INTEGRATED **ANNUAL** REPORT 2014/15

REALISING PROSPERITY

MAKING IT HAPPEN TOGETHER

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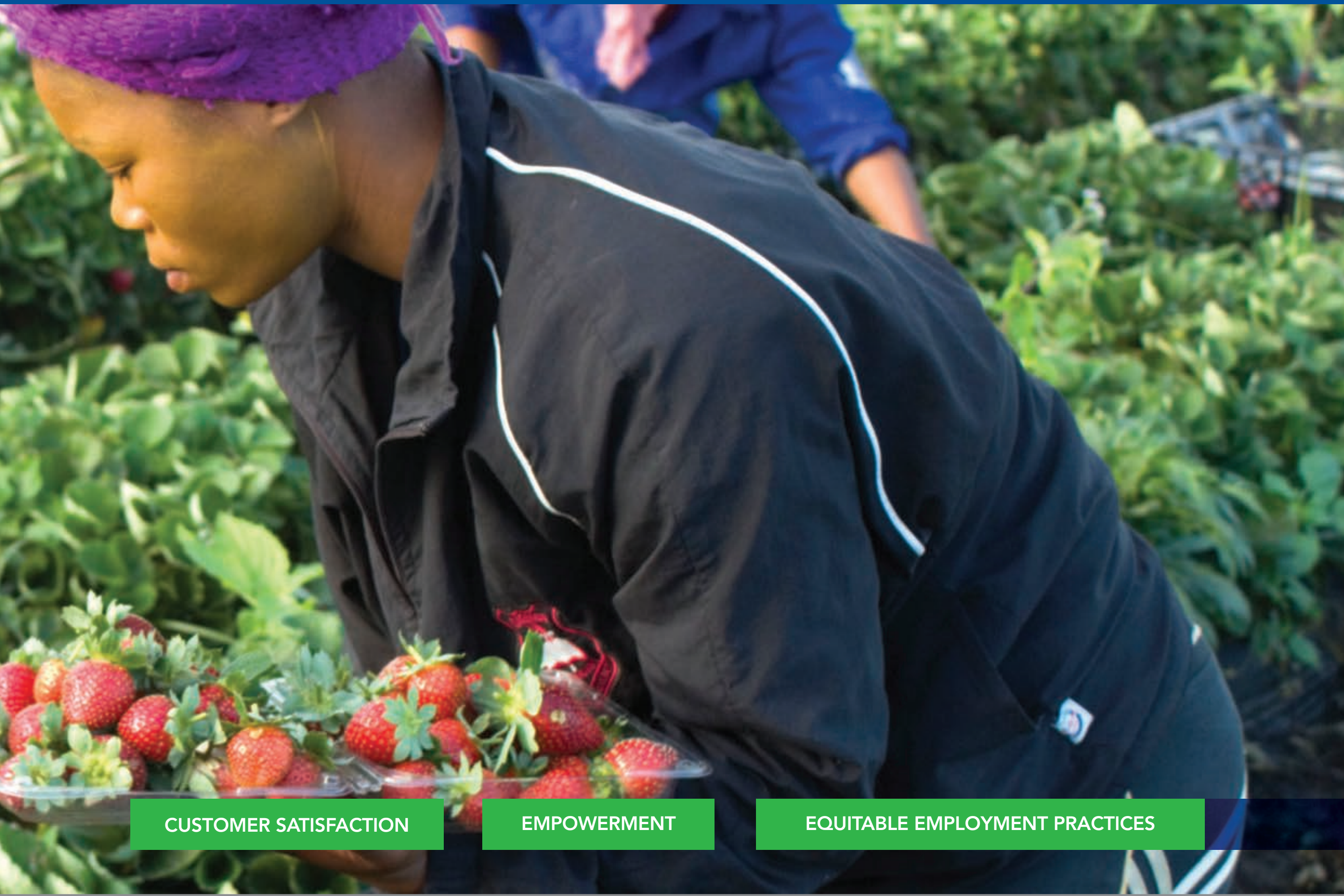
ithala
DEVELOPMENT FINANCE CORPORATION LIMITED


CUSTOMER SATISFACTION
EMPOWERMENT
EQUITABLE EMPLOYMENT PRACTICES

CONTENTS

REFERENCE OVERVIEW

INTRODUCTION

In addition to this report, Ithala Development Finance Corporation Limited (Ithala) produces reporting publications tailored to readers with specific information requirements.

AIR

ITHALA DEVELOPMENT FINANCE CORPORATION LIMITED ANNUAL INTEGRATED REPORT

As Ithala's primary report, the annual integrated report aims to present a balanced and succinct analysis of its strategy, performance and prospects.

RCMR

ITHALA DEVELOPMENT FINANCE CORPORATION LIMITED AUDIT COMMITTEE REPORT

Provides discussion regarding its composition, statutory duties, oversight risk management, its adoption of a combined assurance model and its financial controls.
Visit www.ithala.co.za

AFS

ITHALA DEVELOPMENT FINANCE CORPORATION LIMITED ANNUAL FINANCIAL STATEMENTS

Set out the full audited financial statements for Ithala, including the report of the group audit committee.
Visit www.ithala.co.za

ABOUT THIS REPORT

IN DETERMINING THE CONTENTS OF THIS REPORT, WE ARE BOUND BY THE REPORTING REQUIREMENTS SET BY THE AUDITOR-GENERAL

This report covers the Ithala Development Finance Corporation ('IDFC', or 'Ithala') strategy, material issues and performance for the period 1 April 2014 to 31 March 2015, and our prospects for the future.

We are a state-owned entity and through this report aim to address our material stakeholders, notably, our shareowner, 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 in regard to conveying our performance against our annual performance plan (see page 27-32).

Materiality is determined by the board, in line with Ithala's mandate and the information requirements of 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 released in December 2013, and the King Code of Governance for South Africa (2009)(King III).

Further standards applied in defining the contents of the report include the South African Generally Accepted Accounting Principles (SA GAAP), the Companies Act No. 71 of 2008 (Companies Act), and the Public Finance Management Act 1 of 1999 (PFMA).

FORWARD-LOOKING STATEMENTS

Certain statements in this document are 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' and 'should' and similar expressions are typically indicative of a forward-looking statement. These statements are not guarantees of Ithala'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 compliance committee is responsible for reviewing and recommending the integrated report and the annual financial statements to the board for approval. The board 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.

Similar to our previous report, a combined financial and non-financial assurance team from Deloitte and the Auditor-General, supported by the Ithala internal audit team, adopted a combined assurance approach to the information in this report. In addition to the annual financial statements and opinion included here, selected information contained within the annual performance report has been assured by the external auditors.

The reported performance against pre-determined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives.

The usefulness of information further relates to whether indicators and targets are measurable (i.e. well-defined, verifiable, specific, measurable and time-bound) and relevant as required by the National Treasury Framework for managing programme performance information. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete). There were no material findings on the performance information report concerning the usefulness and reliability of the information.

STATEMENT OF THE BOARD OF DIRECTORS OF ITHALA DEVELOPMENT FINANCE CORPORATION

The board 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

Audit Committee

WHO WE ARE

WE ARE A DEVELOPMENT FINANCE INSTITUTION (DFI) WITH A 50-YEAR LEGACY OF DEVELOPMENT AND EMPOWERMENT AMONG THE HISTORICALLY DISADVANTAGED COMMUNITIES OF KWAZULU-NATAL.

As a DFI, we are one of the key channels through which Government funding reaches communities. We pioneered small, medium and micro enterprise (SMME) development. We were the first to bank unbanked communities and to establish shopping centres in rural areas, stimulating development in remote regions of the province.

We play a finite role in improving the quality of the lives of the people and the local economy of KwaZulu-Natal. We continue to draw on these core competencies going forward to deliver ever more effectively on our developmental mandate.

OUR VISION
To be the catalyst for growth, economic development and empowerment.

OUR MISSION
To drive economic development and empowerment, whilst remaining financially sustainable.

OUR VALUES
Respect;
Innovation;
Customer satisfaction;
Internal and external empowerment; and
Equitable employment practices.

OUR MANDATE
Section 3 of the KwaZulu-Natal Ithala Development Finance Corporation Act, No. 5 of 2013, mandates us to:

- Mobilise financial resources and to provide financial and supportive services to the people of KwaZulu-Natal;
- Plan, execute, finance and monitor the implementation of development projects and programmes in the province;
- 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 private sector and community organisations in development projects and programmes, and in contributing to economic growth and development; and
- Act as the Government's agent for performing any development-related tasks and responsibilities that the Government considers may be more efficiently or effectively performed by a corporate entity.

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 property; and
- We provide savings, loans, insurance, home loans and financial services.

MEC'S FOREWORD

ECONOMIC GROWTH IS, WITHOUT QUESTION, THE PRIMARY DRIVER OF BOTH SOCIAL AND HUMAN DEVELOPMENT.

Acknowledging this fact, the Provincial Government of KwaZulu-Natal has developed, introduced and is now well into rolling-out a Provincial Growth and Development Plan which is specifically designed to actively promote economic growth in our region, leading to the socio-economic upliftment, development and prosperity of the people of this Province.

For the sake of unity and consistency, our plan unashamedly draws extensively on the principles contained in the National Development Plan, giving effect to an audacious vision for KwaZulu-Natal.

By 2030, KwaZulu-Natal will be regarded as a prosperous province; a province with a healthy, secure and skilled population and a province which may justifiably be referred to as a business gateway to South and Southern Africa and, indeed, the world.

This is, of course, an ambitious call.

However, we of the Provincial Government, are convinced that a visionary approach is necessary for our future and that the end-goal is, in fact, quite achievable.

