	11/11/19	17/02/20	12/03/20	16/03/20
Ms P Sibiya	√	√	√	√	√	√	√	√
Mr S Ndlovu	√	√	√	√	√	√	√	√
Mr S Mkhize	√	√	√	√	√	√	√	√
Ms K Mbonambi	√	√	√	√	√	√	√	√
Mr EB Zaca (Appointed 01/10/18 - 30/09/19)	A	√	A	√	N	N	N	N

√ = Present
A = Apologies
N = No longer a member

STATUTORY DUTIES

In the execution of its statutory duties during the past financial year, the Audit and Risk Committee:

- Understood that the appointment of the Auditor-General (South Africa), as an auditor, complies with the relevant provisions of the Companies Act and Public Finance Management Act;
- Determined the fees to be paid to the Auditor-General (SA), as disclosed in Note 36 of the Annual Financial Statements;
- Determined the terms of engagement of the Auditor- General (SA);
- Reviewed the annual report and annual financial statements;
- Oversaw the implementation of an effective policy and plan for risk management;
- Considered the internal and external audit process and the accounting principles and policies;
- Ensured compliance and adherence to applicable legal, regulatory and accounting requirements; and
- Contributed to a climate of discipline and control to mitigate against fraud.

INTERNAL CONTROLS

The Audit and Risk Committee has:

- Reviewed the effectiveness of Corporation's system of internal controls, including receiving assurance from management, internal audit and external audit;
- Reviewed significant issues raised by the internal and external audit processes;
- Reviewed policies and procedures for preventing and detecting fraud; and
- Reviewed significant cases of misconduct, or fraud, or any other unethical activity by employees of Ithala.

Based on the processes and assurances obtained, we believe that significant internal controls are generally adequate.

REGULATORY COMPLIANCE

The Audit and Risk Committee:

- Reviewed the effectiveness of the system for monitoring compliance with laws and regulations; and
- Is satisfied with the expertise and adequacy of resources within the compliance function.

Based on the processes and assurances obtained, we believe that Ithala generally complies with regulatory requirements.

EXTERNAL AUDIT

The Audit and Risk Committee has:

- Reviewed the external audit scope to ensure that the critical areas of the business are being addressed; and
- Reviewed the external auditor's report, including issues arising out of the external audit report.

Based on processes followed and assurances received, nothing has come to our attention with regard to the external auditor's independence.

INTERNAL AUDIT

The Audit and Risk Committee has:

- Reviewed and approved the internal audit charter;
- Evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Satisfied itself that the internal audit function has the necessary resources, budget and standing authority within the Corporation to enable it to discharge its functions;
- Reviewed internal audit reports, including the response of management to issues raised therein;
- Approved the three-year rolling internal audit plan; and
- Encouraged co-operation between external and internal audit.

Based on processes followed and assurances received, nothing has come to our attention with regard to the internal auditor's independence and objectivity.

FINANCE FUNCTION

The Audit and Risk Committee:

- Believes that the Group Chief Financial Officer possesses the appropriate expertise and experience to meet his responsibilities in this position;
- Is satisfied with the expertise and adequacy of resources within the finance function; and
- Is satisfied with the quality of the quarterly management reporting to both the Board and the Shareholder, the Department of Economic Development, Tourism and Environmental Affairs.

Based on the processes and assurances obtained, we believe that the accounting practices are generally adequate.

RISK AND MANAGEMENT FUNCTION

The Audit and Risk Committee:

- Believes that the Group Chief Risk Officer possesses the appropriate expertise and experience to meet her responsibilities in this position;
- Participated in the identification of the strategic risks and considered the strategic risk register;
- Has adopted the Enterprise Risk Management Framework; and
- Considered the risk maturity assessment which indicate that the organisational risk management is adequate and implemented in most projects.

Based on the processes and assurances obtained, we believe that risk management practices are generally adequate.

REPORT OF THE AUDIT AND RISK COMMITTEE
(CONTINUED)

COMBINED ASSURANCE MODEL

In compliance with King IV on Corporate Governance, the Audit and Risk Committee continues to monitor a combined assurance model to provide a co-ordinated approach to all assurance activities and address significant risks facing the company.

Reporting on combined assurance principles continued during the financial year under review, providing the Audit and Risk Committee an overall assurance on the adequacy and effectiveness of controls on strategic risks for the organisation.

Amongst others, combined assurance provides assurance to the Audit and Risk Committee that significant risks, including strategic risks and controls to mitigate the risks are assessed by different assurance providers.

With combined assurance, the Audit and Risk Committee is able to fulfil its oversight function much more effectively and efficiently.

IMPACT OF COVID-19

On 26 March 2020, the Republic of South Africa went on lockdown due to the COVID-19 pandemic after the President of the Republic declared the state of disaster in terms of Disaster Act, 2002 on the 15 March 2020.

This pandemic resulted in a global economic downturn and will have an impact on the organisation's ability to attract funding of its initiatives. The Audit and Risk committee is satisfied with the mitigation measures implemented by management to minimize the impact of COVID-19 on the business.

....

Ms Precious Sibiya

Chairperson: Audit and Risk Committee

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The financial statements have been prepared in accordance with International Finance Reporting Standards.

In preparing the annual financial statements, the following have been adhered to:

- The KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013;
- The Public Finance Management Act (PFMA), Act No. 1 of 1999; and
- The International Finance Reporting Standards (IFRS).

The Directors are 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.

Nothing has come to the attention of the Directors from management or the internal and external auditors to indicate any breakdown in the functions of these controls during the year under review, which resulted in any material loss to the Corporation and Group.

All employees are required to maintain the highest ethical standards in ensuring that the Corporation and the Group's business practices are concluded in a manner which, in all reasonable circumstances, is above reproach.

IDFC and Group Annual Financial Statements have been prepared on the going concern basis. This basis of accounting has been adopted by the Board after having made enquiries of management and given due consideration to information presented to the Board. Accordingly, the Directors have no reason to believe that IDFC and Group will not continue as a going concern in the year ahead.

The Auditor-General was appointed, as independent auditor, in terms of the Public Audit Act, Act No. 25 of 2004, and the Public Finance Management Act, Act No. 1 of 1999, and has audited the Corporation Annual Financial Statements and the Group Annual Financial Statements.

Their report is presented on pages 70 to 73.

The Annual Financial Statements, which appear on pages 76 to 154 were approved by the Board of Directors on 16 October 2020 and are signed on its behalf by:

....

Mr R Morar
Chairman

....

Ms P Bengu
Group Chief Executive

GROUP COMPANY SECRETARY'S CERTIFICATION

The Group Company Secretary certifies that Ithala Development Finance Corporation Limited has lodged with the appropriate regulatory authority all returns, as are required, in terms of the KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013. All such returns are correct and up-to-date.

....

Ms LS Mahamba
Group Company Secretary

REPORT OF THE AUDITOR-GENERAL

to the KwaZulu-Natal Provincial Legislature on Ithala Development Finance Corporation Limited

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Ithala Development Finance Corporation Limited and its subsidiaries (the group) set out on pages 76 to 154, which comprise the consolidated and separate statement of financial position as at 31 March 2020, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.

4. I am independent of the group in accordance with sections 290 and 291 of the *Code of Ethics for Professional Accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Loans and advances - impairment losses

7. As disclosed in note 2 to the consolidated and separate financial statements, the group reported material impairments of R444,54 million (2019: R288,19 million) on loans and advances as a result of loans becoming non-performing.

Responsibilities of the accounting authority for the consolidated and separate financial statements

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the PFMA, and 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.

9. 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-general's responsibilities for the audit of the consolidated and separate financial statements

10. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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.

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

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected strategic goal presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the Ithala Development Finance Corporation (the entity). I have not evaluated the completeness and appropriateness

of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the group enabled service delivery. My procedures also do 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, my findings do not extend to these matters.

14. I 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 strategic goal 2: to recapitalise and grow the property portfolio presented on page 46 in the annual performance report of the entity for the year ended 31 March 2020.

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I 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.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic goal.

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. The annual performance report on pages 46 to 48 includes the information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

20. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

21. The annual financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(a) of the PFMA. Material misstatements of property, plant and equipment, intangible assets, landfill site provisions, related parties and other disclosures identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

22. Effective and appropriate steps were not taken to prevent an irregular expenditure amount of R1,3 million, as disclosed in note 40 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Other information

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected strategic goal presented in the annual performance report that has been specifically reported in this auditor's report.

24. My opinion on the consolidated and separate financial statements, report on performance information and findings on the compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

25. In connection with my audit, my 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 strategic goal presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. I did not receive the other information prior to the date of this auditor's report.

26. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

27. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my 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 findings on compliance with legislation included in this report.

28. Management did not implement adequate review controls to ensure timely and accurate implementation of the overall processes to comply with the IFRS accounting framework.

29. Management have not implemented adequate documentation and review controls to ensure that the

REPORT OF THE AUDITOR-GENERAL
(CONTINUED)

procurement of emergency orders was done in accordance with the entity's supply chain management policy.

Other reports

30 I draw attention to the following engagements which had, or could have, an impact on the matters reported in the group's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements, report on performance information or findings on compliance with legislation.

31. The group's internal audit and risk assurance services conducted a number of investigations during the period 01 April 2019 to 31 March 2020.The investigations were initiated based on the allegations of irregularities arising from deviation from supply chain management and human resource processes, the outcomes of which were communicated and are currently being addressed by management.

32. A subsidiary of the group, Ithala SOC Limited, engaged the services of a forensic specialist at the request of the South African Reserve Bank to conduct an investigation into alleged irregularities in the prior year on the procurement of the online banking solution as well as the lending and governance processes. The investigation was not finalised at the date of my report.

Auditor-General

Pietermaritzburg
30 September 2020

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Annexure – Auditor-General's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I 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 my 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group'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. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a group to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
   - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. I 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 I identify during my audit.

4. I also confirm to the accounting authority that I 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 my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

THE DIRECTORS' REPORT

For the year ended 31 March 2020

The Directors have pleasure in presenting this report as part of the Annual Financial Statements (AFS) of Ithala Development Finance Corporation Limited (The Corporation) and the consolidated financial statements of the Corporation and its subsidiaries (referred to as The Group) for the financial year ended 31 March 2020.

A. Legal Form and Domicile

The Corporation is a provincial development finance institution, wholly-owned by the KwaZulu-Natal Government's Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and operating in terms of the Ithala Development Finance Corporation Act No.5 of 2013.

The Corporation operates within the legal framework of the Public Finance Management Act, No.1 of 1999 (PFMA); as a listed public entity under Schedule 3: Part D.

The Corporation is domiciled in South Africa.

The address of its registered office and principal place of business is number 29 Canal Quay Road, Point Waterfront, Durban, 4001.

B. Nature of Operations

Ithala Development Finance Corporation manages fully-integrated business activities that provide a range of financial and property services throughout KwaZulu-Natal.

The Corporation makes equity investments in various subsidiaries and associated companies located in the KwaZulu-Natal province, in keeping with its legislated development mandate. These are outlined in Notes 9 and 15 of the Annual Financial Statements.

C. Financial Results

The results of the Corporation and the Group for the year ended 31 March 2020 are disclosed in the Annual Financial Statements, set out on pages 76 to 154.

For more details on the financial results of the Subsidiaries and Associated Companies, refer to the separate annual financial statements of these companies and see Notes 7, 8 and 27 of the Group Financial Statements for summary financial information between the Corporation and these companies.

D. Policy Directives

No policy directives were received from the MEC for Economic Development, Tourism and Environmental Affairs during the financial year ended 31 March 2020.

E. Events Subsequent to the Date of Statement of Financial Position

The Group assessed all account balances in the statement of financial position for COVID-19 impact. See disclosure Note 46 for details. Subsequent to financial year-end, the Land Bank defaulted on certain of its debt obligations. At financial year-end, IDFC held a R60 million investment in the Land Bank. As at 31 March 2020, Ithala SOC Limited raised an additional impairment on this investment due to this default.

Fair value of investments

The fair value of listed investment, as disclosed in Note 3, is R2,97 billion at year-end (2019: R2,86 billion).

F. Ordinary Share Capital

The Share Capital of the Corporation has remained unchanged during the financial year under review. The authorised and issued share capital of the company is R1 billion (2019: R1 billion).

G. Dividends

No dividends were declared or payable to the shareholder (EDTEA), as retained income attributable to the ordinary shareholder is reinvested in projects that promote economic development.

H. Interests in Contracts

There were no contracts entered into in which Directors and Officers of the Corporation had an interest. Refer to Note 30 for details on related party disclosure.

I. Sources of Funding

The Corporation did not raise any new long-term borrowings from lenders during the year under review (2019: Rnil) - refer to Note 21 of the Annual Financial Statements for more details on existing Borrowings. During the year under review, the Corporation received Government grants of R164,5 million (2019: R145,7 million) from EDTEA. Refer to Note 24 for details of grants received.

J. Going Concern Basis of Accounting

- **Corporation**

  The Group's business activities, together with factors likely to affect its future development, performance and position as at 31 March 2020, have been assessed by the Directors. The financial position of the Corporation, its cash flows, liquidity position and borrowing facilities are described in the relevant sections of the financial statements. In addition, Note 32 to the financial statements includes the company's policies, processes for managing its capital, details of its financial instruments and its exposures to credit and liquidity risk.

As highlighted in Notes 16 and 31 to the financial statements, the Corporation meets its day-to-day working capital requirements from its own cash resources and has open unutilised lines of credit of R100 million from major financial banking institutions. The Group posted a profit of R34,9 million for the year ended 31 March 2020 (2019: R235,1 million) as disclosed in the Annual Financial Statements. The Group is solvent and liquid - refer to the Group Chief Finance Officer's Report on page 12 for details. The Directors have a reasonable expectation that the Corporation and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Annual Financial Statements have been prepared on a going concern basis.

- **Subsidiaries**
  The going concern ability of the Corporation's subsidiary companies has been assessed by the Directors at year-end. The following subsidiaries' Annual Financial Statements were prepared on a liquidation basis:
  - Ubuciko Fabrics and Twines (Pty)Ltd;
  - Port Shepstone Quarries (Pty) Ltd;
  - Sundumbili Plaza Limited;
  - Nongoma Plaza Limited;
  - Durban Wharf Side Trust;
  - Sibaya Conservation Projects (Pty) Ltd; and
  - KwaZulu-Natal Property Development Holding SOC Limited.

The above subsidiaries are under voluntary liquidation and its annual financial statements have been prepared on the liquidation basis. Refer to the subsidiary's individual Annual Financial Statements for details on the reporting basis adopted.

Ithala SOC Limited's Annual Financial Statements were prepared on a going concern basis.

K. Banking Licence exemption of Ithala SOC Limited

The Minister of Finance extended the Ithala SOC Limited exemption to the end of December 2021, subject to the entity fulfilling certain conditions.

L. Board of Directors

Information pertaining to Board Members and Committees is covered from page 14 to 16.

The following changes were made to the Board of Directors during the period under review:

CORPORATION

Resignations: N Nzuza - 31 May 2019.

ITHALA SOC LIMITED

The following movements occurred in terms of the Board of Directors during the period under review:

Resignations	
MF Kekana -	Resigned 04 November 2019;
M Mia -	Retired 26 July 2019;
B Ngonyama -	Resigned 26 July 2019;
P Radebe -	Resigned 31 October 2019; and
M Ngcobo -	Resigned 23 June 2019.

M. Company Secretariat

The Group Company Secretary is Ms LS Mahamba, B Com, Post-Graduate Diploma in Business Management, whose address is the Corporation's registered office (see section A above).

N. Information Disclosed in Terms of Section 55(2)(b) of the PFMA

- Particulars of irregular expenditure and fruitless and wasteful expenditure incurred are disclosed in Notes 40 and 41 of the Annual Financial Statements;
- In the ordinary course of business and in accordance with prevailing business rules, the Group wrote-off bad loans of R14,3 million (2019: R61,3 million), comprising a capital portion of R12,2 (2019: R50,6 million) and non-realisable revenue (NRR) of R2,1 million (2019: R10,7 million); and
- In spite of the write-off of these bad debts, the company continues to pursue these defaulters and no effort is spared in trying to recover monies owed to the Group. During the year under review a total of R5,9 million (2019: R11,2 million) was recovered from bad debts previously written-off.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
ASSETS					
NON-CURRENT ASSETS					
Loans and advances	2	1 790 329	1 856 557	209 880	269 718
Investment property	3	2 969 936	2 859 842	2 697 513	2 616 293
Property, plant and equipment	4	278 879	300 395	247 599	258 485
Intangible assets	5	24 799	30 193	9 833	17 177
Right-of-use assets	6	38 870	-	5 373	-
Straightlining of operating leases income	7	47 560	62 354	45 282	54 467
Deferred tax asset and liability	8	-	3 503	-	-
Investments in subsidiaries	9	-	-	466 275	455 384
Prepayment - land	10	8 166	8 166	8 166	8 166
Goodwill	11	317	312	317	312
Investments in joint ventures	15	-	2 796	-	2 796
Finance lease receivables	12	-	1 989	-	-
Investments	13	4 222	13 601	4 222	13 601
Investment in cell captives	14	41 122	31 873	41 122	31 873
Investments in associates	15	31	31	31	31
		5 204 231	**5 171 612**	**3 735 613**	**3 728 303**
CURRENT ASSETS					
Loans and advances	2	518 720	530 268	319 803	383 618
Straightlining of operating leases income	7	7 519	1 521	7 043	398
Straightlining of operating lease expenditure		-	956	-	-
Cash and cash equivalents	16	1 529 209	1 351 977	508 881	475 777
Statutory liquid asset	16	183 565	188 389	-	-
Trade and other receivables	17	97 998	103 020	144 580	142 407
Finance lease receivables	12	1 989	752	-	-
Inventories	18	6 487	5 388	5 373	4 038
		2 345 487	**2 182 271**	**985 680**	**1 006 238**
Non-current assets held for sale	19	2 834	3 647	380	37
Total Assets		**7 552 552**	**7 357 530**	**4 721 673**	**4 734 578**
EQUITY AND LIABILITIES EQUITY					
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT					
Share capital	20	1 008 582	1 008 582	1 008 582	1 008 582
Actuarial gains/(losses)	23	25 126	1 336	12 665	(2 519)
Retained income		3 171 733	3 167 600	3 054 559	3 068 831
Non-controlling interest		(47)	(154)	-	-
		4 205 394	**4 177 364**	**4 075 806**	**4 074 894**
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	21	37 785	40 517	35 726	38 458
Deposits due to customers	22	2 437 875	2 292 157	-	-
Retirement benefit obligation	23	87 339	105 787	55 879	68 634
Long service obligations	23	25 298	29 170	13 181	15 039
Government grants	24	62 980	212 920	51 092	201 032
Operating lease liability straightlining	6	-	14 611	-	2 039
Deferred tax liability	8	36 874	31 399	-	-
Provisions	25	12 388	11 716	10 712	10 106
Lease liabilities	34	44 237	-	12 370	-
		2 744 776	**2 738 277**	**178 960**	**335 308**
CURRENT LIABILITIES					
Borrowings	21	6 861	13 841	6 861	13 841
Retirement benefit obligation	23	6 921	6 519	5 218	5 058
Long service obligations	23	1 546	3 683	749	2 430
Provisions	25	15 456	9 500	7 505	4 686
Trade and other payables	26	557 315	408 348	445 564	298 286
Operating lease liability straightlining	6	-	-	-	74
Lease liabilities	34	14 284	-	1 012	-
		602 383	441 891	466 909	324 375
Total liabilities		3 347 159	3 180 168	645 869	659 683
Total equity and liabilities		7 552 553	7 357 532	4 721 675	4 734 577

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Interest income	37	354 956	337 220	76 484	74 642
Interest expenditure	38	(111 604)	(103 045)	(14 838)	(14 484)
Net interest income before credit impairment charges		243 352	234 175	61 646	60 158
		198 978	7 079	149 775	(851)
Net losses on derecognition of loans and advances	2	(14 317)	(61 319)	(8 803)	(48 950)
Expected credit loss - loans and advances	2	171 108	57 661	119 296	39 986
Net losses on derecognition of trade and other receivables	17	-	(6 226)	-	(6 024)
Expected credit loss - trade and other receivables	17	42 187	16 963	39 282	14 137
Net interest income after credit impairment charges		**44 374**	**227 096**	**(88 129)**	**61 009**
Other operating income	35	1 165 480	1 187 701	947 432	993 001
Operating income		**1 209 854**	**1 414 797**	**859 303**	**1 054 010**
Operating expenditure					
Other operating expenses	36	(1 086 987)	(1 132 917)	(745 311)	(760 558)
Impairment of non-current assets held for sale	19	1 333	4 977	1 166	569
Depreciation and amortisation	36	(49 010)	(39 826)	(25 408)	(27 476)
Impairments of plant and subsidiaries	36	(15 203)	(13 536)	(8 912)	-
Impairment of investments and investments in joint ventures	36	(3 647)	-	(82 423)	(18 085)
Impairment of investement in deposits with banks	36	(28 931)	-	-	-
Straightlining of operating lease income	7	(2 021)	(75)	(2 022)	(156)
Profit (loss) before taxation		**25 388**	**233 420**	**(3 607)**	**248 304**
Taxation	39	(14 239)	(6 010)	-	-
Profit (loss) for the year		**11 149**	**227 410**	**(3 607)**	**248 304**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial gains/(losses)	23	23 790	7 688	15 184	3 530
Actuarial gains (losses)		**23 790**	**7 688**	**15 184**	**3 530**
Total comprehensive income for the year		**34 939**	**235 098**	**11 577**	**251 834**
Profit (loss) attributable to:					
Owners of the parent		11 042	227 398	(3 607)	248 304
Non-controlling interest		107	12	-	-
		11 149	**227 410**	**(3 607)**	**248 304**
Total comprehensive income attributable to:					
Owners of the parent		34 832	235 086	11 577	251 834
Non-controlling interest		107	12	-	-
		34 939	**235 098**	**11 577**	**251 834**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital	Other Comprehensive Income	Retained Income	Total Attributable to Equity Holders of Group/ Company	Non-controlling Interest	Total Equity
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
Opening balance as previously reported	1 008 582	(6 352)	2 939 905	3 942 135	(166)	3 941 969
Adjustments Prior year	-	-	998	998	-	998
Balance at 01 April 2018 as restated	**1 008 582**	**(6 352)**	**2 940 903**	**3 943 133**	**(166)**	**3 942 967**
Profit for the year	-	-	227 398	227 398	12	227 410
Other comprehensive income	-	7 688	-	7 688	-	7 688
Total comprehensive income for the year	**-**	**7 688**	**227 398**	**235 086**	**12**	**235 098**
Opening balance as previously reported	1 008 582	1 336	3 168 308	4 178 226	(154)	4 178 072
Adjustments Prior year	-	-	(708)	(708)	-	(708)
Balance at 01 April 2019 as restated	**1 008 582**	**1 336**	**3 167 600**	**4 177 518**	**(154)**	**4 177 364**
Prior year adjustments (Adoption of IFRS16)*	-	-	(6 909)	(6 909)	-	(6 909)
Profit for the year	-	-	11 042	11 042	107	11 149
Other comprehensive income	-	23 790	-	23 790	-	23 790
Total comprehensive income for the year	**-**	**23 790**	**4 133**	**27 923**	**107**	**28 030**
Balance at 31 March 2020	**1 008 582**	**25 126**	**3 171 733**	**4 205 441**	**(47)**	**4 205 394**
Note(s) 20						
Company						
Opening balance as previously reported	1 008 582	(6 049)	2 820 237	3 822 770	-	3 822 770
Prior year adjustments	-	-	998	998	-	998
Balance at 01 April 2018 as restated	**1 008 582**	**(6 049)**	**2 821 235**	**3 823 768**	**-**	**3 823 768**
Profit for the year	-	-	248 304	248 304	-	248 304
Other comprehensive income	-	3 530	-	3 530	-	3 530
Total comprehensive income for the year	**-**	**3 530**	**248 304**	**251 834**	**-**	**251 834**
Opening balance as previously reported	1 008 582	(2 519)	3 069 539	4 075 602	-	4 075 602
Prior year adjustments	-	-	(708)	(708)	-	(708)
Balance at 01 April 2019 as restated	**1 008 582**	**(2 519)**	**3 068 831**	**4 074 894**	**-**	**4 074 894**
Prior year adjustments (Adoption of IFRS16)	-	-	(10 665)	(10 665)	-	(10 665)
Loss for the year	-	-	(3 607)	(3 607)	-	(3 607)
Other comprehensive income	-	15 184	-	15 184	-	15 184
Total comprehensive loss for the year	**-**	**15 184**	**(14 272)**	**912**	**-**	**912**
Balance at 31 March 2020	**1 008 582**	**12 665**	**3 054 559**	**4 075 806**	**-**	**4 075 806**
Note(s) 20						