We are intent on the economic transformation of KwaZulu-Natal, making the workings of this province a major differentiator in South Africa.

Our purpose is to optimise the range of competitive advantages we enjoy to take our rightful position as a critical and essential trade and business gateway to the hinterland and beyond.

In so doing, we must nurture our human and natural resources, creating a safe, healthy and sustainable living environment for our citizens.

The current levels of poverty, inequality, joblessness, crime and health issues should be consigned to history and, in their place will emerge a prosperous region boasting world-class infrastructure, a skilled workforce and a region capable of securing significant domestic and international investment.

In essence, we are endeavouring to infuse a new form of thinking, from our leadership right through to each and every one of our ordinary citizens.

Such thinking recognises the need to be bold, to do things differently and to embrace our diversity, thus giving us the strength of unity necessary to achieve for KwaZulu-Natal - and South Africa - leadership, partnership and prosperity as the accepted way of life in a world-class region which has embarked upon a continuously upward trajectory.

Achieving our lofty ambitions is a shared responsibility. Government alone cannot accomplish the grand transformation about which I write here.

Whilst we must all put our shoulders to the wheel, it should be noted that we have, in the Ithala Development Finance Corporation Limited an organisation specifically geared to play a substantial role in actively promoting, supporting and facilitating social and economic development here.

Ithala is KwaZulu-Natal's provincial development agency and has a more than 50-year legacy of development and empowerment amongst the historically disadvantaged communities of our region.

This is an organisation engaged in a defined range of activities, which include funding small, medium and micro business enterprises and co-operatives, providing entrepreneurial support and skills development, undertaking industrial and commercial property development and offering banking services, insurance and both loans and home loans to the people it exists to serve.

Ithala has a long and proud people-development track-record, undertaking the long and arduous task of levelling the social and economic playing fields and correcting the imbalance caused as a consequence of the apartheid era.

Such was the skewing of the environment under this regime, that the necessary corrections will, regrettably, take many years of dedicated development work to undo, in the quest to meaningfully empower those who were excluded from our mainstream economy, whose education was stunted and who were never afforded the opportunity to excel.

This is no easy task for any organisation.

However, I must stress that Ithala fills this critical niche in our provincial make-up, valiantly using its inherent skills and financial muscle to break the stranglehold of under-development in KwaZulu-Natal.

In line with this, our development finance agency has recently been re-positioned.

Since that time, it has begun playing an increasingly more meaningful role in the execution of the KwaZulu-Natal Provincial Growth and Development Plan.

Pleasingly, Ithala is demonstrating real intent, making a reinvigorated and most welcome thrust in terms of empowering its target audience, promoting business development, home ownership and access to financial services.

The strategic and targeted format of our Provincial Growth and Development Plan entails the need for specific interventions within key geographical areas of need and potential.

It therefore follows that strategies designed to promote growth and development should be prepared in line with a thorough understanding of the current provincial profile.

Accordingly, strategies, programmes and plans must be advanced in order to positively expand on the prevailing strengths and to eliminate intrinsic weaknesses within the social, economic and environmental fabric of KwaZulu-Natal.

This will necessitate keen comprehension of and insight into the province's physical, demographic, social, economic and institutional profile, together with a studied analysis of development trends and future projections.

This is an arena in which Ithala is both perfectly positioned and resourced to deliver expert input, as we move now to introduce - on a mega-level - the historically disadvantaged to the provincial economy, adding considerable impetus to our region's economic growth path.

I, therefore, take this opportunity to roundly congratulate Ithala on successfully and effectively re-positioning itself, becoming better-placed now to begin delivering a substantial contribution towards the socio-economic development and empowerment of our people and, thus, making an impact of some significance on the economic growth of KwaZulu-Natal.

The effect of its contribution on the ground will make a sizeable impression on our execution of the KwaZulu-Natal Growth and Development Plan, moving us inextricably closer to the realisation of this province's 2030 vision; the evolvement of a prosperous province and world-class business gateway to South and Southern Africa.

It would be remiss of me not to utilise this forum to extend my most grateful thanks to Ithala's Chairman, Dr Mandla Gantsho, and his board colleagues for the brave decisions previously taken in reinvigorating the organisation and for the strategic direction provided in now taking Ithala to new heights of business, development and empowerment.

Equally, to the group chief executive, Ms Yvonne Zwane, the executive team and members of the organisation's staff, I express my cordial thanks for the belief you have shown in the organisation, your dedication to the socio-economic development task and your commitment to uplifting the people you serve.

Rest assured, you may all justifiably enjoy the self-satisfaction that goes with the knowledge that your every-day actions change peoples' lives for the better, bringing them ever closer to realising prosperity.

With our Provincial Growth and Development Plan and visionary approach to the future of KwaZulu-Natal, we have planted the seed.

Now it is beginning to germinate... our task going forward is to nurture its growth, ensuring that our grand plan comes to fruition.

Mr Michael Mabuyakhulu (MPP)
MEC for Economic Development, Tourism and Environmental Affairs

"RADICAL ECONOMIC TRANSFORMATION" HAS BECOME AN ECONOMIC DEVELOPMENT DRIVING THEME MEANT TO INFLUENCE STRATEGIES AND OPERATIONAL PLANS FORMULATED AND DELIVERED BY ALL PUBLIC INSTITUTIONS IN THE PROVINCE.

DR. MANDLA GANTSHO
CHAIRMAN

During 2014/15, a call was made to Ithala and related entities to deliver programmes that will give impetus to radical economic transformation in the Province.

As a Provincial Development Finance Institution, Ithala is better placed to respond to this call through the facilitation of collaborative institutional arrangements for the purpose of delivering programmes capable of yielding broad economic transformation outcomes.

To this end, Ithala is engaged in the initial stages of delivering economic development catalytic programmes such as the Industrial Economic Hubs, creation of Aerotropolis precincts, development of new tourism infrastructure (e.g. Drakensberg Cable Car), renewal or development of rural towns (e.g. Ndumo Retail Centre Development).

These programmes are deemed to be instrumental in developing local economies from which SMMEs can meaningfully participate and benefit.

During the year 2014/15, Ithala continued to pursue initiatives that seek to strengthen internal control systems and governance practices, while redirecting its energies to outward-focused programmes linked to its developmental mandate.

The year under review has seen significant progress in the delivery of high-value infrastructure projects (See our Capital Expenditure Overview on page 25) and extensive community-based activities that have improved the organisation's footprint in the society it serves. (Read about our Socio-Economic Transformation and Community Involvement on page 39 – 40)

The economic and social environment within which Ithala operates has however remained challenging, with notable impact on the organisation's operations, especially its Properties and Business Finance strategic business units. Key amongst these environmental challenges has been slow economic growth.

South African GDP slowed to 1,5% in 2014 compared to 2,2% in 2013. Drought conditions have plagued many parts of our Province resulting in some of our clients in the agricultural sector being unable to meet their loan repayment obligations.

The power supply disruptions have not only contributed to the poor growth forecasts, but have adversely impacted businesses run by most of our clients, especially those running manufacturing operations in our industrial estates.

Despite these challenges, Ithala has remained steadfast on its mission; and has thus continued to drive economic development activities and further maintained consistency in business loan collections.

It is our resolve to maintain focus amidst the prevailing challenges in order to achieve organisational success and visible progress in executing our mandate.

A development path recently taken by Ithala is that of participating in 'Green Economy' initiatives.

This recent focus area has influenced the organisation to pay close attention to the development and implementation of applicable skills, conducting feasibility studies and granting finance to a new generation of customers in a sector with great future growth potential.

We have continued to pay close attention to the performance of Ithala SOC Limited, Ubuciko Twines (Pty) Ltd and Ntingwe Tea (Pty) Ltd, respectively.

Ithala SOC Limited, in particular, has shown signs of a successful turn-around.

We are closely tracking the progressive indicators with the hope that business improvement effort will gain traction and lead the entity to the state of profitability.

ACHIEVEMENTS

I am pleased to report that the organisation completed a comprehensive review of its Disaster Recovery Plan (DRP) and will be focusing on testing its capability during 2015/16. This will assure us that, in the unlikely event of a disaster, we have the ability to recover without compromising the integrity of our operations and customer service.

During the reporting period we also approved the combined assurance model for the group and in 2015/16 we will proceed to define our appetite and tolerance levels of the strategic risks.

Working with management, the board paid special attention to the performance of Ithala's loan book, in particular the improvement and strengthening of our credit assessments prior to funding approvals.

We also focused on post-investment support to ensure that businesses in distress and those with a probability of success are appropriately assisted.

Such assistance was in the form of either a loan restructuring or referral to business turn-around specialists.

We are particularly pleased that our Business Finance Unit continues to demonstrate marked improvement in its performance, albeit with constraints in lending activities due to among others, subdued economic activity. The Properties Business Unit however continues to under-perform against budget.

The board considered and approved the Properties turnaround strategy and the year ended with implementation of some interventions set to improve performance.

The scale of remedial interventions in this area of business is wide, and we anticipate that during 2015/16 we will make tangible breakthroughs arising from the business unit's strategy map.

GOVERNANCE AND LEADERSHIP

In the quest to continuously improve governance processes, the board approved a board continuity policy and rotation plan which was one of the outstanding issues emanating from a King III gap analysis.

Whilst there are vacancies, the board is sufficiently capacitated to meet the minimum legislative requirement.

A skills analysis was conducted and the identified gaps communicated to the shareholder who is responsible for appointment of directors.

APPRECIATION

On behalf of my board colleagues, and in my own name, I take this opportunity to extend my gratitude to all parties who have worked closely with Ithala in the facilitation of its various programmes.

Our organisational success is directly linked to the co-operation and responses we receive from our partners, clients and communities we serve.

I am particularly indebted to our shareholder representative, Mr Michael Mabuyakhulu (MPP), MEC for Economic Development, Tourism and Environmental Affairs, for his steadfast support for and guidance to Ithala, its subsidiaries and associate companies.

I am especially grateful to my fellow members of the board for the dedication they have displayed in steering Ithala on its turn-around trajectory during the past year.

This has not been an easy task and their collective wisdom is truly inspiring.

Equally, I thank the group chief executive, Ms Yvonne Zwane, her executive management team and our committed members of staff for a job well done in 2014/15.

We are on-track and your efforts, passion and determination in executing our strategies have the potential to deliver real change in the lives of the people of KwaZulu-Natal.

Let us all hold on to our commitment of changing the lives of the people of KwaZulu-Natal through the execution of sound and sustainable socio-economic and empowerment initiatives.

Dr Mandla SV Gantsho
Chairman

ITHALA'S STRATEGY OF FACILITATING RADICAL ECONOMIC TRANSFORMATION IS DIRECTLY ALIGNED TO OUR MANDATE

YVONNE ZWANE
GROUP CHIEF EXECUTIVE OFFICER

As a development finance institution (DFI), it is envisaged that we earn a reasonable financial return on investment which may then be used for further investment to the benefit of our target audience.

Our financial sustainability is, accordingly, considered to be a material strategic theme and whilst the organisation made R124,9 million, we continue to explore alternative funding sources in order that we might continue advancing small business lending activities well beyond stakeholder grants. In so doing, we aim to further stimulate economic activity, nurture entrepreneurship and support the creation of employment.

Concurrently to sourcing such new funding opportunities, the importance we attach to the collection of monies owed to us has resulted in the further refinement of our collections processes.

With ongoing sustainability high on our agenda, we are actively giving consideration to the challenge of the widespread culture of poor repayment amongst customers. Pleasingly and in spite of the generally poor repayment record, the health of our loan book has shown considerable improvement with collections amounting to R268 million on an average debtor book of just under R900 million.

While small, medium and micro enterprises (SMMEs) are regarded by policy-makers and Government officials across the world as being the engine for economic growth and employment creation, levels of entrepreneurship and growth in our province's SMME sector remain low. The failure rate of SMMEs is estimated at a high 70-80% in South Africa, with most SMME and co-operative businesses failing during their first two years of existence.

Access to credit and a lack of access to available opportunities are among the top reasons for such a scenario. The National Development Plan (NDP) identifies ways in which to support SMMEs and we, in turn, actively support the objectives of the plan through our targeted procurement programme, stimulating demand for services from SMMEs, providing access to finance and contributing to skills training. During the review period, we spent R523 million with Black Economic Empowerment suppliers, an increase of 19,13% compared against the previous financial year.

We advanced R277 million to small businesses during 2014/15 and funded no fewer than 114 new businesses, assisting to create an estimated 886 permanent new jobs.

The KwaZulu-Natal Provincial Government's economic development plans, such as the small town's rehabilitation programmes and the special economic zones, present Ithala with wonderful new business opportunities. We intend aligning our properties unit with identified key areas.

Ithala people are central to our success. We are developing a performance-orientated culture and improving our collective capability to deliver. Enabled through technology, we have improved our performance and career management systems, which will assist in helping us recognise, manage and reward talent. We have also repositioned and refreshed our brand.

BUSINESS FINANCE

During the period under review, the successful turn-around of our business finance unit was achieved. The overall performance of this component of our business displayed steady improvement, with revenue up 56% year-on-year and net profit, excluding grants, up a sizeable 260%. Gross collections were ahead of budget by R1,5 million, with an amount of R267,5 million collected against a budgeted total of R266 million.

During the past two financial years, this unit has collected R476 million on an average debtor book of just under R900 million. This is an indication of the improving health of our loan book. Non-performing loans also showed a significant improvement, from 22,33% to 21,00%.

However, the long-running drought in many areas of the province has severely impacted our agri-business portfolio and we have become increasingly concerned about the ability of clients in this sector to repay their loans, given the ongoing lack of good rains.

PROPERTIES

We continue to focus on ensuring the turn-around of our properties unit and are currently in the process of executing a major revamp of this portfolio.

A particularly exciting development has been the Ithala Trade Centre project, which is to be complete by August 2015. The total value of this project is R130 million and, in addition to housing our own head office and various other Government entities, it will also serve as a small business development hub.

The Mount Edgecombe Light Industrial Park is positioned to accommodate a diverse mix of SMMEs and envisages integrating them into the mainstream economy by bringing together both experienced and developing business players, while also enhancing mutually-beneficial supply value chains. The total value of this project is R61 million.

Additional funding is required in order to fund our properties infrastructure programme, inclusive of repairs to rundown properties and the construction of new buildings.

ITHALA SOC LIMITED

The Minister of Finance initially extended Ithala SOC Limited's licence exemption for a period of one year, ending 31 December 2014. As a consequence of further consultation, he agreed - in terms of a signed Memorandum of Agreement (MoA) - that Ithala will be granted an exemption until 30 June 2015 and then annually for the years commencing 1 July 2015 and 1 July 2016.

This decision is subject to the Minister of Finance, in consultation with the Registrar of Banks, being satisfied that certain agreed performance obligations have been met.

It is, however, already evident that Ithala SOC Limited is turning the corner. Under the guidance of a strong and committed board, our wholly-owned subsidiary is implementing a new business strategy that will culminate in it achieving its full banking licence by 2017.

The strategic intervention imposed did necessitate a reduction of overhead costs which, sadly, resulted in the closure of six loss-making branches, as well as the right-sizing of a further eight branches.

The institution also curtailed its lending programme, restricting itself to selective home loans, fully secured cash loans and lending to staff.

All unsecured lending and both vehicle and taxi finance activities were suspended.

Most encouragingly and aided by the implementation of its new hosted banking system, Ithala SOC Limited successfully launched a number of new products in 2014/15, inclusive of its Youth Reseller and Iciko accounts, both of which are aligned to the objectives of Government in terms of growing entrepreneurs and creating meaningful opportunities for income generation.

Other financial year highlights included the acquisition of new public sector deposits, the acquisition of new public sector customers and the development of our corporate banking solution and capability.

During the review period, we acquired six new public sector clients and achieved deposits of R233,5 million.

The institution remains committed to now beginning to flex its muscle, championing its position as KwaZulu-Natal's leading state bank.

PROSPECTS

Looking to the future, we aim to focus keen attention on the need for cross-business synergies and the optimisation of cross-selling opportunities.

In this regard, we believe our recent technological enhancements will greatly facilitate such activities.

With the imminent completion of Ithala Trade Centre, it is our intention to relocate from Umlazi to Durban Point, a move which would position Ithala centrally and ensure that our products and services are easily and readily accessible to customers.

APPRECIATION

I gratefully acknowledge the invaluable contribution of our Chairman, Dr Mandla Gantsho, and his board colleagues. Your wisdom and leadership is an inspiration to us all.

I am also most appreciative of the continued support of our shareholder representative and MEC for Economic Development, Tourism and Environmental Affairs, Mr Michael Mabuyakhulu (MPP), and his Head of Department, Mr Desmond Golding.

I must extend my thanks to our members of staff, those people at the coalface of service delivery on behalf of the people of KwaZulu-Natal.

Together, we look forward now to tackling the challenges and maximising the opportunities of the new financial year with renewed vigour and commitment.

Ms YEN Zwane
Group Chief Executive

OUR LEADERSHIP

BOARD OF DIRECTORS

5. Dr MSV Gantsho (Chairman) - Age: 53
Independent Non-executive Director

PhD, M.Phil, M.SC, CA(SA), B.Comm (Hons)	Appointed: 1 June 2011 (Re-appointed effective 1 June 2014)
Area of Expertise	**Other directorships**
Corporate strategy formulation and execution	Sasol Limited
Infrastructure development finance	Impala Platinum Limited
Financial management and reporting	Africa Rising Capital (Pty) Ltd
Investment and corporate banking	Kudumane Manganese Resources (Pty) Ltd

4. Ms NN Afolayan - Age: 38
Independent Non-executive Director

Masters in Business Administration: Finance, Executive Leadership Programme, Institute of Chartered Shipbrokers, Advanced Business Management, Post-Grad Diploma: Accounting Sciences	Appointed: 21 April 2008 (Re-appointed 20 September 2011)
Area of Expertise	**Other directorships**
Enterprise risk management	Umgeni Water
Strategy development and projects	
Organisational and change management	
Cost management and accounting	

3. Ms BC Bam - Age: 56
Independent Non-executive Director

BA Personnel Management, BA Hons (Sociology), Project Management Diploma, Management Advancement Programme	Appointed: 15 September 2009
Area of Expertise	**Other directorships**
Strategic management	Rand Water
Organisational development	
Change management	
Training and development	
Policy development, implementation, co-ordination, monitoring and evaluation	

6. Mr WJ Jacobs - Age: 50
Independent Non-executive Director

B Pharm, Certificate in Polyurethane Technology, Certificate in Theory of Constraints

Appointed: 15 September 2009

Area of Expertise

Management structures and systems
Business plans
Business risk
Business turn-around strategies