* Refer to Adoption of New Standards Disclosure Note for the analysis of the impact of adoption of IFRS 16. The prior adjustments on retained earnings relates to assets that were not capitalised as at the completion date and expenditure incorrectly capitalised.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash (used in)/generated from operations	27	167 208	58 379	117 678	48 202
Decrease /(Increase) in working capital	27	51 204	(30 542)	44 021	(101 856)
Interest paid		(11 382)	(5 253)	(5 374)	(5 224)
Tax paid	28	(1 884)	(5 652)	-	-
Net cash generated from operating activities		**205 146**	**16 932**	**156 325**	**(58 878)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment to promote economic development in KwaZulu-Natal:					
Loans and advances					
- granted		(676 852)	(813 671)	(284 941)	(380 278)
- repaid		577 476	598 884	279 424	330 786
Additions to property, plant and equipment	4	(11 843)	(30 763)	(7 942)	(14 429)
Sale of property, plant and equipment	4	2 968	270	2 964	120
Purchase of investment property	3	(45 814)	(99 387)	(42 905)	(86 097)
Purchase of other intangible assets	5	(6 709)	(2 335)	(3 508)	(1 566)
Proceeds on disposal of properties in possession		1 156	592	-	-
Dividends received from investments		-	1 332	-	1 322
Increase in goodwill		(5)	(7)	(5)	(7)
Increase in liquid assets		4 824	(675)	-	-
Decrease in investment balances with other banks		(28 931)	-	-	-
Increase in subsidiaries, associated companies and joint ventures		(849)	-	(90 516)	(104 583)
Net cash generated/(utilised) by investing activities		**(184 579)**	**(345 760)**	**(147 429)**	**(254 732)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(5 829)	(8 009)	(5 645)	(7 582)
Movement in deposits due to customers	22	145 718	(17 402)	-	-
Payment on lease liabilities	34	(11 256)	-	(1 010)	-
Post-retirement medical paid	23	(6 824)	(6 212)	(5 294)	(4 847)
Net government grant received	24	38 688	249 561	38 688	275 659
Long service obligations paid	23	(3 831)	(2 210)	(2 530)	(1 159)
Net cash generated by financing activities		**156 666**	**215 728**	**24 209**	**262 071**
Net increase in cash and cash equivalents		**177 233**	**(113 100)**	**33 105**	**(51 539)**
Cash at the beginning of the year		1 351 977	1 465 075	475 777	527 315
Cash and cash equivalents at end of year	16	**1 529 210**	**1 351 975**	**508 882**	**475 776**

Other loan movements have been reclassified to loans granted and repayments.

ACCOUNTING POLICIES

Corporate information

Ithala Developement Finance Corporation is a company incorporated and domiciled in the Republic of South Africa. The address of its registered offices and principal place of business is 29 Canal Quay Road, Point Waterfront, Durban. The Group is a public entity that provides property, banking and other financial services.

The consolidated financial statements of Ithala as for the year ended 31 March 2020 comprise Ithala and its subsidiaries, together referred to as the Group and individually, referred to as the Holding. The words "Group" and "Ithala" are used interchangeably throughout the Annual Financial Statements. The consolidated and separate financial statements for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.

1.1 BASIS OF PREPARATION

Basis of measurement

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a going concern basis utilising the historical cost concept except for the following:

- Post-retirement medical and defined benefit obligations are measured at actuarial values,
- Listed equity investments are measured at closing bid prices;
- Investment properties are measured at fair value;
- Properties in possession are measured at the lower of fair value less costs to sell and carrying value; and
- Cell captives measured at fair value through profit and loss.

Functional and presentation currency

The consolidated financial statements are presented in South African Rands, which is the Group's functional currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated. Except as described otherwise, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

1.2 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. These also concern the future and will thus affect the reported amounts of assets and liabilities within the next financial year.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods' affected by the revisions.

Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year relate to the following:

Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future.

Furthermore, management has taken into account the impact of COVID-19 on its assessment of going concern and is satisfied that although the COVID-19 pandemic has impacted on financial performance the Group will still continue for the forseable future. In addition management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Measurement of the expected credit loss allowance

The measurements of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in the Fair value note , which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of

measuring ECL.

Measurement of leased asset and leased liability - IFRS 16
Extension and termination options
Some property leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. Factors such as the importance of the underlying assets to our operations, undertaking of significant leasehold improvements and our past practice were taken into account to determine reasonable certainty. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Discount rate
The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 April 2019. The Company determines its incremental borrowing rate by applying it judgements and determining a suitable and observable risk-free rate that are denominated in the same currency as the lease. A credit spread is then added to the observable risk-free rate to reflect the lessee's creditworthiness.

Measurement of post-retirement obligations and long service awards
The cost of the defined benefit and defined contribution pension plans are determined using actuarial valuations. The actuarial valuations involve assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Refer to the post-retirement obligations note for the assumptions used.

Fair value measurements
Fair values for investment properties and properties in possession are determined by independent valuators. The valuations are performed using various methods including:

- The comparable sales method which entails comparing the subject property's value-forming attributes with those of the comparable properties that have recently exchanged hands in similar transactions. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence or similarity degree of characteristics influencing value; and
- The capitalisation method which takes into account net rental income which is then capitalised using an appropriate capitalisation rate. Refer to Note 32 for the assumptions used.

Asset lives and residual values
Property, plant and equipment, as well as intangible assets, are depreciated or amortised over their estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets and residual values are assessed annually.

SIGNIFICANT ACCOUNTING POLICIES
Except as described otherwise, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

1) BASIS OF CONSOLIDATION
The consolidated financial statements include assets, liabilities and results of operations of the company, its subsidiaries, associates and joint ventures. The financial statements of the subsidiaries, associates and joint ventures are prepared for the same reporting year as the company, using consistent accounting policies.

(a) Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All inter-Group transactions, balances, income and expenses are eliminated in full on consolidation. Goodwill arising from the excess of the purchase consideration paid over the fair value of the net identifiable assets on acquisition is not amortised and is tested for impairment annually.

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of original business combination and the non-controlling interest's share of changes in equity since the date of the business combination. Losses applicable to the non-controlling interest, in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and the financial ability to cover such losses. Investments in subsidiaries are recognised at cost, in the holding accounts, and are reviewed annually and written-down for impairment where considered necessary.

(b) Cell captives
The cell captives do not meet the criteria to be classified as a separate entity. As a result, the Group has not consolidated the cell captives and has accounted for its interest as investments at fair value through profit or loss in terms of IFRS 9 Financial Instruments. Information about the Group's cell captive activities is set out in the Cell Captives Note.

(c) Associates and joint arrangements
Associates are those entities in which the Group has significant influence, but not control over financial and operating policies of an entity, generally comprising a shareholding of at least 20% of the voting rights. Where the Group holds less than 20% of an entity's issued share capital and is able to exert significant influence and it can be clearly demonstrated that significant influence exists, the Group classifies such entities as associates. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investments, after adjustments to align the accounting policies with those of the Group where applicable, from the date that significant influence commences until that significant influence ceases.

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Joint ventures are accounted for in the same manner as associates using the equity method after initially being recognised at cost.

1.3 INVESTMENT PROPERTY

Investment property is initially recognised at cost including transaction costs and subsequently measured at fair value. An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains and losses arising from retirement or disposal of investment property is recognised in profit or loss in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up will be recognised in profit or loss when the compensation becomes receivable.

Fair value
Subsequent to initial measurement investment property is measured at fair value. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises. Property interests held under operating leases are accounted for as investment property when the property is sub-leased.

Measurement of property interest
The property interest held by the group under an operating lease is classified and accounted for as investment property. On initial recognition of the property interest it is measured at the lower of the fair value of the property interest and the present value of the minimum lease payments. The lease is treated as a finance lease, hence a lease liability will be accounted for on initial recognition for the property interest at an amount equivalent to the property interest cost determined above. Subsequent to initial measurement, the property interest is measured as part of investment property measured at fair value.

1.4 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement
An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably. Property, plant and equipment and work in progress is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate. Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

Subsequent measurement
Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write-off the asset's carrying amount over its estimated useful life to its estimated residual value, using the straight line method. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Where buildings are erected on leasehold land or land held under a permission to occupy certificate with a finite life, the buildings are depreciated over the duration of the lease or permission to occupy certificate. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each year is recognised in profit or loss. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure and buildings	Straight line	50 years
Plant and equipment	Straight line	5-25 years
Vehicles	Straight line	4 years
Right of use of asset	Straight line	Over the lease term or expected useful life of the asset (whichever comes first)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.5 LANDFILL RESTORATION AND DISMANTLING COST

The Holding company holds a landfill site close to its industrial estate that it uses to dispose of garbage. The Holding has an obligation to restore the landfill site in terms of the Group's policy as well as the applicable legislation requirements. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of land includes the initial estimate of the costs of restoring the site on which the waste is being dumped. The changes in the liability are added to, or deducted from, the cost of the land in the current period limited to the carrying amount of the land if there are changes to the future estimate of the liability. Where a decrease in the liability exceeds the carrying amount of the land, the excess is recognised immediately in profit or loss. If the adjustment results in an addition to the cost of land, the entity considers whether this is an indication that the new carrying amount of the land may not be fully recoverable and is therefore tested for impairment by estimating its recoverable amount. Any impairment loss is recognised in profit or loss.

1.6 INTANGIBLE ASSETS

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition.

Intangible assets with a definite useful life are amortised using the straight-line method over their useful economic life, generally not exceeding 20 years. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

a) Computer software and licences

Acquired computer software and licences are capitalised as assets on the basis of the costs incurred to acquire and bring the specific software into use. Capitalised computer software is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight–line method to write-down the cost of intangible assets to their residual values over their estimated useful lives from the date it is available.

The increased carrying amount of an asset/cash generating unit other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

Costs associated with maintaining computer software programmes are recognised as an expense, as and when incurred. Direct software development costs that enhance the benefits of computer software programmes and are clearly associated with an identifiable and unique software system, which will be controlled by the Group and has a probable benefit exceeding one year, are recognised as intangible assets. These costs are initially capitalised as work-in-progress up to the date of completion of projects after which the asset is transferred to computer software and accounted for as per the computer software and licences policy. Management reviews the carrying value of capitalised work-in-progress on an annual basis, irrespective of whether there is an indication of impairment. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

b) System Development Costs
Development costs are recognised as intangible assets when the following criteria are met:
- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Retirement and disposals
An intangible asset shall be derecognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, It shall be recognised in profit or loss when the asset is derecognised. Gains shall not be reclassified as revenue.

1.7 IMPAIRMENT OF NON - FINANCIAL ASSETS
The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro-rata basis. An entity assesses at each reporting date whether there is any indication that an impairmentloss recognised in prior periods for cash generating units/assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those cash generating units assets are estimated. The increased carrying amount of an asset/cash generating unit other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost or cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.8 FINANCIAL INSTRUMENTS
a) Initial recognition and measurement
Financial instruments are recognised when the group becomes a party to the contractual provisions of the financial instrument.

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

b) Financial assets classification and subsequent measurement
TheGroup classifies its financial assets into the following measurement categories based on the Group assessment of the business model:

Amortised cost consists of the following classes:
- Cash and cash equivalents;
- Loans and advances to customers;
- Investment and deposits with banks;
- Trade and lease receivables; and Prepayments,; and
- Statutory investment.

Fair value through profit or loss (FVTPL); or Fair value through Other Comprehensive Income (OCI).

Business Model
The business model reflects how the Group managed the asset in order to generate cash flows. That is whether the Group's objective

is solely to collect the contractual cash flow from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), the financial assets are classified as part of "other" business and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets are collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows, the Group assesses whether the financial assets' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration of time value of money, credit risk, other basic lending risks and a profit margin consistent with a basic lending arrangement. Based on these factors, the Group classifies its debt into the amortised cost category. The group reclassifies debt instruments when and only when its business model for managing those assets changes.

The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity Instruments (**)

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate any equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit and loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair value. Dividends, which are a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

c) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represented solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured in terms of the Group's expected credit loss policy. A gain or loss from a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income in profit or loss using the effective interest rate method.

d) Effective interest rate method

The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The effective interest rate method considers all contractual terms of the financial instrument and includes any fees or incremental costs which are directly attributable to the instrument and is an integral part of the effective interest rate, but not future credit losses.

In calculating interest income on stage 1 and stage 2 financial assets, the effective interest rate is applied to the gross carrying amount of the asset. However for stage 3 financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the financial asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The carrying amount of the financial instrument is adjusted if the Group revises its estimate of receipts or payments. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

For purchased or originated credit-impaired financial assets, the Group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. (**)

In applying the effective interest method, the Group identifies fees that are an integral part of the effective interest rate of loans granted. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. These include origination fees received by the Group relating to the creation or acquisition of loans such as compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction.

e) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with financial assets carried at amortised cost and FVOCI (**) and with the exposures arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group recognises a loss allowance at an amount equal to the lifetime ECL, except for financial assets on which credit risk has not increased significantly since their initial recognition. The loss allowance on financial assets on which credit risk has not increased significantly since their initial recognition are at an amount equal to the 12-month ECL.

The loss allowance on trade receivables is always measured at an amount equal to the lifetime ECL. (**)

f) Significant increase in credit risk

The Group assesses at each reporting date, whether the credit risk of a financial instrument has increased significantly since initial recognition. This is based on the comparison of the risk of default occurring on the financial instrument as at each reporting date to initial recognition over the expected life of the financial instrument. It considers available reasonable and supportable forward-looking information.

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days due on its contractual payments.

g) Impairment of financial assets: definition of default

The Group defines a default consistent to the internal risk internal credit risk management purposes for the relevant financial instruments and considers qualitative factors when appropriate.

The Group's criteria in the determination of impairment of a financial asset or Group of assets include observable data that comes to the attention of the holder of the asset about the following loss events:

- Significant financial difficulty of the customer or borrower;
- A breach of contract, such as default or delinquency in interest or principal payments;
- It becomes probable that the lender is over-indebted; and
- Observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets that may have arisen from global economic conditions that correlate with defaults on the assets because of adverse changes in the financial services sector, which has impacted on borrowers.

A backstop is applied and the financial instrument is considered to be in default if the borrower is more than 90 day due on its contractual payments.

h) Financial assets subject to renegotiated terms

The Group sometimes renegotiates or otherwise modifies the contractual cash flow of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original term.

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. These loans are not considered to be past due. These loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Restructuring activities include extended payment arrangements, and deferral of payments, amongst others. Following restructuring, a previously overdue advance is managed together with other similar accounts once the customer demonstrates the ability to make contractual payments for a specific period. Restructuring policies and procedures are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue.

If the terms are substantially different, the Group derecognises the original asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the financial asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

i) Write-off of financial assets

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. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

j) Loan commitments
Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The initial fair value is amortised over the life of the loan commitment.

Loan commitments are subsequently measured at the lower of the following:
(a) The amount of the loss allowance; and
(b) The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The difference between the carrying amount of a financial liability and the consideration paid, including any non-cash transferred or liabilities assumed, shall be recognised in profit or loss.

k) Derecognition of financial assets
When the Group transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset:

- If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the financial asset is derecognised and recognised separately as assets or liabilities any rights and obligations created or retained in the transfer; and
- If the Group retains substantially all the risks and rewards of ownership of the financial asset, the financial asset continues to be recognised.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset:

- If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; and
- If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (measured at the date of derecognition) and any consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

If the transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognise a financial liability for the consideration received.

In subsequent periods, the Group recognises any income on the transferred asset and any expense incurred on the financial liability.

l) Financial liabilities
Classification and measurement

Financial liabilities are initially measured at fair value including transaction costs and subsequently classified and measured at amortised cost.

The Group's financial liabilities at amortised cost included customer deposits, trade and other payables and loan accounts with the Development Bank of South Africa, Nedbank and Khula Enterprise Finance Ltd.

Derecognition of financial liabilties

Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

m) Offsetting
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

1.9 GOVERNMENT GRANTS
Government grants are recognised when there is reasonable assurance that the Group has complied with the conditions attached to the grant and that the grant has been received.

Government grants whose primary condition is that the Group should purchase, construct or acquire non-current assets are deducted in arriving at the carrying amount of the assets.

The grants are recognised as income over the periods necessary to match the grant with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred with no future related cost are recognised in profit or loss in the period in which they are received.

Government grants received for specific loans and advances programmes are recognised as income when all the conditions of the grant have been fulfilled and there is reasonable assurance that the grant will be received.

1.10 TAXATION

Current tax assets and liabilities

Ithala Development Finance Corporation is exempt from normal tax in terms of Section 10(1) (cA) (i) of the Income Tax Act. Consequently, all wholly-owned subsidiaries of the Corporation are exempt from normal tax in terms of Section 10(1) (cA)(ii) of the Income Tax Act. Subsidiaries that are are wholly-owned are not subject to normal taxation except for Sundumbili, Nongoma, Warfside and Sibaya.

Tax expense for subsidiaries that are not wholly-owned comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax assets and liabilities

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 not recognised for temporary differences arising on the initial recognition of goodwill.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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 benefit will be realised.

1.11 LEASED ASSETS

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Income for leases is disclosed under revenue in profit or loss.

Operating leases - lessee - IFRS 16

The Company has applied IFRS 16 using the modified retrospective approach (see changes in accounting policy in Note 33) and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately. Policy applicable from 1 April 2019.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and.
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Group recognises a right-of-use asset and a lease liability at the initial application date an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The right-of-use asset is initially measured at cost, which comprises:

a) The initial amount of the lease liability adjusted for any lease payments made at or before the commencement date;
b) Plus any initial direct costs incurred by the lessee; and
c) An estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

a) Fixed payments (including substance fixed payments), less any lease incentives receivable
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
c) Amounts expected to be payable by the lessee under residual value guarantees
d) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liability shall be subsequently measured by:

a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made;
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications

1.12 LEASES (COMPARATIVES UNDER IAS 17)

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

- Fulfilment of the arrangement is dependent on the use of a specific asset or assets; and/or
- The arrangement conveys a right-to-use the asset.

Leased assets are classified as operating leases where the lessor effectively retains the risks and benefits of ownership.

Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Finance leases - lessor

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.13 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula.

1.14 EMPLOYEE BENEFITS

a) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as wages and salaries, annual leave, sick leave, bonuses, contributions to retirement funds, car allowance, housing subsidy, cell phone allowance and medical aid), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

.

b) Defined contribution plans

When an employee has rendered services to the Group during a period, the Group recognises the contribution payable to a defined contribution plan in exchange for that service:

- As a liability, after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund; and
- As an expense.

c) Post-retirement medical aid benefit

The Group operates a post-retirement medical aid benefit. The scheme is unfunded.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for the post-retirement medical aid fund.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date as the valuations are normally performed just before year end.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested. For the post-retirement medical aid benefits, actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

d) Pension and provident fund

The Group previously had a defined benefit provident fund and a defined benefit pension fund which was funded. The defined benefit plans were closed off and employees were transferred to the Old Mutual defined contribution plans. However, the defined benefit plans still have pensioners who have not yet been transferred to Old Mutual as the Group is still waiting for the trustees and FSCA to give the go ahead to transfer the pensioners. Plan assets pertaining to the pensioners are therefore still currently held as at year end. Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date as the valuations are normally performed just before year end.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for the liability that is outstanding as at year end for the pensioners as well as the plan assets.

When the projected unit credit method calculation results in a potential asset being recognised the net defined benefit asset shall be measured at the fair value of the plan assets less the present value of the defined benefit obligation limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As at year end the potential asset has not been recognised as the plan assets have not been allocated to the Group by the FSCA as yet for use in the reduction of future contributions or as a refund.

For the post-retirement medical aid benefits, actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income. The net interest expense is determined on the net defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Net interest expense is recognised in profit or loss.

e) Long service award

For the long service award, the Group pays employees a certain percentage of the total cost to Group in the year the payment is made based on the number of years the employee has rendered service to the Group, which should be a minimum of 10 years. The payment of the award is the cost of providing the benefits which is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for the long service award.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date as the valuations are normally performed just before year end. Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

For the long service award actuarial gains and losses are recognised in the year in which they arise in profit or loss. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

f) Termination benefits

If the termination benefits include post-employment benefits, these shall be accounted for as detailed above under post-employment benefits, otherwise termination benefits payable within 12 months after the end of the reporting period are measured in accordance with the requirements of short-term benefits.