Other directorships

Jacobs Safety Investments (Pty) Ltd
K2015117242 (Pty) Ltd
5 Ennisdale Drive (Pty) Ltd
Warhorse Private Equity (Pty) Ltd
Tario 575 (Pty) Ltd
Tario 576 (Pty) Ltd
Grey West Fencing (Pty) Ltd
Textile Investments (Pty) Ltd
The Good Hope Textile Corporation (Pty) Ltd
Jacobs Capital (Pty) Ltd
Connecto Fastners (Pty) Ltd
Best Bread Bakeries (Pty) Ltd
Seashore Properties 43 (Pty) Ltd
Ubuciko Twines & Fabrics (Pty) Ltd
Wessel Jacobs Properties (Pty) Ltd
Teleios Tools and Engineering (Pty) Ltd

2. Mr DM McLean - Age: 58 (Acting Deputy Chairman - effective 1 December 2014)
Independent Non-executive Director

B Accounting, CA(SA), Tax Law Programme

Appointed: 15 September 2009

Area of Expertise

Corporate finance
Project finance
Capital raising
Corporate advisory
Corporate governance
Public finance advisory
Business rescue
Taxation advisory

Other directorships

KZN Growth Fund Managers SOC Ltd
Labyrinth Solutions

1. Rev NNA Matyumza - Age: 52
Independent Non-executive Director

LLB, B. Comm, B Compt (Hons), CA(SA)

Appointed: 01 June 2011 (Re-appointed effective 1 June 2014)

Area of Expertise

Financial management and reporting
Audit
Law
Strategy management
Governance and ethics

Other directorships

KZN Growth Fund Managers SOC Ltd
Cadiz Holdings
Hulamin Limited
Coasad Southern Africa (Pty) Ltd
Wilson Bayly Holmes-Ovcon Limited
Sasol Limited

7. Ms YEN Zwane - Age: 55

Group - Group Chief Executive

Appointed: 1 December 2011

Qualification

B Com (Accounting)
University Education Diploma
Associate Diploma (CAID)
Master of Business Leadership
Management of Technology and Innovation Diploma

MANAGEMENT TEAM

Ms YEN Zwane - Age: 55

Group - Group Chief Executive | Appointed: 1 December 2011

Qualification

B Com (Accounting)
University Education Diploma
Associate Diploma (CAID)
Master of Business Leadership
Management of Technology and Innovation Diploma

Mr B Silungwe - Age: 53

Executive: Properties | Appointed: 4 June 2012

Qualification

Masters in Science (Development and Planning)

Mr NW Nhlangulela - Age: 42

Executive: Business Finance | Appointed: 10 July 2012

Qualification

B Com (Corporate Finance and Economics)
Post-Graduate Diploma in Business Management

Mr MM Matibe - Age: 56

Group Chief Information Officer | Appointed: 1 December 2011

Qualification

B Sc
B Sc (Honours)
Master of Information Management (MIM)

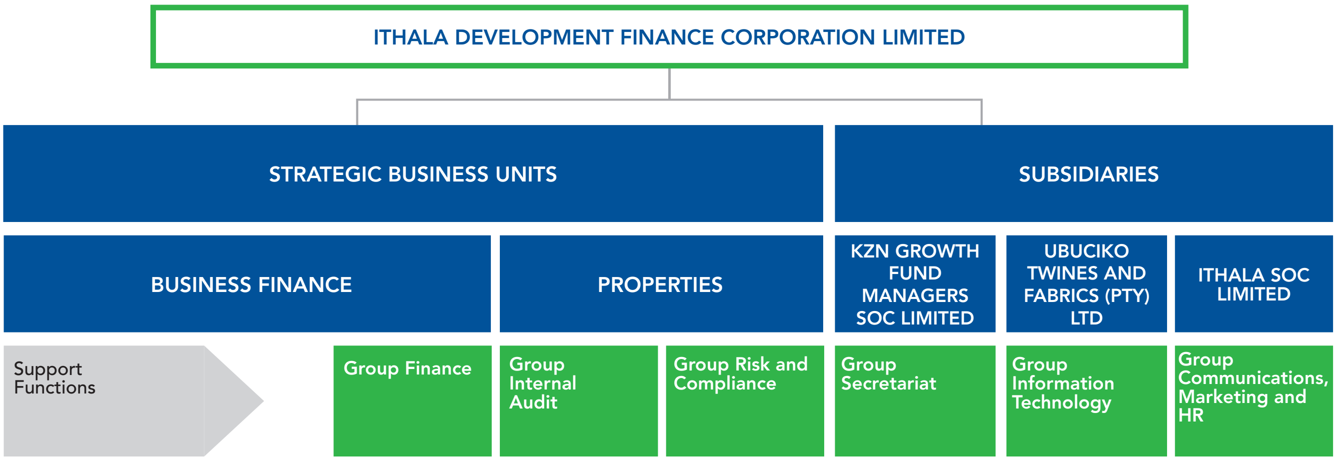
Mr BTT Mathe - Age: 52

Executive: Group Communications, Marketing and HR | Appointed: 1 January 2011

Qualification

Bachelor of Arts
Post-Graduate Diploma in Business Management
Credit Diploma and Advanced Marketing Diploma (CAIB)
International Executive Programme (IEP)

OPERATIONAL STRUCTURE



PROPERTIES

Our properties business is responsible for the management and development of Ithala's property portfolio, which consists of large industrial, retail, light industrial and SMME properties.

We are one of the largest property portfolio holders in KwaZulu-Natal.

Read about our properties division's performance and prospects on page 24-25.

BUSINESS FINANCE

Our lending activities are undertaken through our business finance unit which provides financial and support services to SMMEs and co-operatives within KwaZulu-Natal.

In playing this role, the unit carefully packages various products and services to stimulate entrepreneurship, especially among historically disadvantaged individuals and communities.

Lending focuses on sectors in line with the Provincial Spatial Economic Development Strategy (PSEDS), as well as our primary mandate in terms of the Ithala Act. Read about our performance and prospects on page 22-23.

SUBSIDIARIES

ITHALA SOC LIMITED

Ithala SOC Limited was formally established in 2001 in order to enhance our capital position through its deposit taking capability, in line with a recommendation from the South African Reserve Bank (SARB).

Its purpose is to provide financial services to the people of KwaZulu-Natal, particularly in areas where such services have not been readily available in the past.

It offers retail financial services, savings and investment products, housing and loan products, and insurance products and services via a multi-channel distribution network, to individuals, groups, businesses and other public sector entities. Support services shared between Corporation and Ithala SOC Limited include ICT and Communications, Marketing and Human Resources.

Find further information about Ithala SOC Limited in its integrated report, which may be downloaded from the website at www.ithala.co.za

UBUCIKO TWINES AND FABRICS (PTY) LTD

A wholly-owned subsidiary, Ubiciko Twines and Fabrics was formed in 2006 and produces polypropylene twine, woven material and polypropylene bags and sacks.

These products are destined for various sectors, such as the mining and agricultural sectors, geo textiles, polychemical, sugar and the furniture industry.

Ubuciko Twines and Fabrics is located in Mkondeni, Pietermaritzburg and currently employs 50 people.

ASSOCIATE COMPANY

NTINGWE TEA (PTY) LTD

We established the Ntingwe Tea Estate in the Nkandla region in 1988. Today we have a 38% stake in Ntingwe Tea (Pty) Ltd, with the remaining 62% owned by the Province through the Department of Agriculture.

The enterprise now directly employs 1 000 people from surrounding villages.

The establishment of this operation in this rural part of KwaZulu-Natal has helped bring electricity, running water, telephones, clinics and schools to the area.

The entity has also trained farm labourers, electricians, managers, administrators and nurserymen.

OUR STRATEGY

OUR STRATEGY IS FOCUSED ON ACHIEVING OUR FINANCIAL SUSTAINABILITY AND VIABILITY, AND INCREASING OUR CONTRIBUTION TO THE ECONOMIC TRANSFORMATION OF OUR PROVINCE.

We set strategic objectives with our shareholder and measure our progress towards their achievement by way of agreed-upon key performance indicators (find our annual performance plan report on pages 27).

During the past year, we set-out to strengthen our internal capacity to deliver. Business process re-engineering in our business units is ongoing and we continue to strengthen our corporate risk, governance and internal audit structures and systems (see pages 43-48).

Marked success has been achieved in the improvement of the quality of the loan portfolio and increased levels of business lending.

Large properties projects commissioned in the course of the previous financial year, such as the Ithala Trade Centre and the Mount Edgecombe Light Industrial Park are nearing completion.

Our deposit-taking subsidiary, Ithala SOC Limited, is effecting a successful turn-around.

We are focused on ever more effective delivery on our assigned mandate.

We envisage taking part in the creation of new and bigger business opportunities, acting as a catalyst for large developmental ventures and to play an active role in the facilitation of identified Special Economic Zone (SEZ) initiatives in the province.

We continue to explore alternative funding sources in order to advance small business lending activities beyond stakeholder grants.