If termination benefits are payable beyond 12 months after the end of the reporting period they are measured in accordance with the requirements of other long-term benefits.

The Group is demonstrably committed to curtailment or settlement.

1.15 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 through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the asset or disposal group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset (or disposal group) is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell or distribute. An impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell shall be recognised in profit or loss. A gain shall be recognised resulting from the subsequent increase in fair value less cost to sell of an asset, not in excess of the cumulative impairment loss that has been recognised.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as such.

1.16 IMPAIRMENT OF ASSETS

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the Group also: Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period. tests goodwill acquired in a business combination for impairment annually. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease. An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.17 SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the Group in which they are declared.

1.18 PROVISIONS AND CONTINGENCIES

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the expenditure expected to be required to settle the obligation at the end of the reporting period. 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. Gains from the expected disposal of assets shall not be taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Contingent liabilities, which include certain guarantees other than financial guarantees, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events, not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

2. LOANS AND ADVANCES

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Sectoral analysis				
Housing and commercial property	1 557 213	1 553 461	-	-
Micro finance - secured	331 615	240 312	-	-
Micro finance - unsecured	23 723	21 815	20 977	17 426
Agri finance	313 580	302 910	313 580	302 910
Franchise finance	64 648	40 446	64 648	40 446
Procurement finance	54 737	79 952	54 737	79 952
Commercial property finance	145 238	154 749	145 238	154 749
Asset finance	160 852	150 429	160 852	150 429
Structuredfinance	134 948	143 556	134 948	143 556
Gross carrying amount	**2 786 554**	**2 687 630**	**894 980**	**889 468**
Less: Interest recognised on net basis	(32 969)	(12 611)	(28 664)	(9 991)
Credit impairment for loans and advances	(442 786)	(279 187)	(334 883)	(217 134)
Expected credit loss (Loan commitments)	(1 750)	(9 007)	(1 750)	(9 007)
Less: Credit impairment balance	**(444 536)**	**(288 194)**	**(336 633)**	**(226 141)**
Net loans and advances including current portion	**2 309 049**	**2 386 826**	**529 683**	**653 337**
Less: Current portion included under current assets	(518 720)	(530 268)	(319 803)	(383 618)
Net loans and advances	**1 790 329**	**1 856 558**	**209 880**	**269 719**
Non performing loans	555 290	266 696	421 800	266 696
Impaired portion of the non-performing loan	(317 129)	(124 429)	(276 432)	(151 063)
Unimpaired portion of non-performing loans	**238 161**	**142 267**	**145 368**	**115 633**

Included in loans and advances above are day one losses of R55,8 million (2019: R46,4 million).

Day one losses	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Opening balance	55 832	46 417	55 832	46 417
Day one loss recognised	11 046	15 511	11 046	15 511
Amortised	(7 946)	(6 096)	(7 946)	(6 096)
Closing balance	**58 932**	**55 832**	**58 932**	**55 832**

Maturity analysis	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Maturing:				
Up to 1 month	331 745	260 448	267 867	204 376
From 1 month to 6 months	133 519	155 955	67 721	105 252
From 6 months to 1 year	135 447	125 190	66 206	73 990
From 1 year to 5 years	808 211	670 712	302 034	297 480
After 5 years	1 377 632	1 475 325	191 152	208 370
	2 786 554	**2 687 630**	**894 980**	**889 468**

The maturity analysis is based on the remaining period to contractual maturity date as determined at the end of the year.

Incurred loss credit impairment **Expected credit loss for loans and advances**	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Balance at beginning of the year	(288 194)	(291 852)	(226 141)	(235 103)
Charge to income statement				
Bad debt write-off**	14 317	61 319	8 803	48 950
Expected credit loss	(170 659)	(57 661)	(119 295)	(39 988)
Balance at end of the year	**(444 536)**	**(288 194)**	**(336 633)**	**(226 141)**

**Bad debt written-off repressent losses made on the derecognition of loans and advances measured at armotised cost. Refer to note 31 for details.

	Notes	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000

The difference between the R171,1 million disclosed on the income statement and the R170,7 million ECL per the above table relates to the ECL for PIPs.

Comprising:				
Impairment for performing loans Stage 1 and 2	(125 657)	(87 556)	(58 451)	(52 657)
Impairment for non-performing loans- Stage 3	(317 129)	(191 631)	(276 432)	(164 477)
Expected credit loss (Loan commitments)	(1 750)	(9 007)	(1 750)	(9 007)
Impairment for loans and advances	**(444 536)**	**(288 194)**	**(336 633)**	**(226 141)**

The information disclosed below relating to the impairment losses has been prepared in terms of IFRS 7 using the expected credit loss model in terms of IFRS 9.

Expected credit loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 (refer to note 31 for description of the different stages) due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up' (or 'step down') between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written-off during the period.

Figures in Rand thousand

Loss Allowance: 2020	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro finance	Agri finance	Franchise finance	Procurement finance	Commercial finance	Assets finance	Structured finance	TOTAL CORP	TOTAL
Opening balance	**ITHALA SOC LIMITED**				**CORPORATION**								
Stage 1	3 671	759	73	4 503	118	3 971	2 051	3 735	326	6 250	8 787	25 238	29 741
Stage 2	29 061	1 012	326	30 399	104	21 520	-	752	3 038	5 112	-	30 526	60 925
Stage 3	21 977	2 591	2 583	27 151	3 528	57 841	6 543	15 066	14 579	39 792	24 020	161 369	188 520
Opening balance 1 April 2019	54 709	4 362	2 982	62 053	3 750	83 332	8 594	19 553	17 943	51 154	32 807	217 133	279 186
Recalibration of model	12 304	2 438	932	15 674	-	-	-	-	-	-	-	-	15 674
Recalibrated opening balance	67 013	6 800	3 914	77 727	3 750	83 332	8 594	19 553	17 943	51 154	32 807	217 133	294 860
Financial assets derecognised during the period	(3 577)	(1 142)	(1 030)	(5 749)	-	-	-	-	-	-	-	-	(5 749)
Stage 1 net transfers	927	(323)	32	636	(162)	(1 591)	(1 333)	(1 985)	(72)	(4 167)	(4 095)	(13 405)	(12 769)
Stage 2 net transfers	(6 354)	687	(146)	(5 813)	233	(7 653)	2 925	2 062	(2 662)	5 060	8 188	8 153	2 340
Stage 3 net transfers	9 187	406	52	9 645	370	17 007	5 180	9 727	3 971	5 933	20 211	62 399	72 044
New financial asset originated or purchased	2 526	4 411	-	6 937	2 027	3 687	2 086	3 877	3 297	5 867	3 111	23 952	30 889
Changes in PDs/LGDs/EADs	(2 141)	(2 843)	(329)	(5 313)	14	40 568	1 164	(4 019)	5 274	70	(16 647)	26 424	21 111
Changes to model assumptions and methodologies	-	5 768	-	5 768	-	174	3	-	46	-	2	225	5 993
Macro-economic forecasts	24 710	-	59	24 769	757	4 349	3 599	4 037	1 148	10 465	5 674	30 029	54 798
Applying overrides as 31 March 2020	(808)	-	9	(799)	(677)	(20 449)	(2 975)	(4 726)	(1 735)	(7 147)	17 682	(20 027)	(20 826)
Total net P&L charge during the period	24 470	6 964	(1 353)	30 081	2 562	36 092	10 649	8 973	9 267	16 081	34 126	117 750	147 831
Other movements with no P&L impact													
Transfers:													
Write-offs	-	202	-	202	-	-	-	-	-	-	-	-	202
	91 483	**13 764**	**2 561**	**107 808**	**6 312**	**119 424**	**19 243**	**28 526**	**27 210**	**67 235**	**66 933**	**334 883**	**442 691**
Stages closing balances													
Stage 1	14 586	1 572	2	16 160	55	2 554	558	27	248	4 315	1 620	9 377	25 537
Stage 2	41 182	9 616	248	51 046	1 084	6 580	6 453	4 989	4 824	12 302	12 842	49 074	100 120
Stage 3	35 812	2 573	2 312	40 697	5 173	110 290	12 232	23 510	22 138	50 618	52 471	276 432	317 129
	91 580	**13 761**	**2 562**	**107 903**	**6 312**	**119 424**	**19 243**	**28 526**	**27 210**	**67 235**	**66 933**	**334 883**	**442 786**

Figures in Rand thousand

Gross Carrying Amount: 2020	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro finance	Agri finance	Franchise finance	Procurement finance	Commercial finance	Assets finance	Structured finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	947 322	195 653	3 88	1 143 363	10 464	126 894	33 454	54 958	84 207	82 807	101 982	494 766	1 638 129
Stage 2	514 867	40 417	681	555 965	3 141	72 157	-	6 469	29 467	17 169	-	128 403	684 368
Stage 3	91 272	4 243	3 320	98 835	3 821	103 859	6 992	18 923	41 075	50 453	41 574	266 697	365 532
Opening balance 01 April 2019	**1 553 461**	**240 313**	**4 389**	**1 798 163**	**17 426**	**302 910**	**40 446**	**80 350**	**154 749**	**150 429**	**143 556**	**889 866**	**2 688 029**
Reclassification of model	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(397)**	**-**	**-**	**-**	**(397)**	**(397)**
Stage 1 net transfers	(46 429)	(18 958)	91	(65 296)	8 748)	(40 061)	(31 496)	(47 584)	(17 251)	(61 337)	(70 260)	(276 737)	(342 033)
Stage 2 net transfers	18 940	17 922	(152)	36 710	8 277	(50 033)	25 596	35 578	(6 467)	50 005	41 926	104 882	-
Stage 3 net transfers	27 489	1 036	61	28 586	471	90 094	5 900	12 006	23 718	11 332	28 334	171 855	200 441
Financial assets derecognised during the period other than write-offs	(67 709)	(34 078)	(1 178)	(102 965)	-	-	-	-	-	-	-	-	(102 965)
Financial asset originated or purchased	131 103	136 564	19	267 686	14 720	17 131	23 382	25 914	25 264	38 027	9 615	154 053	421 739
Change in interest accrual	(59 195)	(11 183)	(484)	(70 862)	(11 186)	(6 442)	820	(51 127)	(34 775)	(27 604)	(18 223)	(148 537)	(219 399)
	1 557 660	**331 616**	**2 746**	**1 892 022**	**20 960**	**313 599**	**64 648**	**54 740**	**145 238**	**160 852**	**134 948**	**894 985**	**2 787 007**
Stages closing balance													
Stage 1	963 866	239 217	25	1 203 108	895	68 932	5 857	2 996	56 097	40 405	30 176	205 358	1 408 466
Stage 2	467 896	86 731	350	554 977	14 163	37 340	45 469	22 235	44 213	58 181	46 226	267 827	822 804
Stage 3	125 451	5 668	2 371	133 490	5 902	207 327	13 322	29 509	44 928	62 266	58 546	421 800	555 290
	1 557 213	**331 616**	**2 746**	**1 891 575**	**20 960**	**313 599**	**64 648**	**54 740**	**145 238**	**160 852**	**134 948**	**894 985**	**2 786 560**

Figures in Rand thousand

Loss Allowance: 2019	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro finance	Agri finance	Franchise finance	Procurement finance	Commercial finance	Assets finance	Structured finance	TOTAL CORP	TOTAL
Opening balance	ITHALA SOC LIMITED				CORPORATION								
Stage 1	2 449	462	72	2 983	179	6 030	1 119	1 668	377	5 660	10 196	25 229	28 212
Stage 2	21 962	1 332	642	23 936	274	13 859	5	679	162	13 995	-	28 974	52 910
Stage 3	23 456	2 368	3 917	29 741	1 833	30 836	5 972	25 593	29 287	58 213	23 902	175 636	205 377
Opening balance 1 April 2018	47 867	4 162	4 631	56 660	2 286	50 725	7 096	27 940	29 826	77 868	34 098	229 839	286 499
Stage 1 net transfers	2 742	499	136	3 377	34	(2 383)	-	294	609	8 167	-	6 721	10 098
Stage 2 net transfers	(3 501)	(561)	(185)	(4 247)	(32)	1 870	-	(365)	(112)	(12 143)	-	(10 782)	(15 029)
Stage 3 net transfers	(1 554)	(169)	(141)	(1 864)	(2)	513	-	71	(497)	3 976	-	4 061	2 197
New financial asset originated or purchased	6 549	953	-	7 502	1 133	3 306	1 520	4 691	2 481	3 548	1 323	18 002	25 504
Modification of contractual cash flows of financial assets	-	-	-	-	-	30 216	-	-	-	2 770	-	32 986	32 986
Changes in PDs/LGDs/EADs	4 810	(193)	(180)	4 437	-	-	-	-	-	-	-	-	4 437
Changes to model assumptions and methodologies	2 373	235	199	2 807	-	-	-	-	-	-	-	-	2 807
Unwinding of discounts	372	32	42	446	987	-	478	1 639	(14 326)	-	(1 194)	(12 416)	(11 970)
Total net P&L charge during the period	**59 658**	**4 958**	**4 502**	**69 118**	**4 406**	**84 247**	**9 094**	**34 270**	**17 981**	**84 186**	**34 227**	**268 411**	**337 529**
Total net P&L charge during the period													
Other movements with no P&L impact Transfers:													
Stage 1 net transfers	-	-	-	-	-	(52)	-	-	-	-	-	(52)	(52)
Stage 2 net transfers	-	-	-	-	(84)	(7 091)	-	-	-	(3 168)	-	(10 343)	(10 343)
Stage 3 net transfers	-	-	-	-	84	6 228	-	-	-	3 168	-	9 480	9 480
Financial assets derecognised during the period	(4 949)	(595)	(1 519)	(7 063)	(270)	-	(5)	(2 040)	(37)	(866)	(1 421)	(4 639)	(11 702)
Write-offs	-	-	-	-	(386)	-	(494)	(12 677)	-	(32 166)	-	(45 723)	(45 723)
	54 709	**4 363**	**2 983**	**62 055**	**3 750**	**83 332**	**8 595**	**19 553**	**17 944**	**51 154**	**32 806**	**217 134**	**279 189**
Stages closing balance													
Stage 1	3 671	758	73	4 502	118	3 971	2 051	3 734	328	6 251	8 786	25 239	29 741
Stage 2	29 061	1 013	326	30 400	104	21 520	-	752	3 037	2 005	-	27 418	57 818
Stage 3	21 977	2 592	2 584	27 153	3 528	57 841	6 544	15 067	14 579	42 896	24 020	164 475	191 628
	54 709	**4 363**	**2 983**	**62 055**	**3 750**	**83 332**	**8 595**	**19 553**	**17 944**	**51 152**	**32 806**	**217 132**	**279 187**

Figures in Rand thousand

Gross Carrying Amount: 2019	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro finance	Agri finance	Franchise finance	Procurement finance	Commercial finance	Assets finance	Structured finance	TOTAL CORP	TOTAL
Opening balance	ITHALA SOC LIMITED				CORPORATION								
Stage 1	912 210	156 024	1 062	1 069 296	10 710	149 647	18 814	21 226	97 895	65 865	105 576	469 733	1 539 029
Stage 2	418 662	36 027	1 457	456 146	4 058	51 483	127	4 065	4 715	37 964	-	102 412	558 558
Stage 3	95 735	4 304	5 033	105 072	1 966	66 179	6 584	29 652	57 426	64 569	41 456	267 832	372 904
Opening balance 01 April 2018	**1 426 607**	**196 355**	**7 552**	**1 630 514**	**16 734**	**267 309**	**25 525**	**54 943**	**160 036**	**168 398**	**147 032**	**839 977**	**2 470 491**
Stage 1 net transfers	(172 214)	(3 446)	198	(175 462)	(315)	(44 085)	-	280	(2 126)	2 857	3 793	(39 596)	(215 058)
Stage 2 net transfers	161 782	2 681	(378)	164 085	(808)	12 307	-	(851)	4 780	(18 118)	-	(2 690)	161 395
Stage 3 net transfers	10 432	765	180	11 377	1 123	31 778	-	571	(2 654)	15 261	-	46 079	57 456
Financial assets derecognised during the period other than write-offs	-	(33 395)	(2 673)	(36 068)	(10 609)	(7 471)	(56)	(23 316)	(17 673)	(11 678)	18 512	(52 291)	(88 359)
Financial asset originated or purchased	(74 420)	86 981	36	12 597	12 424	44 951	17 753	61 199	39 921	45 255	-	221 503	234 100
Modification of contractual cash flows of financial assets	253 547	-	-	253 547	(1 106)	(1 024)	(2 207)	1 079	(27 535)	(17 991)	(25 781)	(74 565)	178 982
Change in interest accrual	(52 273)	(9 629)	(526)	(62 428)	-	-	-	-	-	-	-	-	(62 428)
Write-offs	-	-	-	-	(414)	(855)	(569)	(13 555)	-	(33 555)	-	(48 948)	(48 948)
	1 553 461	**240 312**	**4 389**	**1 798 162**	**17 029**	**302 910**	**40 446**	**80 350**	**154 749**	**150 429**	**143 556**	**889 469**	**2 687 631**
Stages closing balance													
Stage 1	947 322	195 653	389	1 143 364	10 140	126 894	33 454	54 958	84 207	82 807	101 982	494 442	1 637 806
Stage 2	514 867	40 417	681	555 965	3 068	72 157	-	6 469	29 467	17 169	-	128 330	684 295
Stage 3	91 272	4 242	3 319	98 833	3 821	103 859	6 992	18 923	41 075	50 453	41 574	266 697	365 530
	1 553 461	**240 312**	**4 389**	**1 798 162**	**17 029**	**302 910**	**40 446**	**80 350**	**154 749**	**150 429**	**143 556**	**889 469**	**2 687 631**

Modifications of loans and advances measured at amortised cost that did not result in derecognition:

	2020				2019			
	Stage 1 & 2		Stage 3		Stage 1 & 2		Stage 3	
	Gross amortised cost before the modification R'000	Net modification gain or loss R'000	Gross amortised cost before the modification R'000	Net modification gain or loss R'000	Gross amortised cost before the modification R'000	Net modification gain or loss R'000	Gross amortised cost before the modification R'000	Net modification gain or loss R'000
Group								
Housing and commercial property	9 512	-	2 634	-	10 973	-	219	-
Micro finance	410	-	11	-	207	-	204	-
Micro finance - unsecured	-	-	82	-	79	-	-	-
Agri-finance	-	-	-	-	294	-	13 252	-
Procurement finance	411	-	5 571	-	1 939	-	180	-
Commercial Property	2 511	-	-	-	1 425	-	4 259	-
Asset finance	-	-	485	-	-	-	-	-
Total	**12 844**	**-**	**8 783**	**-**	**14 917**	**-**	**18 114**	**-**
Company								
Micro finance - unsecured	-	-	82	-	79	-	-	-
Agri-finance	-	-	-	-	294	-	13 252	-
Procurement finance	411	-	5 571	-	1 305	-	180	-
Commercial Property	2 511	-	-	-	1 426	-	4 259	-
Asset finance	-	-	485	-	-	-	-	-
Total	**2 922**	**-**	**6 138**	**-**	**3 104**	**-**	**17 691**	**-**

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

3. INVESTMENT PROPERTY

Group

	2020 Cost/ valuation	2020 Accumulated depreciation	2020 Carrying value	2019 Cost/ valuation	2019 Accumulated depreciation	2019 Carrying value
Investment property	2 969 936	-	2 969 936	2 859 842	-	2 859 842

Company

	2020 Cost/ valuation	2020 Accumulated depreciation	2020 Carrying value	2019 Cost/ valuation	2019 Accumulated depreciation	2019 Carrying value
Investment property	2 697 513	-	2 697 513	2 616 293	-	2 616 293

Reconciliation of investment property - Group - 2020

	Opening balance	Additions	Transfers	Other changes, movements	Fair value adjustments	Total
Investment property	2 859 842	45 814	(3 859)	(4 539)	72 678	2 969 936

Reconciliation of investment property - Group - 2019

	Opening balance	Additions	Fair value adjustments	Total
Investment property	2 646 180	99 387	114 275	2 859 842

Reconciliation of investment property - Company - 2020

	Opening balance	Additions	Transfers	Other changes, movements	Fair value adjustments	Total
Investment property	2 616 293	42 905	(3 859)	(4 536)	46 710	2 697 513

Reconciliation of investment property - Company - 2019

	Opening balance	Additions	Fair value adjustments	Total
Investment property	2 421 492	86 097	108 704	2 616 293

Other disclosures

The valuation of the Investment Property has been performed by an independent qualified Valuer.

Details of property

Amounts recognised in profit and loss for the year

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Rental income from investment property	367 630	362 119	333 985	324 508
Direct operating expenses from rental generating property	345 149	320 438	315 222	299 760
Direct operating expenses from non-rental-generating property	984	30	984	30
	713 763	**682 587**	**650 191**	**624 298**

4. PROPERTY, PLANT AND EQUIPMENT

Group

	2020 Cost/ revaluation	2020 Accumulated depreciation	2020 Carrying value	2019 Cost/ revaluation	2019 Accumulated depreciation	2019 Carrying value
Buildings	286 297	(89 140)	197 157	276 589	(76 663)	199 926
Leasehold property	63 069	(57 419)	5 650	63 069	(55 909)	7 160
Plant and machinery	296 515	(220 443)	76 072	290 302	(196 993)	93 309
Total	**645 881**	**(367 002)**	**278 879**	**629 960**	**(329 565)**	**300 395**

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

Company

	2020			2019		
	Cost/ revaluation	Accumulated depreciation	Carrying value	Cost/ revaluation	Accumulated depreciation	Carrying value
Land, infrastucture and buildings	286 084	(89 079)	197 005	276 376	(76 604)	199 772
Leasehold property	12 665	(12 665)	-	12 665	(12 665)	-
Plant, equipment and vehicles	150 052	(99 458)	50 594	147 673	(88 960)	58 713
Total	**448 801**	**(201 202)**	**247 599**	**436 714**	**(178 229)**	**258 485**

Reconciliation of property, plant and equipment - Group - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	199 926	5 531	-	4 174	(12 474)	-	197 157
Leasehold property	7 160	-	-	-	(1 510)	-	5 650
Plant and machinery	93 309	9 126	(2 814)	(314)	(16 944)	(6 291)	76 072
	300 395	**14 657**	**(2 814)**	**3 860**	**(30 928)**	**(6 291)**	**278 879**

Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	204 690	4 639	-	(448)	-	(8 955)		199 926
Leasehold property	-	-	-	-	7 160	-		7 160
Plant and machinery	111 938	27 496	(281)	(643)	(7 160)	(24 505)	(13 536)	93 309
	316 628	**32 135**	**(281)**	**(1 091)**	**-**	**(33 460)**	**(13 536)**	**300 395**

Reconciliation of property, plant and equipment - Company - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	199 772	5 535	-	4 174	(12 476)	197 005
Plant and machinery	58 713	5 217	(2 810)	(313)	(10 213)	50 594
	258 485	**10 752**	**(2 810)**	**3 861**	**(22 689)**	**247 599**

Reconciliation of property, plant and equipment - Company - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	204 224	3 175	-	(448)	(7 179)	199 772
Plant and machinery	62 380	12 575	(55)	(818)	(15 369)	58 713
	266 604	**15 750**	**(55)**	**(1 266)**	**(22 548)**	**258 485**

Property, plant and equipment encumbered as security

Net carrying amounts of leased assets

	Group 2020	Group 2019	Company 2020	Company 2019
Leasehold property	5 650	7 160	-	-

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

Impairment and reversal of impairment

Impairment charge of R6,2 million relates to computer equipment that was damaged prior to year-end
.
The impairment charge of R13,5 million in 2019 relates to the impairment of property, plant and equipment for Port Shepstone Quarries,where operations have ceased since December 2018.The value in use of these assets is zero as there is no production taking place.

Other information

Property, plant and equipment with nil book values	47 287	33 696	46 418	32 826

Property, plant and equipment with nil book values represents property, plant and equipment that are still in use and have a nil book value and relates mainly to assets with a cost of R2 000 and below that have been fully depreciated in line with the Group's policy.

The reassessment of useful life is performed at each balance sheet date except for assets with costs that are below R2 000.

5. INTANGIBLE ASSETS

Group

	2020			2019		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Licences and franchises	4 794	(4 787)	7	4 794	(4 787)	7
Computer software, other	55 934	(43 522)	12 412	60 064	(40 443)	19 621
Other intangible assets	13 791	(1 411)	12 380	11 892	(1 327)	10 565
Total	**74 519**	**(49 720)**	**24 799**	**76 750**	**(46 557)**	**30 193**

Company

	2020			2019		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Licences and franchises	4 794	(4 787)	7	4 794	(4 787)	7
Computer software, other	36 018	(27 815)	8 203	42 883	(25 986)	16 897
Other intangible assets	3 034	(1 411)	1 623	1 600	(1 327)	273
Total	**43 846**	**(34 013)**	**9 833**	**49 277**	**(32 100)**	**17 177**

Reconciliation of intangible assets - Group - 2020

	Opening balance	Additions	Transfers	Amortisation	Impairment loss	Total
Licences and franchises	7	-	-	-	-	7
Computer software, other	19 621	4 810	(1)	(3 107)	(8 911)	12 412
Other intangible assets	10 565	1 899	-	(84)	-	12 380
	30 193	**6 709**	**(1)**	**(3 191)**	**(8 911)**	**24 799**

Reconciliation of intangible assets - Group - 2019

	Opening balance	Additions	Transfers	Amortisation	Total
Licences and franchises	(346)	-	353	-	7
Computer software, other	27 072	2 349	(2 979)	(6 821)	19 621
Other intangible assets	10 774	199	(3 172)	2 764	10 565
	37 500	**2 548**	**(5 798)**	**(4 057)**	**30 193**

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

Reconciliation of intangible assets - Company - 2020

	Opening balance	Additions	Amortisation	Impairment loss	Total
Licences and franchises	7	-	-	-	7
Computer software, other	16 897	2 074	(1 857)	(8 911)	8 203
Other intangible assets	273	1 434	(84)	-	1 623
	17 177	**3 508**	**(1 941)**	**(8 911)**	**9 833**

Reconciliation of intangible assets - Company - 2019

	Opening balance	Additions	Transfers	Amortisation	Total
Licences and franchises	7	-	-	-	7
Computer software, other	21 748	1 781	(3 209)	(3 423)	16 897
Other intangible assets	97	-	2 994	(2 818)	273
	21 852	**1 781**	**(215)**	**(6 241)**	**17 177**

Other information

	Group 2020	Group 2019	Company 2020	Company 2019
Intangible assets with nil book value	20 455	20 437	20 455	20 437

The remaining useful lives for intangile assets of the Group as at 31March 2020	Group	Company
Software	1- 8 Years	1 - 8 Years
Licences and warranties	1- 3 Years	1 - 3 Years

The impairment of R8,9 million relates to a system that is no longer being used by an entity due to limitations identified on the system.

An amount of R32,4 million had been recognised as an intangible asset impairment provision during the 2011 year. This impaired asset relates to the banking system project (Temenos MCB) which was scheduled to be commissioned in June 2010. Testing conducted by the Company revealed significant deficiencies which led to the Board of Directors delaying the "go live" decision.

The impairment was recognised due to rectification efforts by the vendor failing to produce the desired result and significant uncertainty as to the implementation of the system. Subsequent negotiations with the vendor relating to the rectification of the deficiencies and the continuation of the project on amended terms and conditions were not successful.

The long-term strategy of the Company includes the possible implementation of a bespoke banking system and, as such, certain intrinsic value may exist within the capitalised amount from the previous project which may be realised on the implementation of the new system.

The recoverable amount from the asset will be reassessed during the development and final implementation of the new banking system. Should the assessment of the intangible asset prove that there is no value in the asset, the Company will follow the policy based on the delegated powers of authority for the asset to be written-off against the impairment provision.

The new banking system project for implementation of an integrated enterprise-wide digital core banking platform designed for digital banking with a customer-centric paradigm is expected to modernise the Company's technology as well as close several audit, risk and compliance exceptions.

The banking platform year-end work-in-progress carrying value of R26 million is funded by the grant received from the KwaZulu-Natal Government for the purpose of funding the project. Prior to the financial year end, the server that hosted the test version of the Core Banking Application was damaged due to an incident at the datacenter. Engagement with the service provider is underway to restore the application. No impairment is required as the carrying value of R26 million has been reduced by the grant funding received.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

6. RIGHT-OF-USE OF ASSETS

Company

The right-of-use asset relates to the land, where IDFC erected a light industrial factory. The lease commenced on 1 September 2000, with the expiry date of 2051. The lease is for 50 years. The remaing lease period is 31 years. The lease has no renewal option nor does it allow the transfer of land to IDFC. The escalation rate of rental is 12% on 1 August of each year. The lease also has turn-over rental depending on the performance of the building.

Group

The right-of-use asset relates to land where Port Shepstone Quarries carries out its mining activities. The lease is for 30 years, it comenced on 1 August 2013 with an expiry date of 1 July 2043. The remaining lease period is 24 years. The escalation rate of rental is 7% every 1 August of each year. The lease has no renewal option nor does land transfer to the lessee at the end of the lease period. Ithala SOC lease portfolio primarily consists of property which included branch and ATM space. The leases typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. The branch and ATM space leases were entered into many years ago. Previously, these leases were classified as operating leases under IAS 17.

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

Net carrying amounts of right-of-use assets

The Corporation has operating leases for land either directly with the owners of the land or permission to occupy. IDFC has erected buildings and leases those buildings to various tenants in exchange for monthly rental payments. The rental escalations for the permission to occupy vary and some do escalate, however the majority do not, all PTOs have a 50-year lease period with different remaining lease periods as they commenced on different dates. However, the range of remaining periods is between 9 years to 38 years. These leases have no renewal options nor do they allow the transfer of land to IDFC.

The Prasa lease escalates at higher than of 12% on 1 September of each year, or turn-over rental taking into consideration the market conditions. Historically the rental has escalated based on turnover rental and economic conditions, hence this lease is considered to have variable lease payments linked to future payments. The lease period was 50 years, the remaining lease period is 27 years. The lease has no renewal options nor does it allow the transfer of land to IDFC. There is also a lease for staff parking which commenced on 1 May 2018. The lease period is 3 years and the lease does not contain the option to renew nor does it transfer ownership at the end of the lease period. The remaining lease period is 1 year 10 months. The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Land and buildings	34 331	-	837	-
Investment property	4 539	-	4 536	-
Total - right-of-use asset	**38 870**	**-**	**5 373**	**-**

Reconciliation of right-of-use assets

Land and buildings	-	-	-	-
Opening balance	-	-	-	-
IFRS 16 adoption	31 934	-	1 610	-
Balance as at 1 April 2019	31 934	-	1 610	-
Additions	3 704	-	-	-
Amortisation	(1 307)	-	(773)	-
	34 331	-	837	-
	-	-	-	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 36), as well as depreciation which has been capitalised to the cost of other assets.

Land and buildings	14 889	-	778	-

	Group		Company	
	2020	**2019**	**2020**	**2019**
	R'000	**R'000**	**R'000**	**R'000**

Other disclosures

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Extension options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of R28,6 million discounted at the incremental borrowing rate as at transition date.

The assets relating to these leases falling within the scope of IAS 40, all IAS 40 disclosure requirements have been adhered to.

The assets relating to these leases falling within the scope of IAS 16, all IAS 16 disclosure requirements have been adhered to.

Lease information	No of leases	Fixed payments (%)	Variable payments
Property leases with fixed payments	17	100	-
Property leases with variable payments	1	68	32
	18	**168**	**32**

7. STRAIGHT-LINING OF OPERATING LEASE INCOME

Non-current assets	47 560	62 354	45 282	54 467
Current assets	7 519	1 521	7 043	398
	55 079	**63 875**	**52 325**	**54 865**
Opening balance	63 876	56 854	54 865	47 895
Straightline accrual during the year	(6 773)	7 097	(518)	7 126
Adjustment for expected lease payments	(2 021)	(75)	(2 022)	(156)
Closing balance	55 082	63 876	52 325	54 865
Current portion of long-term debtor	(7 519)	(1 521)	(7 043)	(398)
Non-current portion of long-term debtor	**47 563**	**62 355**	**45 282**	**54 467**

Minimum future rental receivable under non-cancellable operating leases are as follows:

Next 12 months	7 519	1 521	7 043	398
From 2 to 5 years	29 486	35 970	26 932	28 668
Later than 5 years	22 392	28 683	22 390	27 819
Adjustment for expected lease payments	59 397	66 174	56 365	56 885
	(4 316)	(2 298)	(4 040)	(2 020)
	55 081	**63 876**	**52 325**	**54 865**

Analysis of provisions

Balance at the beginning of the year	2 298	2 223	2 020	1 864
Charge/(reversal) to income statement	2 018	75	2 020	156
Balance at end of the year	**4 316**	**2 298**	**4 040**	**2 020**

Operating leases relate to investment property owned by the Group with lease terms of between 3 and 10 years at an average escalation rate of 7%. Some operating lease contracts contain an option to renew for a further 3 to 10 years at market-related rates. The lessees do not have an option to purchase the property at the expiry of the lease period.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000

8. DEFERRED TAX ASSET AND LIABILITY

Deferred tax liability

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Deferred tax liability	(36 874)	(31 399)	-	-
Deferred tax liability	(36 874)	(31 399)	-	-

Reconciliation of deferred tax liability

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
At beginning of year	(31 399)	(30 322)	-	-
Provision for doubtful debts	(1 264)	371	-	-
Straightline rental debtors	1 534	111	-	-
Fair value adjustment	(6 052)	(1 622)	-	-
Income received in advance	102	68	-	-
Provision for audit fees and other	205	(5)	-	-
	(36 874)	**(31 399)**	**-**	**-**

Recognition of deferred tax asset

*Deferred tax asset is derecognised because it is not probable that taxable profit will be available against which the deferred tax can be utilised.

Deferred tax asset

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Provision for mining site rehabilitation	3 503	450	-	-
Straight-line rental creditor - PSQ	-	3 053	-	-
Unrecognised deferred tax*	(3 503)	-	-	-
Balance at the end of the year	-	3 503	-	-
The movement is reconciled as follows:				
Balance at beginning of year	3 503	2 991	-	-
- Straightline - rental creditor	-	495	-	-
- Provision for mining site rehabilitation	-	17	-	-
Unrecognised deferred tax asset*	(3 503)	-	-	-
	-	**3 503**	**-**	**-**

9. SUBSIDIARIES

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Cowslip Investments (Pty) Ltd				
Shares at cost	-	-	3	3
Share premium	-	-	2 778 928	2 778 928
Grant applied	-	-	(2 778 931)	(2 778 931)
	-	**-**	**-**	**-**
Subsidiaries				
Shares at cost ***	-	-	599 509	509 749
Less impairment of investments**	-	-	(269 408)	(194 942)
	-	**-**	**330 101**	**314 807**

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Net loans				
Loans to subsidiaries	-	-	271 942	272 032
Less impairment of loans*	-	-	(135 768)	(131 455)
	-	-	**136 174**	**140 577**
	-	**-**	**466 275**	**455 384**

* The impairment charge relates to impairment of loans issued to the subsidiary where the recovery of these loans is not probable.
** The impairment charge relates to the impairment of investment held in Ithala SOC Limited recognised at the reporting date.
*** Increase in shares at cost relates to the capital injection of R89,8 million for the purchase of shares at Ithala SOC Limited. This movement has been accounted for under investing activities under statement of cash flows.

10. PREPAYMENT-LAND

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Prepayment - land	8 166	8 166	8 166	8 166

The prepayment relates to the purchase of land from eThekwini Municipality that has not yet been finalised. It is expected that the acquisition process will be finalised once all requirements are satisfied.

11. GOODWILL

Group	2020			2019		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	317	-	317	312	-	312

Company	2020			2019		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	317	-	317	312	-	312

Reconciliation of goodwill - Group - 2019

	Opening balance	Additions through business combinations	Total
Goodwill	305	7	312

Reconciliation of goodwill - Company - 2020

	Opening balance	Additions through business combinations	Total
Goodwill	312	5	317

Reconciliation of goodwill - Company - 2019

	Opening balance	Additions through business combinations	Total
Goodwill	305	7	312

Goodwill relates to the purchase of minority shares in Sundumbili Plaza Limited and Nongoma Plaza Limited.

	Group		Company	
	2020 R'000	**2019 R'000**	**2020 R'000**	**2019 R'000**

12. FINANCE LEASE RECEIVABLES

Gross investments in lease receivable	2 281	3 333	-	-
Unearned finance income	(292)	(592)	-	-
Present value of minimum lease payments receivable	1 989	2 741	-	-
Current portion of minimum lease payments receivable	(1 989)	(752)	-	-
Long-term portion of minimum lease payments receivable	**-**	**1 989**	**-**	**-**

The group entered into a 5 year finance lease agreement for its equipment with ERF 36 Powerville (Pty) Ltd during the year. Ownership shall pass to the lessee at the end of the lease period.

Minimum lease payments receivable under the finance lease receivable are as follows:

Next 12 months	1 989	752	-	-
Finance lease receivables	-	1 989	-	-
	1 989	**2 741**	**-**	**-**

13. INVESTMENTS AT FAIR VALUE

Investments held by the Group which are measured at fair value, are as follows:

	4 222	13 600	4 222	13 600
Investment in SA Corp Real Estate				
Balance at the beginning of the year	13 600	18 234	13 600	18 234
Fair value adjustments	(9 378)	(4 634)	(9 378)	(4 634)
	4 222	**13 600**	**4 222**	**13 600**

Fair value information

Refer to note 32 fair value information for details of valuation policies and processes.

14. INVESTMENT IN CELL CAPTIVES

Balance at beginning of the year	31 873	23 290	31 873	23 290
Movements:				
Fair value gain recognised in profit and loss	9 249	8 583	9 249	8 583
Balance at end of the year	**41 122**	**31 873**	**41 122**	**31 873**

Ithala has an investment in 2 cell captives that allow the Group use of insurance licences namely short-term insurance and long-term insurance. The cell captives are with Guardrisk and Mutual and Federal, who are both registered insurers. The Group owns 100% of the cells. The Group has agreements with the insurers which outline responsibilities. The insurers are responsible for financial management and they provide monthly information to IDFC on the performance of the cells. The fair value of the cell captive is equivalent to its net asset value.

The cells are both financially sound as at 31 March 2020.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
15. ASSOCIATED COMPANIES				
Unlisted investments				
Shares at cost	2	2	2	2
Less: provisions	(2)	(2)	(2)	(2)
Group carrying value	-	-	-	-
Net loans				
Loans to associates	56 048	56 048	56 048	56 048
Less: provisions	(56 017)	(56 017)	(56 017)	(56 017)
	31	**31**	**31**	**31**
Total interest in associated companies	**31**	**31**	**31**	**31**

The impairment charge relates to the impairment of loans and investments issued to associates where the recovery of these loans is not probable.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Significant financial information of associated companies				
Total assets				
Total non-current assets	8 878	6 133	8 878	6 133
Total current assets	2 219	5 322	2 219	5 322
	11 097	**11 455**	**11 097**	**11 455**
Total liabilities				
Total non-current liabilities	155 796	169 319	155 796	169 319
Total current liabilities	8 709	8 632	8 709	8 632
Net liabilities	**164 505**	**177 951**	**164 505**	**177 951**
	(153 408)	**(166 496)**	**(153 408)**	**166 496)**
Group's share of net liabilities of associates	(62 691)	(61 188)	(62 691)	(61 188)
Total revenue	1 614	318	1 614	318
Total losses	(1 508)	(6 952)	(1 508)	(6 952)
Unrecognised share of losses:				
- Current period	(1 414)	(195)	(1 414)	(195)
- Cumulative	(61 277)	(60 993)	(61 277)	(60 993)

Although the group holds less than 20% of the equity shares of Mabibi Development Company (Pty) Ltd and it has less than 20% of the voting power at shareholder meetings, the group exercises significant influence by virtue of its contractual right to appoint two directors.

The recommendation from the KZN Rationalisation of Public Entities exercise that was received by Ithala in June 2017 was for the shares held by Ithala and DARD in Ntingwe Tea (Pty) Ltd to be transferred to the Agribusiness Development Agency (ADA). Plans are currently in progress to transfer Ntingwe Tea (Pty) Ltd to ADA. However, the administration function was transferred to ADA during the financial year.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Joint ventures				
Loans to joint venture	3 645	2 796	3 645	2 796
Joint ventures				
Loans to joint venture	3 645	2 796	3 645	2 796
Less: Expected credit losses	(3 645)	-	(3 645)	-
Loans to joint venture net of loss allowance	-	**2 796**	-	**2 796**

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Coin and bank notes	64 112	67 329	81	101
Bank balances	1 000	1 342	-	-
Investment and balance with banks	1 464 097	1 283 306	508 800	475 676
	1 529 209	**1 351 977**	**508 881**	**475 777**

Included in cash is an amount of R16,3 million (2019: R16,3 million) relating to cash in transit at year-end to be delivered by security company to branches. Cash also included an amount of R145 million relating to ring-fenced collections derived from advances made from the EDTEA Fund.

The Group invests surplus funds with financial institutions that are rated in accordance with Fitch ratings ranging from AA- to AAA+ excluding those with Ithala SOC Limited which is not independently rated but has been approved as an authorised intermediary by the Group. Due to investments being held in institutions that are highly-rated, these instruments are neither past due nor impaired. The carrying amount of the cash and cash equivalents approximates its fair value.

Statutory liquid assets

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Treasury bill	183 565	188 389	-	-
Undrawn facilities available are as follows:				
ABSA Bank				
Overdraft Facility	77 663	77 663	77 663	77 663
Financial Guarantees	22 337	22 337	22 337	22 337
	100 000	**100 000**	**100 000**	**100 000**

17. TRADE AND OTHER RECEIVABLES

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Financial instruments:				
Trade receivables	119 396	86 740	108 226	77 597
Other receivables	74 954	68 553	125 634	111 930
Gross Trade and other receivables	194 350	155 293	233 860	189 527
Credit Impairment:				
Trade receivables	(73 589)	(31 787)	(66 517)	(27 429)
Other receivables	(22 763)	(20 486)	(22 763)	(19 691)
Total trade and other receivables	**97 998**	**103 020**	**144 580**	**142 407**

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due. A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written-off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written-off are not subject to enforcement activities.

The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward-looking information and general economic conditions of the industry as at the reporting date

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The carrying of trade and other receivables approximates the fair value. The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follow:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Group	2020	2020	2019	2019
Expected credit loss rate:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Less than 30 days past due:	39 757	8 076	32 706	3 135
31 - 60 days past due:	12 515	7 036	10 057	3 125
61 - 90 days past due:	7 258	5 079	5 963	2 668
91 - 120 days past due:	6 379	5 652	3 971	2 132
More than 120 days past due:	53 722	52 901	33 944	22 470
Deposits	-	(5 154)	-	(1 744)
Total	**119 631**	**73 590**	**86 641**	**31 786**
Company				
Expected credit loss rate:				
Less than 30 days past due:	37 860	7 500	30 700	2 798
31 - 60 days past due:	11 064	6 391	8 687	2 607
61 - 90 days past due:	6 086	4 497	5 155	2 253
91 - 120 days past due:	5 621	4 996	3 376	1 769
More than 120 days past due:	47 830	47 889	29 580	19 524
Deposits	-	(4 754)	-	(1 521)
Total	**108 461**	**66 519**	**77 498**	**27 430**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for lease receivables:

Opening balance in accordance with IFRS 9	**(52 273)**	**(41 638)**	**(47 120)**	**(39 008)**
Loss allowance recognised during the year	(42 187)	(16 963)	(39 282)	(14 137)
Receivables written-off during the year	-	6 226	-	6 024
Closing balance	**(94 460)**	**(52 375)**	**(86 402)**	**(47 121)**

18. INVENTORIES

Land	3 284	2 845	3 284	2 845
Consumables	3 203	2 543	2 089	1 193
	6 487	**5 388**	**5 373**	**4 038**

19. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale

Balance at beginning of the year	6 802	14 856	1 663	2 225
Acquisitions	-	968	-	50
Disposals	(2 120)	(2 097)	(823)	(612)
Write offs	167	(6 925)	-	-
Carrying amount before impairment	4 849	6 802	840	1 663
Accumulated impairment loss	(2 015)	(3 155)	(460)	(1 626)
Net carrying amount	**2 834**	**3 647**	**380**	**37**

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Accumulated impairment loss				
Balance at beginning of the year	3 155	8 132	1 626	2 194
(Reversal of)/impairment to income statement	(1 333)	(4 977)	(1 166)	(568)
Other movements (description)	193	-	-	-
Balance at end of the year	**2 015**	**3 155**	**460**	**1 626**

Non-current assets held for sale relate to immovable properties that have been repossessed by the Group. The intention of management is to sell these assets within the next 12 months. However, due to market conditions it is not always possible to sell properties.