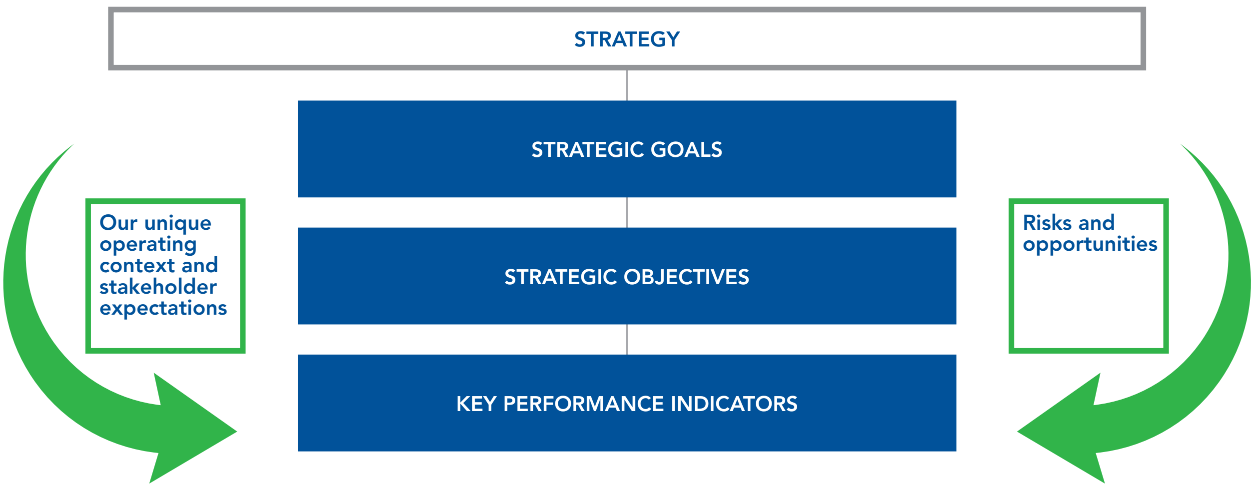
CORE STRATEGIC THEMES

This report focuses on material developments and issues affecting Ithala.

We define a material issue as one that affects our ability to remain commercially viable and socially relevant to the communities in which we operate.

Our process of determining material issues includes an analysis of our business environment (see pages 18-19), the expectations of our material stakeholders (see page 20 for an analysis of our material stakeholders' expectations), as well as issues emanating from our risk management process.

Our value creation model and strategy is tailored to respond to these. Material items are those that are both of high concern to stakeholders and have a significant impact on the business. In the following tables we describe our strategic issues, material risks, opportunities and their existing mitigation controls.



STRATEGIC RISK

Risk Name (Risk Category)	Strategic Goals	Opportunities	Mitigating Controls
Competitiveness in Market Place (Strategic and service delivery risks)	Financial sustainability	• Improved customer relationships • Increased revenue	• Marketing and communication strategy • Market intelligence (Research, Development and Innovation) Department • Group marketing function • Properties and Business Finance strategies
Asset Quality - Properties (Financial risks)	Financial sustainability	• Diversification of funding sources • Public-Private Partnerships • Develop Properties turn-around strategy	• Risk management strategy • Tenant attraction and retention strategy • Defined disinvestment strategy for unproductive assets • Property marketing strategy
Funding (Financial sustainability)	Financial sustainability	• Diversification of funding sources • Proactive cash and capital management	• Budget process • Monthly management information reports • Monthly reports on liquidity position • Capital adequacy ratio buffer • Established guidelines for acceptable minimum cash balances • Asset and liability management system • Enterprise Risk Committee and Board (governance structures) • Weekly cash flow forecasting • Funding requirements planning
Obtaining Permanent Banking Licence - Ithala SOC Limited (Strategic risk)	Development effectiveness	• Cost optimisation • Diversification of revenue streams • Optimised asset utilisation • Improved governance, risk and compliance management	• Banking licence committee • Budgets and operational plans • Capital management • Ongoing stakeholder interaction and agreement for exemption for three years reached
Asset Quality - Ithala SOC Limited (Financial risks)	Financial sustainability	• Improved loan book performance • Improved collections • Defined credit risk appetite	• Credit scoring system • Collections unit • Collections strategy • Credit risk policy • Credit committee • Enterprise risk committee
Human Capital - People and Leadership (People management and leadership)	Operational excellence and good corporate governance	• High performance culture • Proactive talent management • Building trust with organised labour • Skills development • Staff wellness	• Attraction and retention strategy • HR policies and procedures • Performance management system (including individual development plans) • Talent management strategy (including leadership development and succession planning) • Code of ethics
Supply Chain Management (Strategic and service delivery risks)	Operational excellence and good corporate governance	• Cost optimisation • Revenue diversification	• Provincial Treasury cost-cutting directives • Budget setting • Review of targets against budget • Refinement and review of budgeting exercise • Continuous monitoring of interest rate • Monitoring of project plan implementation • Performance management system • Zero tolerance of fraud and corruption

Risk Name (Risk Category)	Strategic Goals	Opportunities	Mitigating Controls
IT to meet Business Requirements (Technology and system risks)	Operational excellence and good corporate governance	• Systems readiness for business continuity • Retention of IT personnel • Improved operationalisation of IT projects	• IT disaster recovery plan • Service Level Agreement management • Collaboration technologies, such as intranet, share point, Microsoft exchange • IT policy and framework (including IT governance) • IT strategy • Change control board
Stakeholder Management (Strategic and service delivery risks)	Development effectiveness	• Alignment of strategy with stakeholder expectations • Meeting stakeholder expectations • Improved reputation	• Governance structures • Stakeholder meetings • Annual Reports, with developmental indicators • Annual Performance Plan • Quarterly performance reporting • Internal audit plan covers performance information • Ithala Act and PFMA • Shareholder compact • Governance structures (MEC, Portfolio Committee reporting etc)
Governance and Compliance (Governance, compliance regulatory and reputational risks)	Operational excellence and good corporate governance	• Maintain good governance of risks and compliance with applicable legislation	• Regulatory universe of various legislation-types facing the Group • Compliance policy • Risk and compliance coverage plan • Enterprise risk management framework • Governance structures • Enterprise risk management framework implementation plan • Internal controls • Internal audit
Asset Quality - Business Finance (Financial risks)	Financial sustainability	• Improved customer service levels, including turn-around times and ease of doing business with Ithala • Improved loan book performance • Diversification of revenue streams	• Governance processes (committee structures and delegations) • Business finance strategy • Investment screening committee • Post-investment monitoring and reporting • Business support model • Segregation of duties for approvals and post-investment monitoring • Application of policies • Compliance with legislation
Reputation of Ithala (Strategic and service delivery risks)	Operational excellence and good corporate governance	• Increased stakeholder engagement to communicate plan successes and foster co-operation between role-players	• Occupational Health and Safety Department • Clean audit roadmap • Approved Group Marketing Strategic Plan • Internal communication strategy • Media relations strategy • Stakeholder engagement • Corporate Social Investment • Brand management • Marketing strategies for income-generating strategic business units • Anti-fraud pledge • Marketing and communication strategy • Code of ethics for Group

Key:

Priority 1

Priority 2

Priority 3

OPERATING CONTEXT

WE RECOGNISE THE VALUE OF REGULATION IN PROTECTING CUSTOMERS.

REGULATORY ENVIRONMENT

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

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

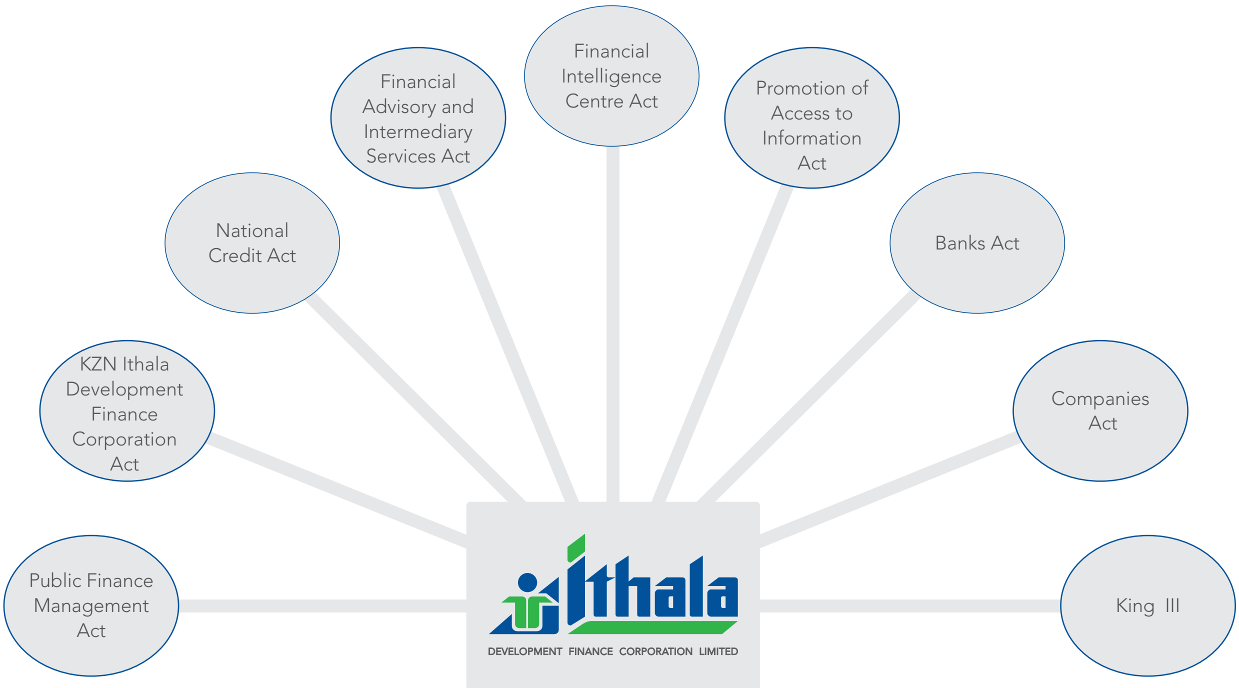
Compliance is also strategically important in protecting our reputation, minimising our operational risk and setting the standard for a strong compliance culture throughout all our business activities.

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. It uses a four-phase approach to identify, assess, manage and monitor compliance risk.

We recognise the value of regulation in protecting customers. The NCA intends to address a range of challenges in the financial services sector, such as affordability, reckless lending, legislative misinterpretation and enhancing consumer education. The Financial Intelligence Centre Act (FICA) is aimed at preventing money laundering.