20. SHARE CAPITAL

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Authorised				
Issued 1 008 582 361 ordinary shares of R1 each	1 008 582	1 008 582	1 008 582	1 008 582
Ordinary	1 008 582	1 008 582	1 008 582	1 008 582

21. BORROWINGS

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
At amortised cost				
	44 646	54 358	42 587	52 299
Total borrowings	(6 861)	(13 841)	(6 861)	(13 841)
Portion repayable within 12 months	**37 785**	**40 517**	**35 726**	**38 458**
Long-term portion				

	Instalment R'000	Date of final repayment	Interest rate %	Group 2020	Group 2019	Company 2020	Company 2019
Development Bank of Southern Africa Ltd							
Repayable in half-yearly instalments Security - None	3 648	2018	9,17%	-	3 593	-	3 593
Nedbank							
Repayable in monthly instalments	619	2026	8,00%	35 551	39 794	35 551	39 794
Khula Enterprise Finance Ltd/Sefa							
No fixed terms of repayment	188	2025	3,20%	7 036	8 912	7 036	8 912
Loans 2							
Repayable in half-yearly instalments	-		-%	2 059	2 059	-	-
Total borrowings				44 646	54 358	42 587	52 299

The interest rate applicable on the borrowings is variable

	Group 2020	Group 2019	Company 2020	Company 2019
Held at amortised cost				
Development Bank of Southern Africa Ltd	-	3 593	-	3 593
Terms and conditions				
Nedbank	35 551	39 794	35 551	39 794
Terms and conditions				
Khula Enterprise Finance Ltd/Sefa	7 036	8 912	7 036	8 912
Terms and conditions				
Loans 2	2 059	2 059	-	-
Terms and conditions				
	44 646	**54 358**	**42 587**	**52 299**

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

22. DEPOSITS DUE TO CUSTOMERS

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Call deposit accounts	68 265	64 561	-	-
Savings accounts	1 105 638	954 578	-	-
Term deposits	1 263 972	1 273 018	-	-
	2 437 875	**2 292 157**	**-**	**-**
Maturity analysis repayable:				
On demand	1 176 294	982 158	-	-
Up to 1 month	101 219	148 542	-	-
From 1 month to 6 months	756 698	733 108	-	-
From 6 months to 1 year	359 568	383 213	-	-
From 1 year to 5 years	44 096	45 136	-	-
	2 437 875	**2 292 157**	**-**	**-**
Savings accounts are further analysed as follows:				
Pass book*	699 257	638 748	-	-
Trust accounts	55 906	56 098	-	-
Debit card	326 772	237 122	-	-
Corporate	23 703	22 610	-	-
Total savings	**1 105 638**	**954 578**	**-**	**-**
Term deposits are further analysed as follows:				
Retail accounts	899 713	910 265	-	-
Corporate accounts	364 259	362 753	-	-
Total term deposits	**1 263 972**	**1 273 018**	**-**	**-**

*A pass book is a paper book used to record bank transactions on a depositor's account and is an alternative means of banking for customers who do not prefer electronic banking.

Savings accounts, as disclosed in the table above, have no fixed terms and are available to customers on demand.

Term deposits are available to customers upon maturity.

The movement of R145,7 million in the deposits due to customers has been accounted for in the statements of cash flows as part of financing activities.

23. RETIREMENT BENEFITS

Movements for the year

Post-retirement medical obligations (Closed Fund)

The Group provides post-retirement medical benefits to substantially all employees who commenced employment prior to 1 August 2000. An actuarial valuation of post-retirement medical obligations at 31 March 2020 quantified the present value of unfunded obligations at R94,3 million (2019: R112,3 million) for Group and R61,1 million (2019: R73,7 million) for Corporation.These actuarial valuations are conducted annually, at balance sheet date.The principal actuarial assumptions used included a discount rate of 13,00% (2019:10,40%), and a healthcare cost inflation rate of 9,10% (2019: 8,60%). The valuations are performed by independent, qualified experts.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Movement in the defined benefit obligation, is as follows:				
Balance at beginning of the year	112 307	112 364	73 692	73 980
Current service costs	1 260	1 396	509	594
Interest costs	11 307	10 473	7 374	6 857
Net actuarial (gain)/loss recognised during the year	(23 790)	(5 714)	(15 184)	(2 892)
Benefit payment	(6 824)	(6 212)	(5 294)	(4 847)
Balance at end of the year	**94 260**	**112 307**	**61 097**	**73 692**
Amounts recognised in the balance sheet are as follows:				
Present value of unfunded obligations	94 260	112 306	61 097	73 692
Liability - Long-term portion	87 339	105 787	55 879	68 634
Liability - Short-term portion	6 921	6 519	5 218	5 058
Liability at end of year	**94 260**	**112 306**	**61 097**	**73 692**
Post-retirement medical benefits				
Actuarial (loss)/gain				
The actuarial gains arose as a result of the following:				
Change in real discount rate	22 118	7 789	12 461	3 775
Higher than expected healthcare cost inflation including changes in members' benefit options	(868)	(3 951)	(674)	(2 472)
Unexpected changes in membership	2 540	1 876	3 397	1 589
Total	**23 790**	**5 714**	**15 184**	**2 892**

Group

Actuarial assumptions used and sensitivity analysis

- unfunded accrued liability Sensitivity Analysis

	Assumptions	Change	2020 R '000	2019 R '000
Present value of obligation			94 260	112 306
Healthcare cost inflation	9,1%	+1%	104 096	134 458
		-1%	85 851	100 559
Discount rate	13%	+1%	86 168	99 649
		-1%	103 820	124 561
Average expected retirement age	60 years	+1 year	92 080	109 602
		-1 year	96 495	114 987

Company

Actuarial assumptions used and sensitivity analysis Sensitivity Analysis - unfunded accrued liability

	Assumptions	Change	2020 R '000	2019 R '000
Present value of obligation			61 096	73 962
Healthcare cost inflation	9,1%	+1%	66 672	81 782
		-1%	56 254	66 820
Discount rate	13,0%	+1%	56 427	66 970
		-1%	66 532	81 710
Average expected retirement age	60 years	+1 year	61 941	72 506
		-1 year	60 249	74 787

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

Due to COVID-19 we have also assessed the impact of CPI increasing by 3%. The change of +3% instead of +1% will result in the Group liability of R129 million. The change of -3% instead of -1% will result in a liability R72 million. Due to COVID-19 the Group also assessed the discount rate changing by 3%. A change of +3% will result in a liability of R73 million and a change of -3% will result in the liability of R129 million.

Pension and Provident Fund Schemes

The Group provides retirement benefits substantially to all employees by contributing to pension and provident funds. Membership of either pension or provident fund is compulsory for all Corporation and Ithala SOC Limited permanent employees. The defined benefit pension fund and the defined benefit provident fund are governed by the Pension Funds Act of 1956, with retirement benefits being determined with reference to both pensionable remuneration and years of service. Both funds are closed to new members. The defined contribution pension fund and defined contribution provident fund are governed by the Pension Funds Act of 1956, and are open to new members and members who have elected to transfer from the defined benefit funds. Actuarial valuations of the defined benefit pension and provident funds were conducted as at the end of each of the three preceding financial years and the actuary found the funds to be in a sound financial position. An actuarial review conducted as at 31 March 2020 showed that in respect of the Defined Benefit Pension Fund and the Defined benefit Provident Fund, the present value of the obligation was adequately covered by the fair value of the scheme assets. The most recent actuarial valuation of plan assets and present value of defined benefits obligations were carried out for the current and prior annual financial years by independent, qualified experts.The present value of the defined benefits obligations and the related current service cost were measured using the Projected Unit Credit Method.

Defined benefit pension fund

Present value of funded obligations	554	529	249	238
Fair value of plan assets	(4 309)	(6 558)	(1 939)	(2 014)
Surplus	(3 755)	(6 029)	(1 690)	(1 776)
Amount allowed as a reduction of future contributions	-	2 083	-	-
Asset not recognised due to asset ceiling	**(3 755)**	**(3 946)**	**(1 690)**	**(1 776)**
Net asset balance currently recognised				
Amount allowed as a reduction of future contributions	-	2 083	-	-
Amount utilised for contributions	-	(2 871)	-	-
Asset as per balance sheet	**-**	**(788)**	**-**	**-**

Group

Sensitivity analysis - unfunded accrued liability

	Assumptions	Change	2020 R '000	2019 R '000
Discount rate	1%		10,1%	8,9% 0
Average expected salary rate		-0,2%	6,3%	6,3%

Company

Sensitivity Analysis - unfunded accrued liability

	Assumptions	Change	2020 R '000	2019 R '000
Present value of obligation		11	249	238
Discount rate	3%	1%	249	238
		-1%	249	238
Average expected salary rate	6%	1%	249	238
		-1%	249	238

It was resolved during the 2012 financial year to close the defined benefit pension fund. All active members of the fund have been transferred to a defined contribution fund of the Company as at 31 December 2011. The trustees have agreed to utilise the surplus in the pension fund to fund the employer contributions towards the Old Mutual Superfund. The Company has utilised the contribution holiday as at 31 March 2020.

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
The movement in the defined benefit obligation over the year is as follows:				
Balance at beginning of the year	529	1 625	238	731
Interest cost	49	86	22	39
Actuarial loss/(gain)	-	(31)	-	(14)
Past service costs	-	2 349	-	1 057
Benefits paid	(24)	(3 500)	(11)	(1 575)
Balance	**554**	**529**	**249**	**238**
The movement in the fair value of plan assets over the year, is as follows:				
Balance at beginning of the year	3 329	4 146	2 014	3 229
Interest cost	401	404	180	199
Actuarial loss/(gain)	(543)	(1 221)	(244)	161
Benefits paid	(24)	-	(11)	(1 575)
Balance at end of the year	**3 163**	**3 329**	**1 939**	**2 014**
Actuarial (loss)/gain				
The actuarial gains arose as a result of the following:				
Actuarial gain arising from changes in demographic assumptions	-	354	-	-
Actuarial gain arising from changes in financial assumptions	-	188	-	188
Previous unrecognised gains	-	722	-	722
Actuarial gain arising from changes in experience (investment returns being lower than expected)	(887)	-	(588)	-
Defined benefit provident fund				
Present value of funded obligations	-	35 634	-	14 178
Fair value of plan assets	(8 748)	(44 513)	(5 079)	(19 293)
Surplus	(8 748)	(8 879)	(5 079)	(5 115)
Amount allocated to employer surplus account	8 748	8 879	5 079	5 115
Asset not recognised due to asset ceiling	**-**	**-**	**-**	**-**
The movement in the defined benefit obligation over the year is as follows:				
Balance at beginning of the year	33 413	36 362	14 179	15 352
Interest cost	583	2 996	232	1 192
Actuarial loss/(gains)	-	(2 672)	-	(1 063)
Benefits paid	(33 996)	(3 273)	(14 411)	(1 302)
Balance	**-**	**33 413**	**-**	**14 179**
The movement in the fair value of plan assets over the year, is as follows:				
Balance at beginning of the year	44 513	43 920	19 293	19 036
Interest income	1 374	3 427	595	1 485
Benefits paid	(36 217)	(3 273)	(14 410)	(1 302)
Actuarial loss/(gains)	(922)	439	(400)	74
Balance at end of the year	**8 748**	**44 513**	**5 078**	**19 293**

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Actuarial (loss)/gain				
The actuarial gains arose as a result of the following:				
Actuarial gain arising from changes in demographic assumptions	(923)	439	(400)	74
Actuarial gain arising from changes in financial assumptions	-	1 063	-	1 063

Sensitivity analysis – unfunded accrued liability

	Assumptions	Change	2020 R '000	2019 R '000
Discount rate	3%	1%	-	-
		-1%	-	-
Average expected salary rate	6%	1%	-	-
		-1%	-	-

The Company expects to make no contribution to the Old Mutual Superfund Defined Benefit Provident Fund during the next financial year due to payment holiday (2019: nil).

Long service obligation

The Company provides long service awards to permanent employees in the form of cash from ten years of continuous service and every five years thereafter. An actuarial valuation of the provision for long service awards is conducted annually. The principal actuarial assumptions used included a discount rate of 11,4% (2019: 9,2%) and an average salary inflation of 6,6% (2019: 6,9%).

The most recent actuarial valuation of the long service awards was carried out for the current financial year by an independent, qualified expert. The present value of the liability was measured using the Projected Unit Credit Method.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Balance at beginning of the year	32 854	30 932	17 469	16 048
Expensed during the year	6 410	4 770	3 519	3 219
Contributions paid	(3 831)	(2 210)	(2 530)	(1 159)
Unrecognised actuarial (gain)/loss	(8 587)	(638)	(4 528)	(639)
Balance at end of the year	**26 846**	**32 854**	**13 930**	**17 469**
Amounts recognised in the balance sheet are as follows:				
Present value of unfunded obligations	26 846	32 854	13 930	17 469
Short-term portion	1 546	3 683	749	2 430
Long-term portion	25 298	29 170	13 181	15 039
Liability at end of year	**26 844**	**32 853**	**13 930**	**17 469**
Amounts recognised in the income statements are as follows:				
Current service cost	3 578	3 493	2 035	1 887
Interest cost	2 831	2 475	1 484	1 332
Net actuarial loss/(gain) recognised in the year	(8 588)	(1 759)	(4 528)	(638)
	(2 179)	**4 209**	**(1 009)**	**2 581**

Membership statistics:

In-service members	669	698	314	365

	Group		Company	
	2020	**2019**	**2020**	**2019**
	R'000	**R'000**	**R'000**	**R'000**

Sensitivity analysis – unfunded accrued liability

		Group		Corporation	
Assumptions	Change	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Central assumptions:		26 846	32 854	13 931	17 470
CPI Inflation	+1%	28 582	35 164	14 817	18 627
	-1%	25 261	30 766	13 121	16 420
Average retirement age	-2 years	23 913	28 808	12 253	15 094
	+2 years	30 167	30 766	15 788	19 817

Due to COVID-19 we have also assessed the impact of CPI increasing by 3%. The change of +3% instead of +1% will result in a Group liability of R33 million. The change of -3% instead of -1% will result in a liability of R22 million.

Due to COVID-19 we have also assessed the impact of the discount rate increasing by 3%. The change of +3% instead of +1% will result in a liability of R22 million. The change of -3% instead of -1% will result in a liability of R33 million.

Reconciliation of actuarial (gains)/losses

Actuarial (gains)/losses recognised in the statement as other comprehensive income	**(32 377)**	**(7 688)**	**(19 712)**	**(3 530)**
Actuarial (gains)/losses on post-retirement medical aid	(23 790)	(5 714)	(15 184)	(2 891)
Actuarial (gains)/losses on long service	(8 587)	(1 974)	(4 528)	(639)

Gains/losses earned on the pension and provident fund are recognised as part of other income/expenses for the year.

24. GOVERNMENT GRANTS

Government grants - deferred income				
BEE risk fund	6 599	6 599	6 599	6 599
Share participation	7 097	7 097	7 097	7 097
Co-operatives - Agriculture	-	170	-	170
DTI grant	928	928	928	928
SMME onlending	-	838	-	838
Hubs	11 885	40 000	11 885	40 000
Ndumo	-	2 648	-	2 648
RASET	-	59 150	-	59 150
Thokazi Royal Lodge	4 825	4 825	4 825	4 825
Ithala SOC Limited	11 888	31 888	-	20 000
Drakensberg cable car	-	1 369	-	1 369
Bulk-Buying PROJECT	-	17 000	-	17 000
Operation Vula	-	40 298	-	40 298
Maritime Transport and Manufactured	3 364	-	3 364	-
Shared infrastructure SMME and Co-ops incubation	15 923	-	15 923	-
COVID-19 relief fund	360	-	360	-
	62 869	**212 810**	**50 981**	**200 922**
Government grants - other				
EDTEA Equity Fund	111	111	111	111
Total government grants	**62 980**	**212 921**	**51 092**	**201 033**

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

IDFC receives grants for the purposes of lending to individuals or companies, support BEE projects as well for construction projects. Grant deferred income relates to the Government grants that have not been used for onlending to individuals or companies or supporting BEE projects for identified construction projects. The grant deferred income is recognised as revenue when the grant conditions are met.

During the year EDTEA recalled an amount of R45,3 million that relates to unspent grants for various projects. IDFC has reclassified Bulk Buying, RASET and Operation Vula to trade and other payables as IDFC is only playing an implemantation role for these projects.

The movement in the grants has been accounted for as part of financing activities under statement of cash flows .

Grant Reconciliation	Opening balance	Grant received	Grant applied	Reclassified to sundry creditors	Grant returned to EDTEA	Closing balance
BEE Risk Fund	6 599	-	-	-	-	6 599
Share participation	7 097	-	-	-	-	7 097
Co-operatives - Business	-	43 238	(43 238)	-	-	-
Co-operatives - Agriculture	170	-	-	-	(170)	-
DTI grant	928	-	-	-	-	928
SMME onlending	838	-	-	-	(838)	-
Hubs	40 298	11 885	-	-	(40 298)	11 885
Ndumo	2 648	-	-	-	(2 648)	-
RASET	59 150	-	-	(59 150)	-	-
Thokazi Royal Lodge	4 825	-	-	-	-	4 825
Ithala SOC Limited	31 888	69 760	(89 760)	-	-	11 888
Drakensberg Cable Car	1 369	-	-	-	(1 369)	-
Bulk-buying PROJECT	17 000	20 000	-	(37 000)	-	-
Operation Vula	40 000	-	-	(40 000)	-	-
Maritime transport and manufactured	-	3 364	-	-	-	3 364
Shared infrastructure SMME and Co-ops incubation	-	15 923	-	-	-	15 923
COVID-19 relief fund	-	360	-	-	-	360
Sub-total	212 810	164 530	(132 998)	(136 150)	(45 323)	62 869
EDTEA Equity Fund	111	-	-	-	-	111
	212 921	**164 530**	**(132 998)**	**(136 150)**	**(45 323)**	**62 980**

25. PROVISIONS

Reconciliation of provisions - Group - 2020

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	11 716	-	-	672	12 388
Provision for audit fees	9 062	15 018	(9 062)	-	15 018
Other provisions	438	-	-	-	438
	21 216	**15 018**	**(9 062)**	**672**	**27 844**

Reconciliation of provisions - Group - 2019

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	11 082	-	-	634	11 716
Provision for audit fees	7 238	1 826	-	-	9 062
Other provisions	500	-	(62)	-	438
	18 818	**1 826**	**(62)**	**634**	**21 216**

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

Reconciliation of provisions - Company - 2020

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	10 106	-	-	606	10 712
Provision for audit fees	4 248	7 067	(4 248)	-	7 067
Other provisions	438	-	-	-	438
	14 792	**7 067**	**(4 248)**	**606**	**18 217**

Reconciliation of provisions - Company - 2019

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	9 534	-	-	572	10 106
Provision for audit fees	2 934	1 314	-	-	4 248
Other provisions	500	-	(62)	-	438
	12 968	**1 314**	**(62)**	**572**	**14 792**

Non-current liabilities	12 388	11 716	10 712	10 106
Current liabilities	15 456	9 500	7 505	4 686
	27 844	**21 216**	**18 217**	**14 792**

Provision for landfill site

The Landfill Rehabilitation Provision is created for rehabilitation of the current operational sites at future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 6% (2019 - 6%). The entity has an obligation to rehabilitate theselandfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located. The entity estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs. An independent assessment conducted by a qualified evaluator resulted in the change in estimate of the provision as the dumping space that was utilised is significantly lower than anticipated. The landfill site was closed during the current financial year. The entity has changed the basis of estimating the landfill rehabilitation provision from future expected costs to actual usage. This change has resulted in a decrease in the provision for rehabilitation and this has been accounted for retrospectively.

Provision for rehabilitation

A provision for the rehabilitation costs arising from mining activities has been recognised. The provision will ony be settled when the mining operations cease. The entity has an obligation to rehabilitate these landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which mining ocurred, the obligation for which the entity incurs as a consequence of having mined during a particular period.

Other provisions

Other provisions relate to legal claims against Ithala. The claims relate to non-installation of a security door as well as a painting claim laid by the body corporate. The provision is for a short-term, hence there was no discounting.

26. TRADE AND OTHER PAYABLES

Financial instruments:				
Trade payables	17 679	20 136	12 371	15 021
Accrued leave pay	30 470	32 587	16 730	17 507
Accrued bonus	3 621	3 705	1 848	1 788
Accruals	89 275	68 726	57 698	43 892
Sundry creditors	388 451	264 861	354 130	220 454
Non-financial instruments:				
South African Revenue Service	27 819	18 333	2 787	(376)
	557 315	**408 348**	**445 564**	**298 286**

Included in the sundry creditors are funds held by the Group on behalf of other Goverment entities and for EDTEA projects where the entity plays an agency role. The carrying amount of trade and other payables approximates fair value.

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Balances held by the Group on behalf of EDTEA for various projects				
Human Settelements Project	99 027	111 394	99 027	111 394
Vulindlela Development Agency Project	49 625	24 808	49 625	24 808
Bulk-buying PROJECT	29 734	-	29 734	-
RASET project	24 745	-	24 745	-
Operation Vula	27 202	-	27 202	-
	230 333	**136 202**	**230 333**	**136 202**

27. CASH GENERATED FROM OPERATING ACTIVITIES

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Net income before taxation	25 388	233 420	(3 607)	248 304
Adjustment for non-cash items:				
Grant applied	(132 998)	(145 720)	(132 998)	(145 720)
Provision for rehabilitation	673	1 132	607	1 071
Straightlining of operating leases	4 855	(5 165)	1 629	(6 888)
Depreciation and amortisation	49 010	39 826	25 408	27 476
Impairment of assets and inventory	46 448	8 559	90 169	17 516
Interest on stage 3 loans	20 358	12 611	18 673	9 991
Credit impairment for trade receivables	44 079	10 737	42 160	8 113
Fair value adjustments	(72 677)	(114 275)	(46 711)	(108 703)
Credit impairment on loans and advances	156 791	(3 658)	110 493	(8 964)
Fair value adjustment on PIPs	-	1 529	-	-
Write-off of property in possession	141	6 925	-	-
Movements in other provisions	5 956	1 763	2 819	1 252
(Profit)/loss on disposal of assets	(3 674)	(679)	(2 894)	(82)
Post retirement obligations	12 567	11 869	7 883	7 451
Long service obligations	6 410	4 770	3 519	3 219
Additions to properties in possession and non-current assets held for sale	2 120	(5)	823	(562)
Dividends accrued	(1 269)	(1 322)	(1 269)	(1 322)
Actuarial gains on long service obligations	(8 588)	-	(4 529)	-
Interest on borrowings	11 382	-	5 374	-
Movement in non-controlling interest	107	12	-	-
Movement in cell captive	(9 249)	(8 583)	(9 249)	(8 583)
Revaluation of shares	9 378	4 633	9 378	4 633
Net cash generated/(utilised) by investing activities	**167 208**	**58 379**	**117 678**	**48 202**
Changes in working capital:				
Trade and other payables	88 940	(66 530)	89 681	(93 435)
Trade and other receivables	(36 637)	35 260	(44 325)	(9 068)
Inventories	(1 099)	728	(1 335)	647
	51 204	**(30 542)**	**44 021**	**(101 856)**

28. TAX PAID

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Balance at beginning of the year	1 475	(1 662)	-	-
Current tax for the year recognised in profit or loss	(5 261)	(5 465)	-	-
Balance at end of the year	2 128	1 475	-	-
	(1 658)	**(5 652)**	**-**	**-**

29. COMMITMENTS

Capital commitment

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Authorised and contracted	109 825	137 824	53 816	85 866

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Operating lease commitments				
The future minimum lease payments under non-cancellable leases are as follows:				
Next 12 months	-	13 672	-	74
From 2 - 5 years	-	15 515	-	372
Later than 5 years	-	(17 594)	-	1 667
Total future cash flows	**-**	**11 593**	**-**	**2 113**
Straight-lining of operating lease expenditure accrued on balance sheet:				
Short-term portion	-	956	-	(74)
Long-term portion	-	(14 611)	-	(2 039)
	-	**(13 655)**	**-**	**(2 113)**

The Group has adopted IFRS 16 for all operating lease arrangements using a modified retrospective approach. The future minimum lease payments have been accounted for under lease liability, resulting in nil values in the current year in the note above.

Group

The operating lease relates to the land, where IDFC erected a light industrial factory. The lease commenced on 1 September 2000, with the expiry date of 2051. The lease is for 50 year .

The remaining lease period is 31 years. The lease has no renewal option nor does it allow the transfer of land to IDFC. The escalation rate of rental is 12% on 1 August of each year. The lease also has turn-over rental depending on the performance of the building.

Company

The operating lease relates to land where Port Shepstone Quarries carries out its mining activities. The lease is for 30 years, it commenced on 1 August 2013 with an expiry date of 1 July 2043. The remaining lease period is 24 years.

The escalation rate of rental is 7% every 1 August of each year. The lease has no renewal option nor does land transfer to the lessee at the end of the lease period.

30. RELATED PARTIES

Ithala Development Finance Corporation Limited (The Corporation) is a 100% held subsidiary of the KwaZulu-Natal Provincial Government, reporting to the Department of Economic Development, Tourism and Environmental Affairs.

The Corporation and its subsidiaries, in the ordinary course of business, enter into various transactions with related parties.

These occur under terms and conditions that are no more favourable to those entered into with third parties in arms length transactions.

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Relationships				
Related party balances				
Loans to members of Provincial Legislature and EDTEA				
Loan granted	-	-	29 132	29 132
Outstanding balance	-	-	23 072	27 188
Arrears	-	-	1 722	854
Security amount	-	-	28 693	28 693
Interest received	-	-	2 043	700
Loans to key management personnel - Corporation				
Loans granted	-	-	5 386	35 385
Outstanding balance	-	-	3 207	21 740
Arrears	-	-	1 383	2 630
Specific impairment charge	-	-	2 976	2 540
Security amount	-	-	-	14 116
Interest received	-	-	187	1 854
Loans to key management personnel - Ithala SOC Limited				
Outstanding balance	-	-	4 484	4 780
Security amount	-	-	5 261	5 808
Interest received	-	-	379	406
Loan balances with other subsidiaries and IDFC				
Nongoma Plaza	-	-	57 147	58 601
Sundumbili Plaza	-	-	20 570	22 126
The Durban Wharfside Trust	-	-	47 149	49 163
Sibaya Conservation	-	-	4 183	4 182
Port Shepstone Quarries	-	-	47 700	44 190
Ubuciko Twines and Fabrics	-	-	82 158	82 158
	-	-	258 907	260 420
Related party transactions				
Transactions between Corporation and Ithala SOC Limited				
Interest paid on customer deposits and retention accounts	-	-	2 766	5 193
Shared services	-	-	7 631	11 340
Rental	-	-	4 937	3 923
Recovery of operating expenses	-	-	408	511
WAN costs	-	-	9 405	8 300
Funds transferred to SOC	-	-	89 760	74 788
Deposits due to properties tenants	-	-	48 266	46 145
Outstanding balance on savings and fixed deposits	-	-	85 771	76 670
Ithala Development Finance Corporation inter-company balance	-	-	13 090	(13 291)
Transactions between Corporation and Nongoma Plaza				
Management fees	-	-	880	626
Interest on loans	-	-	2 873	2 889
Insurance	-	-	327	337
Other	-	-	1	6
	-	-	3 201	3 858
Transactions between Corporation and Sundumbili Plaza				
Sale of refuse	-	-	525	527
Management fees	-	-	994	837
Interest on loans	-	-	2 204	2 283
Insurance	-	-	394	398
Other	-	-	2	165
	-	-	4 119	4 210

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Transactions between Corporation and Durban Wharfside Trust				
Distribution	-	-	796	5 758
Management fees	-	-	428	581
Insurance	-	-	196	228
Other	-	-	-	123
	-	-	1 420	6 690
Transactions between Corporation and Port Shepstone Quarries				
Other	-	-	273	410
Transactions between Corporation and other EDTEA subsidiaries				
Rental	-	-	5 460	3 715
Parking	-	-	570	528
Recovery of operating expenses	-	-	991	690
Corporation				
Department of Human Settlements	-	-	99 027	111 394
Vulindlela Development Agency	-	-	49 625	24 808
Bulk-buying Project	-	-	29 734	-
RASET project	-	-	24 745	-
Operation Vula	-	-	27 202	-
	-	-	230 333	136 202
Transactions between Ithala SOC Limited and entities owned by EDTEA				
Deposits due to customers held by Ithala SOC Limited for KZN Growth Fund	75 846	18 823	-	-
Interest expense on KZN Growth Fund deposits	5 656	841	-	-
Interest expense: Ezemvelo KZN Wildlife	-	1 311	-	-
The following funds were received from EDTEA				
RASET	-	-	-	19 100
Enterprise Developmenf Fund	-	-	43 238	64 771
Industrial hubs	-	-	-	40 000
Bulk-buying	-	-	20 000	17 000
Operation Vula	-	-	-	40 000
Ithala SOC grant	-	-	69 760	-
Shared infrastructure & SMME incubation	-	-	15 910	-
Maritime transport and manufacturing sector development	-	-	3 364	-
Industrial economic hubs	-	-	11 885	-
COVID-19 funding injection	-	-	360	-
	-	-	164 517	180 871
Transactions between Corporation and its associates				
(a) Management fees and other				
Rocktail Bay Dev Co. (Pty) Ltd	-	-	27	-
Mabibi Development Company (Pty)Ltd	-	-	149	72
(b) Loans	-	-	559	1 027
Rocktail Bay Dev Co. (Pty) Ltd	-	-	1 370	459
Mabibi Development Company (Pty) Ltd	-	-	6 931	6 876
Banzi Pan Development Company (Pty) Ltd	-	-	8 860	8 362

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Ntingwe - Advances				
Costs born by Ithala - Expense in relevant years as per agreement				
Ntingwe management salaries borne by Ithala in prior years	-	-	-	30 900
Ntingwe management salaries borne by Ithala in current year	-	-	-	1 700
Ulundi Shopping Centre				
Loan	-	-	2 976	2 976
Interest	-	-	851	-
Transactions between Ithala SOC and other IDFC subsidiaries				
Rental				
Nongoma Plaza Limited	392	363	-	-
Sundumbili Plaza Limited	308	285	-	-
Rental deposits held by Ithala SOC Limited				
Nongoma Plaza Limited	428	387	-	-
Sundumbili Plaza Limited	1 310	1 163	-	-
Wharfside Trust	703	715	-	-

Various employees of the Holding Company serve as directors in various subsidiaries, associates and joint venture companies with no additional employee benefits to those companies or the Holding Company. Below is a list of companies and affected employees.

Directors associations

2020 and 2019 subsidiaries, associates, and joint ventures	Ms P Bengu	Mr S Mnguni	Ms F Abdool-Kader	Mr M Muthusamy	Mr B Shangase	Mr T Badenhorst	Mr SD Khwela	Ms B Mokgatle
Ithala SOC Limited		x						
Nongoma Plaza Limited			x			x	x	
Sundumbili Plaza Limited			x			x	x	
The Durban Wharfside Trust			x			x		
Sibaya Conservation Projects (Pty) Ltd			x			x		
Rocktail Bay Dev Co (Pty) Ltd			x			x	x	
Banzi Pan Development Company (Pty) Ltd			x					
Mabibi Development Company (Pty) Ltd			x					
Ubuciko Twines & Fabrics (Pty) Ltd		x		x				x
Port Shepstone Quarries (Pty) Ltd				x	x			
Ntingwe Tea (Pty) Ltd					x			
KwaZulu Natal Property Development Holding					x			x
Ulundi Shopping Centre			x					
Cowslip (Pty) Ltd	x							

31. FINANCIAL RISK MANAGEMENT

Capital risk management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to optimise the cost of capital. The capital structure of the Group consists of borrowings, deposits due to customers and equity as disclosed in the statement of financial position. There are no externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Credit risk management

Credit risk is the risk of suffering financial loss, should any customers or market counterparties fail to fulfil their contractual obligations to the company. Credit risk arises mainly from commercial and consumer loans and advances. Credit risk is a significant risk resulting in management carefully managing its exposure. Credit risk management and control are centralised within a credit risk management team, which reports to the Chief Executive Officer.

Whilst the Board retains overall responsibility for risk management, policies and frameworks are developed by management on an enterprise-wide basis striving to identify all relevant risks, to measure and understand such risks and to manage and monitor them in order to minimise and control the impact of adverse occurrences. The Board of Ithala has delegated the responsibility for risk management to Board sub-committees, namely the Audit and Risk, IT Governance and the Human Resources, Social and Ethics Committees, while the Board of Ithala SOC Limited has delegated the responsibility to the IT Governance and Risk and Capital Management Committee. Each committee has specific terms of reference and delegated powers of authority that are reviewed annually by the Board.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into daily operations. The Group has exposure to the following risks from financial instruments, namely, credit risk, liquidity risk, market risks and operational risks.

Credit risk
Credit risk is the risk of potential loss from the failure of customers, clients or counter parties to fulfill obligations to the Company. In order to minimise the potential for loss, the Company has adopted a credit risk management philosophy, which is based on the principle of assessing the serviceability of individual loans granted and the recoverability of such loans through cash flows and the underlying security. Loans advanced are secured by tangible assets and other forms of security. The Board of Directors has delegated responsibility for the oversight of credit risk to the Credit and Investment Committee. A separate Management Credit and Investment Committee is responsible for management of the company's Credit Risk. Ithala's credit approval is graduated, where increasing magnitudes of credit transactions require higher levels of authorisation. Each credit application is evaluated on its own merits depending on the value and type of transaction under consideration, maybe considered progressively by Delegated Line function, Management Credit Committee and the Board Credit and Investment Committee. The transaction-based approach is in keeping with Ithala's risk management strategy throughout the company while ensuring compliance with credit policies set by the Board. Problem exposures, when they arise, are initially dealt with by Line Management unless further degeneration occurs whereupon they are attended to by the company's Business Support, Legal and collections staff who then administer the recovery process. Exposures are considered to be non-performing when amounts due are unpaid for more than three months or a counter-party is under judicial management or declared insolvent and management believes that further recoveries are no longer probable.

Credit risk measurement

Loans and advances to customers (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and required of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as the likelihood of defaults occurring, of the associated loss ratios and of the default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to notes in details below.

Credit risk grading
The Company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Company uses internal rating models tailored to the various categories of counterparty. Borrower and loan-specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures) is fed into the ratings model.

Expected Credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:
A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the Company. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired. Please refer to note 32 for a description of how the Company determines when a significant increase in credit risk has occurred.

If the financial instrument is credit-impaired, the financial instrument in then moved to 'stage 3'. Please refer to note 33 for a description of how the Company defines credit-impaired and default. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months after the reporting date. Instruments in Stage 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 33 for a description of inputs, assumptions and estimation techniques used in the measuring the ECL.

It is expected that an exposure would experience a significant increase in credit risk prior to the existence of objective evidence of impairment or the occurrence of default. Therefore, the Company incorporates both forward-looking as well as historical information in determining whether such deterioration has occurred. Further explanation is provided on how the Company determines appropriate grouping when ECL is measured on a collective basis. Refer to note 33.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1 (Initial recognition) 12-month expected credit loss	Stage 2 (Significant increase in credit risk since initial recognition) Lifetime expected credit loss	Stage 3 (Credit-impaired assets) Lifetime expected credit losses
25 537	100 120	317 129

The key judgements and assumptions adopted by the Group in addressing the requirements of the Standard are discussed below:

Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

PD bands have been created for current credit scores and credit scores as at origination of respective contracts. Wherever the bands differed between the two points in time, an account has been transferred to (a) the next worse stage in case the PD band for the current credit score is lower than the one as at origination or (b) the next better stage in case the PD band for the current credit score is higher than the one as at origination.

The remaining Lifetime PD at the reporting date has increased, compared to the original Lifetime PD expected at the reporting date when the exposure was first recognised, so that it exceeds the relevant threshold per the table below:

Ithala SOC Limited

Housing loan

Lifetime PD band at initial recognition	Increase in Lifetime PD at reporting date which is considered significant
<=545	3,12%
545-570	0,85%
570-605	1,05%
605-650	1,02%
650-675	0,47%
675-999	0,43%

Micro-finance unsecured

Lifetime PD band at initial recognition	Increase in Lifetime PD at reporting date which is considered significant
<=550	33,06%
550-590	20,49%
590-625	9,14%
625-999	3,20%

Micro-finance secured

Lifetime PD band at initial recognition	Increase in Lifetime PD at reporting date which is considered significant
<=550	2,75%
550-570	1,96%
570-620	0,99%
620-999	0,55%

Company

Product	Credit score	12M TTC PD	Absolute	Relative
2020				
Agri				
	610-999	15,2%		
	0-610	23,4%	8,3%	54,6%
Asset Fin				
	630-999	9,1%		
	<=610	16%	6,9%	75,4%
COM/PROP				
	600-999	2,6%	0%	0%
	<=600	21,0%	18,4%	716,5%
PROPC/FIN				
	660-999	25,5%		
	0-600	38,1%	12,6%	49,4%
2019				
AGRI				
	660-999	7%		
	620-660	12%	6%	87%
	<=620	15%	3%	22%
ASSET FIN				
	610-999	13%		
	<=610	22%	9%	69%
COM/PROP				
	600-999	2%	0%	0%
	<=600	35%	34%	2 245%
FRANCHISE				
	625-999	11%		
	<=625	38%	27%	255%
MICRO-FINANCE				
	625-999	1%		
	575-625	4%	4%	592%
	<=575	9%	5%	124%
STRUCTURED				
	610-999	9%		
	<=610	37%	27%	293%
PROPC/FIN				
	640-999	37%		
	<=640	37%	0%	0%

These thresholds have been determined separately for each class of financial instrument. The lifetime PD movements on instruments which do not subsequently become delinquent have also been assessed, to identify the "natural" movement in Lifetime PD which is not considered indicative of a significant increase in credit risk.

Qualitative Criteria:

If the borrower meets one or more of the following criteria:
In short-term for bearance
Direct debit cancellation
Extension to the terms granted

The assessment of SICR incorporates forward-looking information and is performed on a bi-annual basis at a portfolio level for all financial instruments held by the Company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop is applied and the financial instruments considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Company has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2020.
The following table shows the impact on the 31 March 2020 ECL allowance of changing the PD thresholds for SICR. Increases in ECL (positive amounts) represent higher impairment allowances that would be recognised:

Ithala SOC Limited

Lifetime PD band at initial recognition	Actual threshold applied	Change in threshold	Lower threshold	Higher threshold
Housing loans				
31 March 2020				
<=545	<=545		8 139	8 139
545-570	545-570		11 524	11 524
570-605	570-605	926	29 792	30 718
605-625	605-625	1 979	17 956	19 936
625-650	625-650	2 826	13 145	15 971
650-675	650-675	1 298	7 760	9 058
675-999	675-999	527	3 163	3 690
31 March 2019				
<=545	<=545	548	4 604	5 152
545-570	545-570	973	5 476	6 449
570-605	570-605	6	17 177	23 540
605-625	605-625	3	11 032	14 959
625-650	625-650	4	9 300	14 291
650-675	650-675	4	4 921	9 657
675-999	675-999	1 441	1 679	3 119
Micro-finance unsecured loans				
31 March 2020				
<=550	<=550		660	660
550-590	550-590		1 145	1 145
590-625	590-625	3	412	412
625-999	625-999	103	346	346
31 March 2019				
<=550	<=550	47	669	716
550-590	550-590	(2)	1 383	1 381
590-625	590-625	7	536	543
625-999	625-999		393	393
Micro-finance secured loans				
31 March 2020				
<=600	<=600	197	7 204	7 401
600-699	600-699	553	6 557	7 110
31 March 2019				
<=600	<=600	1 458	3 016	4 474
600-699	600-699	2 617	1 348	3 965

Company

2020

Product Type	Arrears status	12 - Months PD	Absolute increase	Relative increase
Agri-finance				
	Performing	18,4%		
	Partial Arrears	59,1%	40,8%	221,9%
Asset finance				
	Performing	14,8%		
	Partial Arrears	51,1%	36,2%	244%
Commercial property				
	Performing	9,5%		
	Partial Arrears	62,4%	52,9%	558,4%
Franchise finance	Performing	4,8%		
	Partial Arrears	31,6%	26,7%	553,2%
MIcro finance				
	Performing	5%		
	Partial Arrears	26,3%	21,3%	427,3%
Procurement finance				
	Performing	33,1%		
	Partial Arrears	58,3%	25,2%	76,2%
Structured finance				
	Performing	9,2%		
	Partial Arrears	5,2%	-4%	-43,7%

2019

Lifetime PD band at initial recognition	**Actual threshold applied**	**Actual threshold**	**Lower threshold**	**Higher threshold**
Micro-finance unsecured				
	625-999			
	575-625	451 506	575-625	625-999
	<=575	318 073	<=575	575-625
Agri-finance				
	660-999			
	620-660			
	<=620	(161 241)	<=620	620-660
Franchise finance				
	625-999			
	<=625			
Procurement finance				
	640-999	93 517	<=640	640-999
	<=640			
Commercial property finance				
	600-999			
	<=600			
Asset finance				
	610-999	246 739	<=610	610-999
	<=610			
Structured finance				
	610-999			
	<=610			
	-	-	-	-

Definition of default and credit-impaired assets

In addition to criteria defined for the transition from Stage 1 into Stage 2, criteria have been defined to be used in transferring accounts into Stage 3 i.e. in the event of default resulting in the commencement of legal collections and rundown proceedings.

Days past due

The IFRS 9 Standard incorporates a further rebuttable assumption requiring that delinquency beyond 90 days result in transition of the exposure into Stage 3. This assumption has not been rebutted in the model, and all such exposures are automatically transferred into Stage 3 in the staging module of the model.

Status codes and write-off amount

Further to the use of the 90 days past due assumption defined in the IFRS 9 Standard, the client provided status codes to indicate distressed accounts to be moved to Stage 3.

Transition due to manual override

Further to the use of the 90 days past due assumption defined in the IFRS 9 Standard, the model incorporates the use of manual overrides in order to allow management to transfer exposures to Stage 3 of the impairment model. This can be done on the basis of an individual assessment that indicates a change from management as an active client to a legal collections and rundown process. The company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are
instances where:
The borrower is deceased
The borrower is insolvent
The borrower is in breach of financial covenant(s)
An active market for that financial asset has disappeared because of financial difficulties
Concessions have been made by the lender relating to the borrower's financial difficulty
It is becoming probable that the borrower will enter bankruptcy
Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management processes. The default definition has been applied consistently to model the probability of default (PD), Exposure at Default (EAD). and Loss Given Default (LGD) throughout the Company's expected loss calculation. A backstop is applied and the financial instruments considered to have met the definition of default if the borrower is more than 90 days past due on its contractual payments.

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LCD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur. Loss Given Default (LCD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof. The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a profile from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and Lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Corporation's recent default data. The 12-month and Lifetime LGDs are determined based on the factors which impact the recoveries made post-default. These vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

Forward-looking economic information is also included in determining the 12-month and Lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note below for an explanation of forward-looking information and its conclusion in ECL calculations. The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change etc. are monitored and reviewed on a bi-annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables are sourced from various trusted economic sources such as Statistics South Africa and Reserve Bank on a bi-annual basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 March 2020 are set out below. The scenario 'base', 'Optimistic' and 'Downturn' were used for all portfolios.

		COVID-19 INCL		EXCL COVID-19	
		2020	2021	2020	2021
Real credit extention to firms	Base	1,83%	2,31%	4,39%	4,00%
	Optimistic	1,83%	4,17%	4,39%	4,00%
	Downturn	1,82%	(0,59)%	4,39%	4,00%
Unemployment rate	Base	29,10%	34,97%	26,98%	27,20%
	Optimistic	29,10%	33,81%	26,98%	27,20%
	Downturn	29,10%	36,56%	26,98%	27,20%

The weightings assigned to each economic scenario at 31 March 2020 were as follows:

	Base	Optimistic	Downturn
All portfolios (COVID-19 INCL)	55%	23%	22%
All portfolios (EXCL COVID-19)	75%	15%	10%

The weightings assigned to each economic scenario at 31 March 2020 were as follows:

	Base	Optimistic	Downturn
All portfolios	75 %	15%	10%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis or whenever necessary.

Scenario sensitivity

The most significant assumptions affecting the ECL allowance are as follows:
Domestic GDP
Prime rate, or CPI

Set out below are the changes to the ECL as at 31 March 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Corporation's economic variable assumptions (for example, the impact on ECL of increasing the estimated domestic GDP in each of the base, optimistic and downturn scenarios).

Ithala SOC Limited

	Household income to disposable income R '000	Retail credit extentions to firms R '000
2020		
[-.50%]	180 529	107 912
No change	107 903	107 903
[-.50%]	108 337	107 983

	CPI R '000	Prime rate R '000	GDP R '000
2019			
[-.50%]	60 766	59 617	61 911
No change	62 053	62 053	62 053
[-.50%]	62 312	63 539	61 156

Company	Real credit extention to firms R '000	Unemployment rate R '000
2020		
[-1%]	332 219	331 579
No change	334 893	334 883
[+1%]	337 566	338 187

	CPI R '000	Prime rate R '000	GDP R '000
2019			
[-.50%]	203 814	209 359	211 185
No change	213 011	213 011	213 011
[-.50%]	221 883	216 400	214 718

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the Company to be statistically credible.