The purpose of Companies Act No. 71 of 2008 is to promote compliance with the Bill of Rights, as provided for in the Constitution, with particular reference to the application of company law, as well as promoting the development of the South African economy by encouraging entrepreneurship and enterprise efficiency, and encouraging transparency and high standards of corporate governance.

The Banks Act protects the public by regulating and supervising the entities which take their deposits. The Financial Advisory and Intermediary Services Act regulates the rendering of certain financial advisory and intermediary services to clients, and the Public Finance Management Act regulates financial management in National and Local Government.



ECONOMIC CONTEXT

The 1,5% annual GDP growth rate is the lowest (except for 2009) in the past 16 years.

On average, annual growth amounted to 2,4% in the five-year period from 2010 to 2014 compared against an average of 3,6% in the 10 years, prior to 2010.

The muted South African economic growth rate in 2014 may be mainly attributed to:

- The prolonged industrial action in the platinum mining, steel and engineering sectors;
- The electricity crisis;
- Lower prices of key export commodities;
- Subdued business and consumer confidence levels; and
- Slow global economic growth levels.

The immediate future outlook remains gloomy, with GDP growth forecast for 2015 and 2016 remaining below 3%.

Institution	SA GDP Growth Forecast 2015 (annual average)
IMF (as at April 2015)	2,0%
SA Reserve Bank (as at March 2015)	2,2%
SA Treasury (as per the 2015 Budget Speech)	2,0%
Bureau for Economic Research (as at April 2015)	1,7%
Sources: IMF World Economic Outlook Report, April 2015; SARB Quarterly Bulletin, March 2015; National Treasury 2015 Budget Speech; BER Economic Prospects Report, April 2015	

Institution	SA GDP Growth Forecast 2016 (annual average)
IMF (as at April 2015)	2,5%
SA Reserve Bank (as at March 2015)	2,3%
SA Treasury (as per the 2015 Budget Speech)	2,4%
Bureau for Economic Research (as at April 2015)	2,1%
Sources: IMF World Economic Outlook Report, April 2015; SARB Quarterly Bulletin, March 2015; National Treasury 2015 Budget Speech; BER Economic Prospects Report, April 2015	

Further challenges to economic growth are:

- The weakening currency. The Bureau for Economic Research (BER) forecast is for the Rand to average R12.40/$ (R11.78 previously) in 2015 Q4 and R12.59/$ (R11.90 previously) in 2016 Q4 respectively;
- Rising inflation, particularly as a result of a weaker Rand and the possibility of higher-than-expected electricity tariff increases;
- Pressure on consumer spending, which has been the mainstay of South African GDP growth in the past five years. Growth in real consumer spending slowed from 2,9% in 2013 to a 5-year low of 1,4% in 2014, driven largely by a slow-down in real disposable income growth. Increasing cost pressures from the sustained Rand weakness, high administrative prices and weak employment dynamics are expected to further dampen real consumer spending;
- Rising impaired loan ratios, especially at institutions that focus on unsecured lending, have resulted in a tightening of credit standards. Data from the National Credit Regulator suggests that the growth in credit extension to households has continued to ease, with a particular slowing in growth in unsecured lending to low-income groups; and
- Growth in fixed investment remains slow. Government consumption is not likely to be a big growth driver as the Government struggles to meet its fiscal deficit targets this year in the face of weaker-than-expected growth. Furthermore, municipal under-spending continues to depress Government fixed investment, whilst private sector investment is likely to remain muted as long as sentiment is subdued. In addition, the electricity crisis continues to impede appetite for fixed investment. According to the BER, overall, fixed investment growth of 2% is expected for 2015.

For Ithala, the implications of this domestic economic scenario are challenging.

Lower manufacturing activity means an overall decline in the sector and translates to greater vacancies in the industrial property sector.

This has a negative bearing on rental income for our properties division.

Both our properties and business finance segments will face increased risk of customers' business failure, which also has implications for increased spend in business support.

Changing trends in the economy, such as the growth of technology and 'green' sectors, make it necessary that we develop new skills.

This will assist in enabling us to understand related applications and to be able to grant finance in these sectors.

We are responding by placing greater emphasis on operational efficiency and effectiveness, as well as innovation, which should result in new products and a particular focus on non-interest income revenue streams.

STAKEHOLDER CONTEXT

The board promotes a stakeholder-inclusive approach towards the governance of Ithala. In determining our strategy to deliver on our mandate, we are bound to incorporate the material issues of stakeholders that have a direct or indirect stake in Ithala due to their being in a position to affect or be affected by our actions, objectives, and policies.

Stakeholder group's material issues	Engagement method	Stakeholder expectations	Ithala's response
Provincial Government	• Quarterly performance reports • Quarterly meetings • Annual general meeting • Meetings with Legislature/ Portfolio Committee	• Financial sustainability and viability • Alignment with Provincial 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) aligned to the Provincial Growth and Development Plan • Quarterly performance reports against the APP are compiled and submitted to the department • Quarterly engagements with the department to discuss performance and 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 services • Well maintained commercial and industrial properties • Affordable rentals • Business premises in prime development nodes	• Business finance has business centres in each municipal district • Pricing for Government Grant funding is less than prime • Post-funding non-financial support is provided through the business support and post-investment monitoring units of business finance • Increased allocations for capital and maintenance expenditure • We offer competitive and, in most cases, highly favourable rentals • Industrial and commercial premises 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 • On-line internal magazine • Business broadcasts	• Job security • Fair reward 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 • Approved talent management and incentive scheme (see page 37)
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 (see page 39)

HOW WE CREATE VALUE

OUR ACTIVITIES STIMULATE PRIVATE ENTERPRISE WITH THE OBJECTIVE OF SUSTAINABLE ECONOMIC GROWTH WHICH IS MORE INCLUSIVE AND DELIVERS IMPROVEMENTS IN THE LIVING CONDITIONS OF LOCAL PEOPLE

The IRCC seeks to enhance accountability and stewardship for the broad base of capitals (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.

Inputs

Financial capital: We receive grant funding from Government for lending to SMMEs (R148 million during the financial year)

Social and relationship capital: We are dependent on the support of our shareholder, the Provincial Government

Intellectual capital: We are guided by our mandate from Provincial Government

Business activity

Business finance offers financial and support services to SMMEs and co-operatives 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 delivery to our customers and clients

We invest in our operations, which include information technology systems and infrastructure, to improve efficiency and deliver products and services to our customers and clients

We offer bursaries and internships to top-performing students in KwaZulu-Natal

We provide public sector banking, corporate and investment banking services to SMME businesses, as well as co-operatives through our subsidiary, Ithala SOC Limited

Our impacts

Our activities result in broad economic impacts by stimulating the private sector and helping to fuel the economy by creating jobs, providing income and improving living standards – generating lasting development impacts

Over the past five years, we have created some 17 300 jobs, generated through our lending activities, supported some 40 000 jobs, particularly through our industrial property portfolio. We advanced loans of R3,31 billion, supported small business development, and helped establish up to 2 275 new businesses

We facilitate access to financial services, enabling socio-economic development and financial well-being, which are particularly relevant to our markets

Our activities facilitate the allocation of capital for economic development

We focus on understanding the needs of the public sector environment and to developing innovative solutions that are relevant to Local Government's municipal structures

This year

We created 886 jobs through financing business enterprises

We funded 114 entrepreneurs (2014: 111)

We approved new financing of R236 million

We provided direct employment for 836 people

We created 845 jobs through our property developments and maintenance

We funded 25 hectares of agricultural land

We opened 57 560 new savings accounts

OUR PERFORMANCE

WE ENGAGE IN A TARGETED RANGE OF ACTIVITIES, FUNDING BUSINESS ENTERPRISES, DEVELOPING COMMERCIAL AND INDUSTRIAL PROPERTY AND PROVIDING BANKING SERVICES.

MR NKOSINATHI NHLANGULELA

BUSINESS FINANCE

We financed 114 businesses and co-operatives estimated to facilitate the creation of 886 jobs.

Business Finance is responsible for financial and support services to SMMEs and co-operatives within KwaZulu-Natal.

It contributes to the establishment and strengthening of small businesses and the creation of jobs in line with our mandate.

Lending is focused on various sectors in line with the Provincial Spatial Economic Development Strategy (PSEDS) namely:

- Agriculture and agro-processing;
- Construction, commercial properties and tourism;
- Manufacturing; and
- Trade and services.

Our organisation offers working capital, structured finance, agri-finance, procurement and asset-based finance, finance for commercial property and franchises, as well as micro-finance.

Access to business finance for SMMEs is provided through business centres located throughout the Province, further broadening participation and bringing much-needed access to information for the benefit of local communities.

The economic activity must be based in KwaZulu-Natal, or the benefits of such activity must substantially accrue to the

province in terms of job creation and empowerment.

We support entities that are owned substantially (30%) by historically disadvantaged individuals.

Loans up to R15 million are approved by the management credit committee, while loans exceeding this amount are refferred to the board credit and investment committee for consideration and approval.

POST-INVESTMENT MONITORING AND SUPPORT

Once funding is approved, the client is allocated a portfolio manager to provide post-investment monitoring.

This includes coaching and mentorship, training, facilitation of business linkages and access to markets, as well as administrative support.

CREDIT RISK MANAGEMENT

Defaulting clients are referred to debt collection within the business finance unit. Assistance, such as rescheduling and suspension of instalments, may be negotiated.

Should these options fail and accounts become three months in arrears, they are referred to our legal division for collection.

We will be implementing a debt rehabilitation facility, which will be responsible for turning around potentially viable businesses that are in distress.

PERFORMANCE

The size of our investment portfolio was R882 million at the end of March 2015, representing a R64 million or 7,80% increase year-on year.

Our performing portfolio is R696 million or 79,00% of the total investment portfolio, representing a R63 million or 9,98% improvement, while the non-performing component of the portfolio is R185 million or 21,00% of the total investment portfolio, representing an improvement of 1,33%.

We realised cross-selling opportunities by offering our products in conjunction with Ithala SOC Limited's insurance products. The implementation of our Customer Relationship Management (CRM) system will further enable our cross-functional interface.

LOOKING AHEAD

Our strategic priorities are to:

- Develop the loan book by growing credit advances annually;
- Improve the quality of the loan book by maintaining the level of non-performing loans to acceptable levels below 25%;
- Improve liquidity by increasing the levels of credit collections;
- Improve the level of profitability by increasing loan yields through risk-adjusted pricing;
- Sustain and increase the number of jobs in KwaZulu-Natal by facilitating increased financing of SMME's and co-operatives; and
- Improve customer service by reducing application turn-around times.

While a lack of funding and, therefore, financial sustainability remains a material risk, we have identified a number of opportunities.

These include procurement finance opportunities as a result of increased Government expenditure, agri-finance of under-utilised land from land reform beneficiary communities, asset finance for replacement and expansion, and micro-financing of township businesses.

HIGHLIGHTS

- **Net profit**
  Up 260% year-on-year (excluding grants)
- **Gross collections**
  Ahead of budget by R1,5 million. An amount of R267,5 million was collected against a budget of R266 million
- **Non-performing loans**
  Improved by 1,33% YTD to 21,00%
- **Development impact**
  Financed 114 businesses and co-operatives, estimated to facilitate the creation of 886 jobs
- **Revenue**
  Revenue up 56% year-on-year

LOWLIGHTS

- **Investment performance**
  Credit impairments up 15% year-on-year from R46 million to R54 million
- **Credit advances**
  Credit advances 36,5% lower year-on-year at R276 million

MR BESTON SILUNGWE

PROPERTIES

The portfolio consists of retail, light industrial, industrial and SMME assets and supports in excess of 40 000 jobs, which fuel the local economies in which the properties are located. The properties business unit continues to serve as a catalyst for economic activity in mainly peri-urban and rural towns, thereby bringing goods and much-needed jobs to such areas.

The properties' business model is structured to manage its property assets through:

- Asset management (viability studies, packaging, strategy, benchmarking and investments);
- Facilities management (maintenance and soft services);
- Property development and project management (new projects and re-developments);
- Property management (leasing and rental collections); and
- Engineered services supply and maintenance (electricity, water, sewage and solid waste).

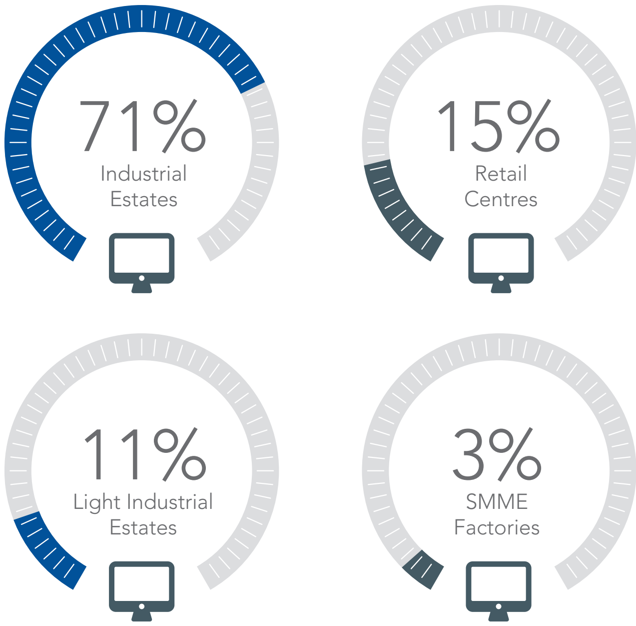
FINANCIAL OVERVIEW

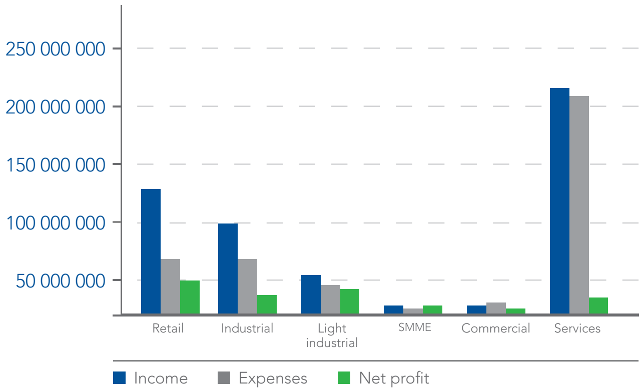
Key financial highlights for the year under review include:

- Revenue is up 1% to R567 million;
- Operating profit is down 14% to R106 million; and
- Capital and maintenance expenditure is up 170% to R162 million.

PORTFOLIO OVERVIEW

Distribution of the portfolio by gross lettable area is depicted as follows:





The portfolio continued to generate solid financial performance against very difficult trading conditions. Across our property portfolio a number of clients face challenging conditions, including:

- Slow economic activity. The low economic growth across all sectors has impacted negatively on the performance of, mainly, our industrial clients. This is evident through growing vacancies, increased liquidations and the difficulty of our tenants to meet rental obligations; and
- Shortage of electricity and increasing electricity costs. This continues to have a devastating effect on our retail and industrial clients, impacting, as it does, on their ability to sustain their businesses.

Despite these challenges, the overall portfolio has remained resilient against deteriorating trading conditions. The strategic location of the portfolio, largely at the heart of economic activity, continues to insulate the portfolio from the risks accessioned by the continued economic slow-down.

HIGHLIGHTS

- Development of Mount Edgecombe Industrial Park
- Development of Ithala Trade Centre

LOWLIGHTS

- **Operating profit**
  Down 14%

CAPITAL EXPENDITURE OVERVIEW

A significant amount of capital has been invested in two new developments that are scheduled for completion in the forthcoming financial year:

- Ithala Trade Centre. This is a commercial development at the Durban Point Waterfront and will house various Provincial Government Agencies and will become the new head office of Ithala. The total cost of the development is R130 million and is scheduled for completion in August 2015;
- Paramount Park. This is a light industrial development at Mount Edgecombe that will house light industrial tenants. The total cost of the project is R60 million and is scheduled for completion in August 2015.

LOOKING AHEAD

Our drive for the next three years is to improve the condition of the existing portfolio and to exploit new development opportunities.

The recapitalisation of the portfolio will address long-standing maintenance issues.

This capital and maintenance programme is expected to cost approximately R600 million.

SUBSIDIARIES

ITHALA SOC LIMITED

Ithala SOC Limited's strategy is to be the leading public sector financial institution in South Africa, based in KwaZulu-Natal, by 2017.

The 2014/15 financial year was a defining period for Ithala SOC Limited, our deposit-taking subsidiary.

The financial year was characterised by, inter-alia, the launch of new products with value added services, the turn-around of the business, the execution of a successful cost rationalisation process, another clean audit and the launch and significant growth in public sector financial services offerings.

It provides financial services in areas where such services have not been readily available in the past.

It delivers on this mandate by providing:

- Retail financial services;
- Savings and investment products;
- Housing and loan products; and
- Insurance products and services.

These offerings are provided through a multi-channel distribution network to individuals, groups, businesses and other public sector entities.

We remain committed to re-asserting our role as a people's bank.

The organisation is endeavouring to build the foundations necessary to become a state bank which advances the socio-economic imperatives and priorities of our democracy.

Ithala SOC Limited's ongoing banking licence exemption will be extended until 2017. In the interim, we will be readying ourselves to meet all the requirements for a permanent banking licence. Ithala SOC Limited publishes its own integrated annual report, which may be accessed on our website (www.ithala.co.za).

UBUCIKO TWINES AND FABRICS (PTY) LTD

For the first time Ubuciko Twines and Fabrics achieved a break-even financial position during the year under review.

Ubuciko Twines and Fabrics employs 50 members of staff. During the review period, the entity focused on improving its production facility and reducing bottle-necks, thus improving production levels.

Further interventions are underway to attend to management and operational improvements.

ASSOCIATE

NTINGWE TEA (PTY) LTD (KNOWN AS NTINGWE TEA ESTATE)

Whilst the estate is not making a profit due to cost pressures and access to certain markets restricting selling prices, it remains a strategic economic empowerment and job creation vehicle.

It provides employment for 1 000 staff members in a deeply rural part of KwaZulu-Natal.

In order to assist Ntingwe Tea Estate achieve sustainability, we finalised a turn-around strategy during 2013/14, which identified the need for re-capitalisation, investment in new assets and the achievement of greater productivity per hectare before the entity will be able to operate in terms of its own resources.

The turn-around strategy has been presented to various stakeholders to obtain funding for the entity.

PERFORMANCE SCORECARD

As a state-owned entity, each year we negotiate our performance objectives, measures and indicators, as well as our annual targets with our shareowner, the Department of Economic Development, Tourism and Environmental Affairs, and Provincial Treasury, in line with the Public Finance Management Act (1999).

The board reports on performance and related matters to the shareholder by way of annual and interim reports, and regular meetings are held between key stakeholders.

Based on its corporate plan, the board sets Ithala's strategic objectives and determines performance criteria.