Where sufficient information is not available internally, the Company has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:
Credit rating band
Product type
Month of book
Arrears status

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

Maximum exposure to credit - Financial instruments subject to impairment.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

Housing and commercial property

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	963 866	407 566	9 779	1 381 211	944 575	458 225	5 856	1 408 656
30 days	-	33 045	5 306	38 351	2 747	26 286	117	29 150
60 days	-	27 286	6 859	34 145	68 290	30 356	3 414	102 060
90 days and above	-	-	103 507	103 507	207 014	414 028	81 885	702 927
	963 866	467 897	125 451	1 557 214	1 222 626	928 895	91 272	2 242 793
Loss allowance	(14 586)	(41 181)	(35 618)	(91 385)	(3 672)	(29 061)	(21 977)	(54 710)
Carrying amount	**949 280**	**426 716**	**89 833**	**1 465 829**	**1 218 954**	**899 834**	**69 295**	**2 188 083**

Micro finance - secured

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	238 884	69 429	1 240	309 553	195 179	34 422	463	230 064
30 days	333	10 199	30	10 562	474	4 898	-	5 372
60 days	-	7 103	-	7 103	14 206	1 097	-	15 303
- within one year	-	-	4 397	4 397	8 794	17 588	3 780	30 162
	239 217	86 731	5 667	331 615	218 653	58 005	4 243	280 901
Loss allowance	(1 572)	(9 620)	(2 576)	(13 768)	(758)	(1 013)	(2 592)	(4 363)
Carrying amount	**237 645**	**77 111**	**3 091**	**317 847**	**217 895**	**56 992**	**1 651**	**276 538**

Micro finance - unsecured loans

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	25	336	68	429	389	583	167	1 139
30 days	-	14	-	14	28	6	-	34
60 days	-	-	-	-	-	91	33	124
90 days and above	-	-	2 303	2 303	4 606	9 212	3 119	16 937
	25	350	2 371	2 746	5 023	9 892	3 319	18 234
Loss allowance	(2)	(248)	(2 312)	(2 562)	(73)	(326)	(2 584)	(2 983)
Carrying amount	**23**	**102**	**59**	**184**	**4 950**	**9 566**	**735**	**15 251**

Micro finance - unsecured loans

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	13 743	-	-	13 743	10 464	2 981	-	13 445
30 days	-	728	-	728	-	36	-	36
60 days	-	586	36	622	-	124	-	124
90 days and above	-	-	5 867	5 867	-	-	3 821	3 821
	13 743	1 314	5 903	20 960	10 464	3 141	3 821	17 426
Loss allowance	(55)	(1 084)	(5 173)	(6 312)	(118)	(104)	(3 528)	(3 750)
Carrying amount	**13 688**	**230**	**730**	**14 648**	**10 346**	**3 037**	**293**	**13 676**

Agri-finance

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	98 537	-	166	98 703	126 894	24 150	-	151 044
30 days	-	7 710	849	8 559	-	10 570	-	10 570
60 days	-	25	17 218	17 243	-	37 437	14 550	51 987
90 days and above	-	-	189 095	189 095	-	-	89 308	89 308
	98 537	7 735	207 328	313 600	126 894	72 157	103 858	302 909
Loss allowance	(2 554)	(6 580)	(110 290)	(119 424)	(3 971)	(21 520)	(57 841)	(83 332)
Carrying amount	**95 983**	**1 155**	**97 038**	**194 176**	**122 923**	**50 637**	**46 017**	**219 577**

Franchise finance

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	51 326	-	2	51 328	33 455	-	-	33 455
90 days and above	-	-	13 320	13 320	-	-	6 991	6 991
	51 326	-	13 322	64 648	33 455	-	6 991	40 446
Loss allowance	(558)	(6 453)	(12 232)	(19 243)	(2 051)	-	(6 544)	(8 595)
Carrying amount	**50 768**	**(6 453)**	**1 090**	**45 405**	**31 404**	**-**	**447**	**31 851**

Procurement finance

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	23 079	-	-	23 079	54 634	4 956	-	59 590
30 days	-	1 357	-	1 357	-	1 044	-	1 044
60 days	-	794	628	1 422	-	396	-	396
90 days and above	-	-	28 880	28 880	-	-	18 922	18 922
	23 079	2 151	29 508	54 738	54 634	6 396	18 922	79 952
Loss allowance	(27)	(4 989)	(23 510)	(28 526)	(3 734)	(752)	(15 067)	(19 553)
Carrying amount	**23 052**	**(2 838)**	**5 998**	**26 212**	**50 900**	**5 644**	**3 855**	**60 399**

Commercial property finance

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	77 049	-	-	77 049	84 207	-	20 691	104 898
30 days	-	17 078	-	17 078	-	-	-	-
60 days	-	6 184	-	6 184	-	29 467	921	30 388
90 days and above	-	-	44 928	44 928	-	-	19 463	19 463
	77 049	23 262	44 928	145 239	84 207	29 467	41 075	154 749
Loss allowance	(248)	(4 824)	(22 138)	(27 210)	(328)	(3 037)	(14 579)	(17 944)
Carrying amount	**76 801**	**18 438**	**22 790**	**118 029**	**83 879**	**26 430**	**26 496**	**136 805**

Asset finance

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	94 813	-	4 222	99 035	82 806	10 321	-	93 127
30 days	-	3 393	2 571	5 964	-	5 916	-	5 916
60 days	-	380	-	380	-	933	-	933
90 days and above	-	-	55 473	55 473	-	-	50 452	50 452
	94 813	3 773	62 266	160 852	82 806	17 170	50 452	150 428
Loss allowance	(4 315)	(12 302)	(50 618)	(67 235)	(6 251)	(2 005)	(42 898)	(51 154)
Carrying amount	**90 498**	**(8 529)**	**11 648**	**93 617**	**76 555**	**15 165**	**7 554**	**99 274**

Structured finance

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	70 123	-	5 179	75 302	101 981	-	-	101 981
30 days	-	6 279	-	6 279	-	-	-	-
90 days and above	-	-	53 368	53 368	-	-	41 575	41 575
	70 123	6 279	58 547	134 949	101 981	-	41 575	143 556
Loss allowance	(1 620)	(12 842)	(52 471)	(66 933)	(8 786)	-	(24 020)	(32 806)
Carrying amount	**68 503**	**(6 563)**	**6 076**	**68 016**	**93 195**	**-**	**17 555**	**110 750**

Maximum exposure to credit - financial instruments subject to impairment

The Corporation's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Corporation since the prior period.

The Corporation closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Corporation will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	2020				2019			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Credit impaired assets								
Housing and commercial property	1 557 213	(91 580)	1 465 633	3 031 057	1 553 461	(54 710)	1 498 751	846 671
Micro finance - secured	331 615	(13 761)	317 854	588 728	240 312	(4 363)	235 949	164 576
Micro finance - unsecured	23 723	(8 875)	14 848	38	21 815	(6 733)	15 082	47
Agri-finance	313 580	(119 424)	194 156	219 638	302 909	(83 332)	219 577	183 325
Franchise finance	64 648	(19 243)	45 405	18 623	40 446	(8 595)	31 851	109 639
Procurement finance	54 737	(28 526)	26 211	8 276	79 952	(19 553)	60 399	4 957
Commercial property finance	145 238	(27 210)	118 028	116 739	154 749	(17 944)	136 805	109 639
Asset finance	160 852	(67 235)	93 617	67 365	150 428	(51 154)	99 274	59 235
Structured finance	134 948	(66 933)	68 015	53 695	143 556	(32 806)	110 750	51 632
Total credit-impaired assets	**2 786 554**	**(442 787)**	**2 343 767**	**4 104 159**	**2 687 628**	**(279 190)**	**2 408 438**	**1 529 721**

Below is the credit impaired (Stage 3) financial assets with their collateral

	2020				2019			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Credit impaired assets								
Housing and commercial property	125 451	(35 812)	89 639	-	91 272	(21 977)	69 295	52 122
Micro finance - secured	5 668	(2 573)	3 095	-	7 561	(5 175)	2 386	816
Micro finance - unsecured	5 903	(5 173)	730	38	103 859	(57 841)	46 018	59 114
Agri-finance	207 327	(110 290)	97 037	110 182	50 453	(42 898)	7 555	15 615
Franchise finance	13 322	(12 232)	1 090	858	41 075	(14 579)	26 496	23 130
Procurement finance	29 509	(23 510)	5 999	4 456	6 992	(6 544)	448	442
Commercial property finance	44 928	(22 138)	22 790	24 979	3 821	(3 528)	293	48
Asset finance	62 266	(50 618)	11 648	17 802	18 923	(15 067)	3 856	4 937
Structured finance	58 546	(52 471)	6 075	15 413	41 574	(24 020)	17 554	15 439
Total credit-impaired assets	**552 920**	**(314 817)**	**238 103**	**173 728**	**365 530**	**(191 629)**	**173 901**	**171 663**

Write-off policy

An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. 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. Indicators that there is no reasonable expectation (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written-off during the year ended 31 March 2020 was R14 million.

Below are amounts written-off that the Group seeks to recover through legal action

	Group	Corportion	Group	Corportion
	2020	2020	2019	2019
	Outstanding amount	Outstanding amount	Outstanding amount	Outstanding amount
	R '000	R '000	R '000	R '000
Product type				
Housing and commercial property	5 514	-	9 800	-
Micro-finance - secured	-	-	2 573	-
Asset finance	8 803	8 803	20 680	20 680
Franchise ginance	-	-	569	569
Micro-finance	-	-	136	136
Procurement finance	-	-	11 500	11 500
Total amount outstanding	**14 317**	**8 803**	**45 258**	**32 885**

Modification of financial assets

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, an entity shall assess whether there has been a significant increase in credit risk of the financial instrument by comparing:
The risk of a default occurring at the reporting date (based on the modified contractual terms); and
The risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate, or when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000

Loans and advances renegotiated

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Group had made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially.

Rescheduled/renegotiated loans include extended payment arrangements, modification and deferral of payments:

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Continuing to be impaired after rescheduling:				
Agri-finance	-	581	-	-
Procurement finance	3 262	-	3 262	-
Asset finance	492	-	492	-
Housing and commercial property	-	219	-	-
Non–impaired after rescheduling – would otherwise have been impaired:				
Agri-finance	-	13 542	-	13 542
Procurement finance	-	181	-	181
Asset finance	-	4 320	-	4 320
Micro-finance	-	207	-	-
Housing and commercial property	-	10 973	-	-
Non–impaired after rescheduling – would otherwise not have been impaired:				
Agri-finance	-	294	-	35
Procurement finance	3 317	206	3 317	206
Asset finance	-	1 805	-	1 805
Micro-finance	83	1 999	83	1 167
Commercial property	2 403	-	2 403	-
	9 557	**34 327**	**9 557**	**21 256**

Liquidity risk

Liquidity risk is the risk that the group will be unable to service payment obligations timeously or fund asset growth.

The Board of Directors sets the strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation thereof to the Audit and Risk Committee. The Treasury divisions of the Group are responsible for the management of liquidity risk. Liquidity risk is monitored on a projected cash flow basis, incorporating ongoing review and assessment of assumptions applied and strategies in place to ensure that commitments are timeously funded.

The risk of a default occurring at the reporting date (based on the modified contractual terms); and
The continuous monitoring of actual and projected net cash flows;
The maintenance of a liquidity "buffer" to fund unforeseen cash flows;
Daily management of liquidity to support operations and fund asset growth;
Periodic assessment of sources of funding to fund liquidity shortfalls; and
Advising management on trends emerging from variance analysis to reassess where necessary business plans and assumptions.

The details the Group's expected contractual maturity for its financial liabilities has been drawn up based on the summary of the undiscounted contractual maturities of financial liabilities including interest that would be payable. A summary of the Group liquidity profile and the contractual maturity is reflected in the table below:

			Group		Company	
			2020	2019	2020	2019
			R'000	R'000	R'000	R'000

Group
2020

		On demand to 1 month	1 to 6 months	6 months to 1 year	From 1 to 5 years	From 1 to 5 years
Financial assets						
Loans and advances	2	331 745	133 519	135 447	808 211	1 377 632
Investments at fair value	13	4 222	-	-	-	-
Cash and cash equivalents	16	1 269 798	152 944	45 759	60 708	-
Trade and other receivables	17	97 998	-	-	-	-
Statutory liquid assets		183 565	-	-	-	-
		1 887 328	**286 463**	**181 206**	**868 919**	**1 377 632**
Financial liabilities						
Borrowings	21	523	2 615	3 138	38 370	-
Deposits due to customers	22	1 277 513	756 698	359 568	44 096	-
Trade and other payables	26	527 811	-	-	-	-
		1 805 847	**759 313**	**362 706**	**82 466**	**-**
Net liquidity (shortfall)/excess		**81 481**	**(472 850)**	**(181 500)**	**786 453**	**1 377 632**
Cumulative liquidity		**81 481**	**(391 369)**	**(572 869)**	**(754 369)**	**623 263**

2019

		On demand to 1 month	1 to 6 months	6 months to 1 year	From 1 to 5 years	From 1 to 5 years
Financial assets						
Loans and advances	2	249 123	155 955	125 190	802 985	1 354 377
Investments at fair value	13	13 601	-	-	-	-
Cash and cash equivalents	16	1 005 665	207 365	37 768	101 179	-
Trade and other receivables	17	32 706	88 643	33 944	-	-
Statutory liquid assets		188 389	-	-	-	-
		1 489 484	**451 963**	**196 902**	**904 164**	**1 354 377**
Financial liabilities						
Borrowings	21	840	7 961	5 040	20 160	20 357
Deposits due to customers	22	1 130 700	733 108	383 213	45 136	-
Trade and other payables	26	408 354	-	-	-	-
		1 539 894	**741 069**	**388 253**	**65 296**	**20 357**
Net liquidity (shortfall)/excess		**(50 410)**	**(289 106)**	**(191 351)**	**838 868**	**1 334 020**
Cumulative liquidity		**(50 410)**	**(339 516)**	**(530 867)**	**308 001**	**1 642 021**

		Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000

Company
2020

		On demand to 1 month	1 to 6 months	6 months to 1 year	From 1 to 5 years	From 1 to 5 years
Financial assets						
Loans and advances	2	267 867	67 721	66 206	302 034	191 152
Investments at fair value	13	4 222	-	-	-	-
Cash and cash equivalents	16	438 881	70 000	-	-	-
Trade and other receivables	17	144 580	-	-	-	-
		855 550	**137 721**	**66 206**	**302 034**	**191 152**
Financial liabilities						
Borrowings	21	523	2 615	3 138	36 311	-
Trade and other payables	26	419 063	-	-	-	-
		419 586	**2 615**	**3 138**	**36 311**	**-**
Net liquidity (shortfall)/excess		**435 964**	**135 106**	**63 068**	**265 723**	**191 152**
Cumulative liquidity		**435 964**	**571 070**	**634 138**	**899 861**	**1 091 013**

2019

		On demand to 1 month	1 to 6 months	6 months to 1 year	From 1 to 5 years	From 1 to 5 years
Financial assets						
Loans and advances	2	204 375	105 253	73 990	429 752	76 098
Investments at fair value	13	13 601	-	-	-	-
Cash and cash equivalents	16	415 777	60 000	-	-	-
Trade and other receivables	17	30 700	129 247	29 580	-	-
		664 453	**294 500**	**103 570**	**429 752**	**76 098**
Financial liabilities						
Borrowings	21	840	7 961	5 040	20 160	18 298
Trade and other payables	26	298 287	-	-	-	-
		299 127	**7 961**	**5 040**	**20 160**	**18 298**
Net liquidity (shortfall)/excess		**365 326**	**286 539**	**98 530**	**409 592**	**57 800**
Cumulative liquidity		**365 326**	**651 865**	**750 395**	**1 159 987**	**1 217 787**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Group held deposits at call of R827,2 million (2019: R409,7 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines. The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

Market risk
Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange risks will affect the Group's income or the value of it's holdings of financial instruments.

Interest rate risk
Interest rate risk refers to the potential adverse impact on earnings as a result of changes in interest rates. Yields on assets and liabilities are monitored monthly. In addition, interest rate shock analysis is performed to assess the sensitivity on net interest due to unanticipated movement in interest rates. Interest rate forecasts are reviewed monthly taking into account market and economic data available. Pricing of assets is informed by the trends emerging from the review of interest rates and maturity profiles of assets and liabilities.

Interest rate sensitivity

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and IFRS 7.34(a) non-derivative instruments at balance sheet date. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 2% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable and possible change in interest rates. If interest rates had been 2% higher/ lower and all other variables were held constant, the Group's profit for the year ended 31 March 2020 would increase by R15,6 million (2019: R14,8 million) or decrease by R15,2 million (2019: R14,8 million). This is mainly attributable to the group's exposure to interest on its variable financial instruments.

Interest rate forecasts are reviewed monthly taking into account market and economic data available. Pricing of assets are informed by the trends emerging from the review of interest rates and maturity profiles of assets and liabilities.

Equity price risk

The Group is exposed to equity risk arising from investments in marketable equity securities at fair value through profit and loss. These investments are held for strategic rather than trading purposes and the Group does not actively trade these investments.

Equity price sensitivity

The sensitivity is based on the exposure to equity price risk at the reporting date. The investments are fair valued annually at the close of business on 31 March. Fair value is determined by reference to stock exchange quoted bid prices. The Group applies a critical judgement of 5% on the valuation of these investments. If the valuation of the investment at year end had been 5% higher or lower while other variables were held constant, the fair value of investment and fair value gains would have increased or decreased by R4 million (2019: R3,9 million).

Foreign exchange risks

The Group has no exposure to transactions or balances traded or denominated in foreign currencies.

Operational risk

Operational risk arises from human or system error within daily product and service delivery. It transcends all divisions and products. This risk includes the potential that inadequate technology and information systems, operational problems, insufficient human resources, breaches of integrity or non-compliance with regulations and laws will result in direct or indirect losses. The primary responsibility for managing operational risk forms part of the day-to-day responsibilities of management and employees at all levels. Business line management is ultimately responsible for owning and managing risks resulting from their activities.

The lending unit has, as part of preventive controls, Operational Policies and Procedures with clear segregation of functions and duties and clear and independent reporting structures. Furthermore, Group Internal Audit and Compliance function act as secondary–level control through systematic and independent continuous review of the operations and controls within the Lending Unit. Results of Internal Audit and Compliance Review Reports are discussed with Business Unit Heads, Executive Committee and submitted to the Audit Committee and the Enterprise Risk Committee.

32. FAIR VALUE INFORMATION

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:
Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Assets measured at fair value

Group

	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Assets								
Measured on a recurring basis1								
Investment property	-	-	3 025 017	3 025 017	-	-	2 924 017	2 924 017
Investment in cell captives*	-	41 122	-	41 122	-	31 873	-	31 873
Investment in SA Corp Real Estate	4 222	-	-	4 222	13 601	-	-	13 601
Total	**4 222**	**41 122**	**3 025 017**	**3 070 361**	**13 601**	**31 873**	**2 924 017**	**2 969 491**

	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Liabilities								
Borrowings **	**-**	**44 646**	**-**	**44 646**	**-**	**-**	**65 105**	**65 105**

(1) Recurring fair value measurements of assets are those assets that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.

* For further details, refer to note 14.
** For further details, refer to note 21.

Company

	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Assets								
Measured on a recurring basis1								
Investment property	-	-	2 749 840	2 749 840	-	-	2 671 458	2 671 458
Investment in cell captives*	-	41 122	-	41 122	-	31 873	-	31 873
Investment in SA Corp Real Estate	4 222	-	-	4 222	13 601	-	-	13 601
Total	4 222	41 122	2 749 840	2 795 184	13 601	31 873	2 671 458	2 716 932

	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Liabilities								
Borrowings **	-	42 587	-	42 587	-	52 299	-	52 299

Level 3 financial assets

Reconciliation of level 3 assets

Investment property

2020

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Group	Corporation
	2020	2020
	Investment property	Investment property
	R '000	R '000
Balance at 01 April 2019	2 923 717	2 671 158
Total gains included in profit/ loss	102 519	73 930
Issuances and purchases	45 816	42 907
Straight line rental	(8 798)	(2 540)
COVID-19 impact	(29 842)	(27 220)
Transfers	(8 395)	(8 395)
Balance at 31 March 2020	**3 025 017**	**2 749 840**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period.

	Group	Corporation
	2020	2020
	Investment property	Investment property
	R '000	R '000
Other income	72 678	46 710

2019

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Group	Corporation
	2019	2019
	Investment property	Investment property
	R '000	R '000
Balance at 01 April 2019	2 703 033	2 469 387
Total gains included in profit/loss	114 275	108 703
Issuances and purchases	99 387	86 098
Straight line rental	7 022	6 970
Balance at 31 March 2020	**2 923 717**	**2 671 158**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period.

	Group	Corporation
	2019	2019
	Investment property	Investment property
	R '000	R '000
Other income	114 275	108 703

Sensitivity and inter-relationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

The table that follows indicates the sensitivity of valuation techniques and main assumptions used in the determination of the fair value of the level 3 assets and liabilities measured and disclosed at fair value. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly).

The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted. Stress tests have been conducted by only flexing/stressing a major significant unobservable input of risk factor (i.e. assumes that all risks are mutually exclusive).

Valuation techniques and inputs for level two and level three assets
Group

Description	Fair value	Valuation technique	Unobservable input	Range (weighted average)
	R '000			%
Investment property (COVID-19 adjusted)	3 025 317	Income capitalisation	Rental escalation	8%
			Expenditure rate	28%
			Capitalisation rate	12,25%
			Vacancy rate	5,54%
Investment property (Excluding COVID-19 impact)	3 058 241	Income capitalisation	Rental Escalation	8%
			Expenditure rate	28%
			Capitalisation rate	12,00%
			Vacancy rate	12,00%

Sensitivity and inter-relationships of inputs

Description	Fair value	Change in significant unobservable input from (1%) to 1%				
			Effect on profit or loss			
		Cap rate	Favourable		(Unfavourable)	
		%	%	R '000	%	R '000
Investment property (COVID-19 adjusted)	3 025 017	12,25%	11,25%	269 191	13,25%	(228 558)
Investment property (Excluding COVID-19 impact)	3 058 241	12%	11%	278 022	13%	(235 249)

Company

Description	Fair value	Valuation technique	Unobservable input	Range (weighted average)
	R '000			%
Investment property (COVID-19 adjusted)	2 750 140	Income capitalisation	Rental escalation rate	8%
			Expenditure rate	28%
			Capitalisation rate	12,25%
			Vacancy rate	5,54%
Investment property (Excluding COVID-19 impact)	2 780 443	Income capitalisation	Rental escalation rate	8%
			Expenditure rate	28%
			Capitalisation rate	12%
			Vacancy rate	5%

Sensitivity and inter relationships of inputs

Description	Fair value	Cap rate	Favourable		(Unfavourable)	
		Change in significant unobservable input from (1%) to 1% Effect on profit or loss				
		%	%	R '000	%	R '000
Investment property (COVID-19 adjusted)	2 749 840	12,25%	11,25%	244 731	13,25%	(207 790)
Investment property (Excluding COVID-19 impact)	2 780 443	12%	11%	252 768	13%	(213 880)

Fair Value of financial instruments

	Group		Company	
	2020		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets	R '000	R '000	R '000	R '000
Loans and advances	2 309 049	2 250 117	529 683	470 751

	2020			2019		
Company	Level 2 R '000	Level 3 R '000	Total R '000	Level 2 R '000	Level 3 R '000	Total
Loans and advances fair value	-	470 751	470 751	-	597 504	597 504

IDFC manages an enterprise development fund on behalf of KwaZulu-Natal's Department of Economic Development, Tourism and Environmental Affairs governed through a funding agreemement. The purpose of this fund is to advance development within the Province with loans advanced at a specified interest rates ranges that are below the market.The fair value of these loans was determined using a fair value matrix. The matrix calculates the fair value of the loan using the loan term to determine the applicable Government bond rate plus a risk premium.

Description	Fair value	Valuation technique	Unobservable input	Risk Premium	Range (weighted average)
2020	R'000			%	%
Loans and advances	470 751	Discounting of future cash flows	Risk based rate and prime rate	-%	8,75% to 15,5%
2019					
Loans and advances	597 504	Discounting of future cash flows	Government bond interest rate plus risk premium	2%	6,523% to 9,77%

Sensitivity and inter-relationships of inputs

Corporation	Fair value	Cap rate	Favourable		(Unfavourable)	
		Change in significant unobservable input from (1%) to 1% Effect on profit or loss				
		%	%	R '000	%	R '000
Loans and advances	470 751	%	%	7 740	-%	14 196

The following table provides a reconciliation of the opening to closing balance and incorporates inputs that are not based on observable market data (level 3).

	Group 2020 R '000	Company 2020 R '000
Balance at 01 April 2019	2 330 992	597 504
Advances	644 289	274 792
Interest recognised in profit and loss	265 462	69 935
Repayments	(842 938)	(349 359)
Other loan movements	32 561	10 145
Write-offs	14 317	8 803
Present value adjustment/Day 1 loss	(3 100)	(3 100)
Expected credit loss	(171 108)	(119 296)
Stage 3 interest	(20 358)	(18 673)
Fair value at 31 March 2020	**2 250 117**	**470 751**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period

There is no impact on the profit or loss at the end of the reporting period.

33. NEW STANDARDS AND INTERPRETATIONS

33.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the Group has adopted the following Standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	01 January 2019	The amendment is currently not applicable to IDFC, as there have not been any amendments to the defined plans
Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28	01 January 2019	IDFC accounts for joint ventures and associates using the equity method, therefore this amendment is not applicable to the entity
Prepayment Features with Negative Compensation - Amendment to IFRS 9	01 January 2019	Not applicable to IDFC as the entity does not have any prepayment features with negative compensation
Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The standard is applicable but will not have an impact as our subsidiaries already meet the definition
Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The impact of the amendments is not material
Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	IDFC is exempt from Income Tax in terms of s10 of the Income Tax Act
Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The impact of the amendments is not material
Uncertainty over Income Tax Treatments	01 January 2019	The impact of the amendments is not material
IFRS 16 Leases	01 January 2019	The impact of the Standard is set out in note 35.2 Changes in accounting policy

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

33.2 STANDARDS AND INTERPRETATIONS ADOPTED

The Group has chosen to adopt the following standards and interpretations:

33.3 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 April 2020 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2019	Not applicable to IDFC.
Definition of a business - Amendments to IFRS 3	01 January 2020	The Standard is applicable but will not have an impact as our subsidiaries already meet the definition
Presentation of Financial Statements: Disclosure initiative	01 January 2020	The Framework will be explored in detail in the 2020/21 financial year as it is only effective to IDFC in that year.
Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	Unlikely there will be a material impact

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17: Leases. These liabilities were measured at the present value of the lease payments using the lease period, discounted using the lessee's borrowing rate as at the inception of each lease. The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the Standard, a modified retrospective approach has been followed hence the reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance on 1 April 2019. This note explains the impact of the adoption of IFRS 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019 below:

Statement of profit or loss and other comprehensive income for the year ended March 31, 2020

When measuring lease liabilities for leases that were previously classified as operating leases under IAS 17, IDFC discounted lease payments using the incremental borrowing rate at 1 April 2019. The weighted average rate applied is 9,5% (Ithala SOC LImited 10,61%).

Statement of changes in equity for the year ended 1 April 2019

	Group 2020	Group 2019	Company 2020	Company 2019
Retained earnings as at 31 March 2019	3 167 600	3 068 331		-
Decrease in rental expense	28 047	11 632		-
Increase in interest expense	(26 691)	(17 059)		-
Decrease in fair value adjustment	(4 538)	(4 535)		-
Increase in amortisation of ROUA-PPE	(3 727)	(709)		-
IFRS 16 SOC impact on retained earnings	(7)	-		-
Retained earnings as at 1April 2019	**3 160 684**	**3 057 660**		**-**

Refer to note 6 for details of the leases.

Statement of financial position for the year ended March 31, 2019

	Group 2020	Group 2019	Company 2020	Company 2019
Operating lease commitment as at 31 March 2019	33 397	2 113		-
Impact of IFRS 16 application:	-	-		-
Impact of discounting using the borrowing rate	36 507	12 280		-
Lease liability on 1 April 2019	**69 904**	**14 393**		**-**

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

IMPACT ON ASSETS

The Company has, as permitted by IFRS 16 Leases (IFRS 16), elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 Leases (IAS 17) basis. Below is the impact of IFRS 16 on the Group assets as at 1 April 2019.

Group	**Investment Property**	**Right of use asset**
Balance as at 31 March 2019	2 860 142	-
Transfer from investment property	(4 538)	4 538
Right of use asset-PPE	-	63 490
Amortisation	-	(7 465)
	2 855 604	**60 563**

Company	**Investment Property**	**Right of use asset**
Balance as at 31 March 2019	2 616 293	-
Impact of IFRS 16 application:	-	-
Transfer from investment property	(4 535)	4 535
Fair value adjustment	-	-
Right of use asset-PPE	-	2 319
Amortisation	-	(709)
	2 611 758	**6 145**

34. LEASE LIABILITIES

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Balance as at 01 April 2019	69 903	-	2 113	-
Effects of IFRS 16 adoption	-	-	12 280	-
Additions	598	-	-	-
Interest expense	7 283	-	1 307	-
Reassessment of lease liability	3 107	-	-	-
Lease payments	(22 370)	-	(2 317)	-
	58 521	**-**	**13 383**	**-**
Maturity anaylsis				
With 1 year	14 104	-	1 012	-
Two to five years	4 286	-	728	-
After 5 years	40 131	-	11 643	-
	58 521	**-**	**13 383**	**-**

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of R14,7 million discounted at the incremental borrowing rate as at transition.

35. OTHER OPERATING INCOME

Other operating income is stated after crediting the following significant items:

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Surplus/(loss) on sale of PPE, IP and PIP	3 867	679	3 137	303
Dividends received	1 269	1 936	1 269	1 936
Grant applied	132 998	145 720	132 998	145 720
Rental received	362 656	374 544	333 986	336 946
Sale of electricity, water and sewage	290 420	275 462	290 420	275 462
Fees earned, commission and service recovered	236 156	204 817	76 154	56 939
Fair value adjustment on investment property	72 677	114 275	46 711	108 703
Fair value adjustment in investments (cell captive and Corp Real Estate)	(130)	3 950	(130)	3 950

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

36. OPERATING EXPENDITURE

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

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Auditor's remuneration - external				
Audit fees	13 891	10 204	5 756	4 772
Depreciation and amortisation				
Depreciation of property, plant and equipment	30 929	32 288	22 688	21 382
Depreciation of right-of-use assets	14 889	-	778	-
Amortisation of intangible assets	3 192	7 538	1 942	6 094
Total depreciation and amortisation	**49 010**	**39 826**	**25 408**	**27 476**
Impairment losses				
Property, plant and equipment	15 036	9 128	8 912	-
Investments in subsidiaries, joint arrangements and associates	3 647	-	82 423	18 085
Impairment of non current assets held for sale	(1 166)	(569)	(1 166)	(569)
Impairment of investement in deposits with banks	28 931	-	-	-
	46 448	**8 559**	**90 169**	**17 516**
Movement in credit loss allowances				
Trade and other receivables	42 187	10 737	39 282	8 113
Loans receivables at amortised cost	156 791	(3 658)	110 493	(8 964)
	198 978	**7 079**	**149 775**	**(851)**
Other significant expenses				
Employee costs	404 859	411 443	235 703	241 389
Purchases of electricity, water and sewage	227 210	207 745	227 210	207 745
Consulting and professional fees	19 862	26 768	7 084	13 279
Assessment rates & municipal charges	128 695	127 405	128 695	127 405

37. INTEREST INCOME

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Interest income				
Investments in financial assets:				
Balances with banks and short-term funds	109 726	105 720	25 180	20 891
Advances	244 929	231 111	51 304	53 751
Finance lease receivables	301	389	-	-
Total interest income	**354 956**	**337 220**	**76 484**	**74 642**

38. INTEREST EXPENDITURE

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Borrowings	4 099	5 256	4 067	5 224
Lease liabilities	6 177	-	1 307	-
Interest on savings and deposit accounts	85 671	81 824	-	-
Non-trading interest	15 657	15 965	9 464	9 260
Total interest expenditure	**111 604**	**103 045**	**14 838**	**14 484**

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

39. TAXATION

Major components of the tax expense

Current				
Current tax	5 261	5 465	-	-
Deferred				
Deferred tax	8 978	545	-	-
	14 239	**6 010**	**-**	**-**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28,00 %	28,00 %	28,00 %	28,00 %

40. IRREGULAR EXPENDITURE

Opening balance	58 487	34 913	34 859	28 459
Irregular expenditure - current year	23 520	23 223	1 296	6 400
Irregular expenditure - prior year amounts identified in the current year	-	351	-	-
Less amount condoned	-	-	-	-
Total - irregular expenditure	**82 007**	**58 487**	**36 155**	**34 859**

Analysis of expenditure awaiting condonation per age classification				
Current year	23 520	23 222	1 296	6 400
Prior years	58 487	35 265	34 859	28 459
	82 007	**58 487**	**36 155**	**34 859**

An amount of R82,0 million (2019: R58,5 million) relates to irregular expenditure being investigated. The condonation process of irregular expenditure identified above is currently in progress and investigations are being conducted in line with the irregular expenditure framework. Submissions have been made to Treasury and are awaiting approval.

41. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure	2 688	-	688	-

COMPANY

The Corporation incurred fruitless and wasteful expenditure in the current year of R0,7 million. This was as a result of recruitment for a company secretary without following the correct process.

ITHALA SOC LIMITED

A R2 million sign-on bonus was paid in respect of an executive appointment made in 2017 in recompense for the forfeiture of benefits on resignation from his previous employer to join Ithala SOC Limited. Through an investigation, it has been determined that the executive did not resign but retired from his previous employer, suggesting that the benefits were not forfeited which, in turn, render the payment of the R2 million sign-on bonus fruitless and wasteful expenditure.

42. MATERIAL LOSSES

The Group suffered a loss of R14,3 million due to bad debts written-off (2019: R61,3 million). During the year payments based on falsified documents amounting to R1,1 million were identified. These payments were referred to investigation and the investigation is currently in progress.

43. CONTINGENT LIABILITIES

The Company is currently opposing (defendent) certain claims that have been instituted against it by various parties. At year end, the outcome of the following legal disputes is considered uncertain.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
CORPORATION				
- Claim by an employee for relocation costs	-	104	-	104
- Claim by a supplier for electrical installation	579	579	579	579
- Claim for unpaid invoices for work done at Ezakheni	313	-	313	-
- Claim arising from alleged damages suffered by the client resulting - from fire damage after Ithala performed a fire-break procedure at - Ezakheni Estate	5 304	5 304	5 304	5 304
- Claim by tenant for damages due to electricity disruption	502	502	502	502
- Claim for damage resulting from rain after an Ithala contractor -attended to roof repairs	196	196	196	196
- Claim for damages caused by an alleged breach of a management -agreement	1 002	1 002	1 002	1 002
- Claim by ex-employee for legal fees	784	784	784	784
ITHALA SOC LIMITED				
- Claim for damages allegedly resulting from incorrect investment advice	325	325	-	-
- Claim against the company for monies attached from its bank account -for funds fraudulently obtained	900	900	-	-
- South African Insurance Association	3 000	3 000	-	-
- Claim by former landlord for arrears rental	-	664	-	-
- Claim against invoices not paid	21 276	-	-	-
- Claim against invoices not paid	-	50	-	-
- Claim against invoices not paid	-	449	-	-
	34 181	**13 859**	**8 680**	**8 471**

44. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

Executive

2020

	Emoluments	Total
CORPORATION		
PS Bengu - Chief Executive Officer	2 774	2 774
BTT Mathe (Resigned 1 April 2019)	592	592
MM Matibe (Terminated 27 September 2019)	1 476	1 476
M Muthusamy (Acting)	168	168
B Shangase	1 806	1 806
XE Mkhize	2 004	2 004
SB Mnguni	2 547	2 547
NB Mseleku (Acting)	56	56
EB Mokgatle (Resigned February 2020)	1 837	1 837
ITHALA SOC LIMITED		
D Zandamela - Chief Executive Officer (resigned 04 November 2019)	3 476	3 476
S Gwala - Head: HR	1 607	1 607
S Xolo	1 033	1 033
T Luthuli - Company Secretary	1 331	1 331
S Moodley- Head Retail and Business Banking	1 131	1 131
L Keyise - Chief Technology Officer (resigned 28 November 2019)	1 108	1 108
M Sewchuran - Compliance Officer (resigned 31 December 2019)	1 174	1 174
D Mti - Head Credit (resigned 30 September)	942	942
C Gumede: Chief Risk Officer (Appointed 1 April 2019)	1 604	1 604
A Pather - Head Insurance (Appointed 01 August 2019)	1 050	1 050
L Meyer - General Manager - Finance (Appointed 01 August 2019)	689	689
N Harryparshad - Acting Head IT (Appointed 08 July 2019)	883	883
N Ndlovu - Acting Head Insurance (resigned 30 June 2019)	199	199
M Madali - Acting Chief Technology Officer (resigned 28 June 2019)	347	347
	29 834	**29 834**

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000

2019

	Emoluments	Total
CORPORATION		
PS Bengu - Chief Executive Officer (Appointed 01 November 2018)	1 071	1 071
BTT Mathe - Acting Chief Executive Officer (Acting Term ended July 2018)	2 876	2 876
F Amod (Resigned October 2018)	1 526	1 526
MM Matibe	2 183	2 183
DS Khwela (Acting term ended December 2018)	89	89
B Shangase	1 912	1 912
F Abdool Kader (Acting term ended March 2019)	279	279
T Galelekile (Acting term ended October 2018)	107	107
MR Sikhosana (Acting term ended October 2018)	62	62
TP Bokaba (Acting term ended January 2019)	79	79
XE Mkhize (Appointed March 2019)	71	71
SB Mnguni (Appointed March 2019)	108	108
EB Mokgatle	1 937	1 937
ITHALA SOC LIMITED		
Z Zandamela - Chief Executive Officer	3 874	3 874
L Serithi - Chief Financial Officer and Acting Chief Risk Officer (resigned 31 March 2019)	2 867	2 867
S Gwala- Head:HR	1 646	1 646
S Xolo - Marketing and Sales Manager	990	990
T Mungwe - Company Secretary	1 258	1 258
S Moodley - Head Segments	1 080	1 080
L Keyise - Chief Technology Officer	1 421	1 421
M Sewchuran - Compliance Officer (appointed 14 May 2018)	1 264	1 264
D Mti - Head: Credit (appointed 01 June 2018)	1 216	1 216
N Ndlovu: Acting Head: Insurance (appointed 01 December 2017)	936	936
M Madali - Acting Chief Technology Officer (Appointed 01 March 2019)	108	108
	28 960	**28 960**

Non-executive
2020

	Directors' fees	Total
CORPORATION		
R Morar- Chairperson (Appointed June 2017)	1 014	1 014
S Mkhize (Appointed June 2017)	825	825
Inkosi S Mkhize (Appointed June 2017)	577	577
P Sibiya (Appointed June 2017)	752	752
C Gina (Appointed June 2017)	336	336
N Nzuza (Resigned 31 May 2020)	35	35
S Ndlovu (Appointed June 2017)	686	686
K Mbonambi (Appointed June 2017)	588	588
K Cele (Appointed June 2017)	81	81
EB Zaca	39	39
ITHALA SOC LIMITED		
MF Kekana (Resigned 04 November 2019)	580	580
M Mia (Retired 26 July 2019)	220	220
B Ngonyama (Resigned 26 July 2019)	304	304
SC Ngidi	819	819
P Radebe (Resigned 31 October 2019)	403	403
G Sibiya	696	696
M Madali (Resigned 28 February 2019)	8	8
Inkosi SN Mkhize	1 020	1 020
M Ngcobo (Appointed 17 January 2019, Resigned 23 June 2019)	142	142
	9 125	**9 125**

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000

2019

	Directors' fees	Total
CORPORATION		
R Morar- Chairperson (Appointed June 2017)	1 011	1 011
S Mkhize (Appointed June 2017)	884	884
Inkosi S Mkhize (Appointed June 2017)	611	611
P Sibiya (Appointed June 2017)	721	721
C Gina (Appointed June 2017)	365	365
N Nzuza (Appointed June 2017)	643	643
S Ndlovu (Appointed June 2017)	692	692
K Mbonambi (Appointed June 2017)	514	514
K Cele (Appointed June 2017)	53	53
ITHALA SOC LIMITED		
MF Kekana (resigned 04 November)	1 025	1 025
M Mia (retired 26 July 2019)	598	598
B Ngonyama (resigned 26 July 2019)	869	869
SC Ngidi	339	339
P Radebe (resigned 31 October 2019)	652	652
G Sibiya	506	506
M Madali (Resigned 28 February 2019)	412	412
Inkosi SN Mkhize	829	829
M Ngcobo (appointed 17 January 2019, resigned 23 June 2019)	128	128
	10 852	**10 852**

Prescribed officers

2020

45. CHANGE IN ESTIMATE

Property, plant and equipment

Property, plant and equipment are depreciated over its estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets were reassessed during the current year. The effect of the change in estimate during the current year is as follows:

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Decrease in depreciation				
Increase in net book value	(763)	(1 875)	-	-
	763	1 875	-	-
	-	**-**	**-**	**-**

Provision for landfill site

During the current financial period, there was a change in the assumptions used to calculate the provision for rehabilitation of the landfill site, which resulted in a change in estimate of R8,75 million reduction in the provision. This change in estimate is mainly attributable to the dumping space utilised against the initially estimated space.

46. EVENTS AFTER THE REPORTING PERIOD

Subsequent to financial year end, the Land Bank defaulted on certain of its debt obligations. At financial year end, Ithala held a R60 million investment in Land Bank. As at 31 March 2020, Ithala SOC Limited raised an additional impairment on this investment due to this default.

While the COVID-19 pandemic has materially affected the reported results and financial position of the Group as at 31 March 2020, IFRS 9 requires management to consider forward-looking information in the calculation of expected credit losses, therefore the reported results have taken into consideration management estimates in respect of the increase in customer stress caused by the pandemic and resultant economic pressures anticipated over the next twelve to eighteen months. This stress has been incorporated into the calculation of the Company's expected credit losses and has resulted in a material increase in provisioning even though the year to March was barely impacted by the pandemic. All account balances in the statement of financial position were assessed for COVID-19 impact and the following are line items that were impacted significantly:

1. Investment Property. See note 31 for impact of COVID-19
2. Loans and advances. See note 31 for impact of COVD-19
3. Post-retirement Obligations (including Long Service Obigations). Subsequent to year end, the discount rate changed due to COVID-19 impact. The change was between 2% to 3%. The impact of up to 3% change is reflected under note 23.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

47. LOAN COMMITMENT AND SURETYSHIP

As at 31 March 2020, the Group had loan commitments amounting to R53,8 million (2019: R184,4 million).

IDFC has a suretyship amounting to R70 million for the benefit of Ithala SOC Limited.

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Loan commitment	53 844	184 402	43 244	179 702
Suretyship				
ABSA surety for the benefit of Ithala SOC Limited	70 000	70 000	70 000	70 000

48. CORRECTION OF PRIOR PERIOD ERRORS

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Effects on statement of financial position				
Decrease in provision for landfill site	8 781	8 282	8 781	8 282
Decrease in property, plant and equipment	(4 788)	(3 727)	(4 788)	(3 727)
Decrease in intangible assets	(3 403)	(3 257)	(3 403)	(3 257)
Decrease in investment properties	(300)	(300)	(300)	(300)
	290	**998**	**290**	**998**
Reconciliation of impact on retained income				
Retained income as previously reported	2 940 903	2 939 905	2 821 235	2 820 237
Cummulative increase/decrease in operating income	(708)	998	(708)	998
	2 940 195	**2 940 903**	**2 820 527**	**2 821 235**

During the year, the entity changed the basis of estimating the landfill rehabilitation provision from future expected costs to actual usage. This change has resulted in a decrease in the provision for rehabilitation for the prior year, and this has been accounted for retrospectively. An independent assessment conducted by a qualified evaluator resulted in the change in estimate of the provision as the dumping space that was utilised is significantly lower than anticipated.

There were assets that were capitalised from work in progress to property, plant and equipment. This led to a decrease in property, plant and equipment and increase in depreciation.

All adjustments relating to the prior years were processed against retained earnings.

NOTES

NOTES

DEVELOPMENT FINANCE CORPORATION LIMITED

PO Box 2801
Durban, 4000, KwaZulu-Natal, South Africa
Tel: (031) 907 8911, Fax: (031) 907 5685