Management is then charged with the detailed planning and implementation of those objectives, within appropriate risk parameters.

Goal 1: Financial Sustainability and Viability (Weighting = 30%)				
Strategic Objective	Key Performance Indicator	2014/15 Target	2014/15 Actual	Management Comment
Financial Sustainability	Amount of revenue collected from credit collections (loan book)	R268 million	R262 million	Target not achieved by R4 million as advances did not occur as budgeted
	Amount of revenue collected from properties (rental income)	R306 million	R534 million	Target achieved
	Amount of external funding raised (excluding BF grants)	R93 million	Nil	Target not achieved as the borrowing plan was submitted in February 2014, but has not been approved by the executive authority
	Non-performing loans percentage	28%	21%	Target achieved
	Revenue growth percentage	(2%)	(2%)	Target achieved
	Net profit (excluding grants)	(R57 million)	(R49 million)	Target achieved
	Minimum cash available	R60 million	R65 million	Target achieved
	Debt to equity	0,19 times	0,04 times	Target achieved
	Net profit (including grants)	R91 million	R126 million	Target achieved
Financial Efficiency	Cost to income (excluding grants)	102%	96,51%	Target achieved
	Return on assets	3%	5%	Target achieved
Goal 2: Developmental Effectiveness (Weighting = 35%)				
Strategic Objective	Key Performance Indicator	2014/15 Target	2014/15 Actual	Management Comment
Job Creation	Number of jobs created by funded SMMEs and co-operatives (estimated)	3 333	886	Target not achieved by 2 447 jobs due to cash flow constraints as borrowings required for funding did not materialise (see amount of external funding raised target above) which led to curtailed lending to SMMEs and co-operatives, resulting in fewer jobs being created. Furthermore, the formula used to calculate the number of jobs created is currently being re-visited based on historical data of loans approved in business finance versus jobs created in the various product areas
	Number of jobs created through property developments and maintenance	1 433	845	Target not achieved by 588 jobs as borrowings required for funding did not materialise (see amount of external funding raised target above), and hence new jobs were not created

Goal 2: Developmental Effectiveness (Weighting = 35%) (continued)				
Strategic Objective	Key Performance Indicator	2014/15 Target	2014/15 Actual	Management Comment
SMME Capacity Development	Number of new businesses financed	200	114	Target not achieved by 86 new businesses due to cash flow constraints as a result of borrowings for funding not materialising (see amount of external funding raised target above), which led to curtailed lending to SMMEs and co-operatives, resulting in fewer businesses being financed
	Total value of new financing approved	R575 million	R236 million	Target not achieved by R339 million due to cash flow constraints as a result of borrowings for funding not materialising (see amount of external funding raised target above), which led to curtailed lending to SMMEs and co-operatives, resulting in lower value of financing approved
	Total value of disbursements	R500 million (revised to R300 million in the year)	R277 million	Target not achieved by R223 million due to cash flow constraints as a result of borrowings for funding not materialising (see amount of external funding raised target above), which led to curtailed lending to SMMEs and co-operatives, resulting in lower value of advances. Accordingly, during the year the target was revised down to R300 million and 92% of this revised target was achieved
Increase B-BBEE Spend	% spent on B-BBEE-compliant service providers	82%	90%	Target achieved
To provide industrial and retail infra-structure to generate eco-nomic activity	Investment in new property developments	R136 million	R125 million	Target not achieved by R11 million due to cash flow constraints as a result of borrowings for funding not materialising (see amount of external funding raised target above), which led to decreased investment in new property developments
	Investments in existing properties	R176 million	R34 million	Target not achieved by R142 million due to cash flow constraints as borrowings required for investments did not materialise
To be an implementing agent for social infrastructure	Finalise multi-year development plan and sign Memorandum of Understanding	Sign agreements by end of September 2014	3 agreements signed	Target achieved
Goal 3: Operational Excellence and Good Corporate Governance (Weighting = 25%)				
Strategic Objective	Key Performance Indicator	2014/15 Target	2014/15 Actual	Management Comment
Human Resources Excellence	Signed performance agreements and scorecards	100% of performance agreements and scorecards signed by end April 2014	77% of performance agreements signed by April 2014	Target not achieved by 23% as not all performance agreements were submitted to human resources on time
		100% completed scorecards within 3 weeks after end of quarter	Target not achieved	Target not achieved as performance scorecards were not submitted to human resources on time due to the three weeks being insufficient to receive financial information that is required to complete scorecards. Hence, the target will be reviewed in 2015/16 to 100% completed scorecards within six weeks after end of the quarter

Goal 3: Operational Excellence and Good Corporate Governance (Weighting = 25%)				
Strategic Objective	Key Performance Indicator	2014/15 Target	2014/15 Actual	Management Comment
Human Resources Excellence	Implemented Work Skills Plans (WSP) and Personal Development Plans (PDPs)	Submit WSP to BankSeta by 30 June 2014	WSP submitted to BankSeta by 30 June 2014	Target achieved
		100% implem-entation of WSP and PDPs	4 Reports were compiled for each quarter	Target not achieved due to changes in business requirements and cost containment. The target will be amended in 2015/16 to 75% implementation of WSP and PDPs
	Enhance Employee Wellness	Approved Employee Wellness Strategy by 1 April 2014	Strategy compiled and approved by HRRC by August 2014	Target not achieved as capacity constraints within the human resources unit caused delays in the timely completion of the strategy
		Host 12 Employee Wellness Events	Hosted 11 events	Target not achieved by 1 event because of challenges experienced during business repositioning
IT Excellence: Delivery of agile; integrated and modular business systems within budget, schedule and scope	Approved ICT Strategy Implementation Plan	Approved Plan by end May 2014 for 2014/15	Plan has been approved	Target achieved
		Implem-entation of the Plan within budget - 90%	56% of the project plan was implemented	Target not achieved by 34% due to IT human resources constraints and changes in business requirements due to budget cuts. Hence positions could not be filled
	System Availability	95% Up time	97% Up time	Target achieved
	Customer Satisfaction Level	90% by March 2015	99% satisfaction level	Target achieved
Effective Com-pliance and Risk Manage-ment	Compliance with applicable legislation, policies and procedures	100% compliance with compliance plan reporting (see statutory reporting schedule attached as Annexure "A")	100% compliance with compliance plan reporting	Target achieved
	Approved Group Strategic Risk Register	Risk Register by August 2014	Risk Register compiled	Target achieved
	Improved Enterprise Risk Management (ERM) maturity level	Bi-annual imple-mentation reports to improve maturity level by 30 September 2014 and 31 March 2015	Reports not finalised by due dates	Target not achieved. Report was presented at the enterprise risk committee meeting of 28 April 2015, which was after the due date of 31 March 2015

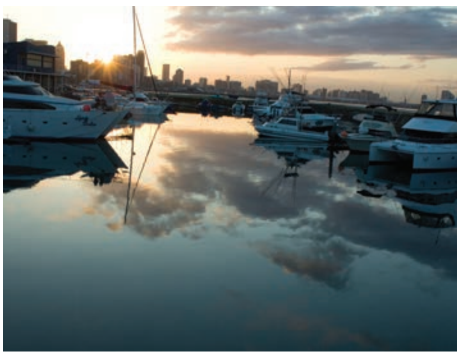
Goal 3: Operational Excellence and Good Corporate Governance (Weighting = 25%) (continued)				
Strategic Objective	Key Performance Indicator	2014/15 Target	2014/15 Actual	Management Comment
Effective internal audit and fraud prevention	Approval of the annual audit plan by 1 April 2014	Annual audit plan approved by 1 April 2014	Annual audit plan approved by audit committee	Target achieved
	To attain a minimum average rating of 3 in performance appraisals by Audit Committee by 30 June 2015	A rating of 3 achieved by 30 June 2014	A rating of 3 achieved	Target achieved
	Unqualified (clean) Audit	Resolve 95% of prior year's repeat findings by 31 March 2015	Only 2 repeat findings for prior year, of which 1 finding pertaining to IT governance was resolved, whilst 1 finding pertaining to risk management remains unresolved	Target achieved
		80% resolution of findings >270 days post resolutions date by 31 March 2015	77,5% of findings were resolved	Target not achieved. Further concerted efforts to be made to ensure remaining findings are resolved
Refresh Ithala brand through developing a brand campaign that will reflect Ithala's service and product offerings	Develop 1 brand campaign to be flighted in key media across KwaZulu-Natal by end May 2014	1 all-encompassing brand campaign flighted in the following mediums: • Print • Radio • Billboards	Flighted Ithala property advert in the Natal Witness and SA Property. Exhibited at SAPOA and King Shaka International Airport	Target achieved
	Rework Ithala website to ensure that it is reflective of the refreshed brand	New website launched by June 2014	Website design completed, but not launched	Target not achieved as the SharePoint licence was not delivered from Microsoft in a timely manner
	Conduct brand tracking study	Baseline survey completed by end March 2015	Survey not completed	Target not achieved due to delays in appointing an appropriate service provider
Ensure Ithala's presence in social media	Develop social media strategy	Social media strategy approved by end March 2015	Draft strategy in place	Target not achieved as a strategic decision was taken by the executive committee not to proceed with the strategy until a customer service strategy is approved and a customer service manager is appointed. The customer service strategy was approved in February 2015 and the customer service manager is in the process of being appointed
	Train staff and key personnel on social media etiquette	Train staff by end of December 2014	Staff not trained	Target not achieved as a strategic decision was taken by the executive committee not to proceed with the strategy until a customer service strategy is approved and a customer service manager is appointed. The customer service strategy was approved in February 2015 and the customer service manager is in the process of being appointed
	Ithala fully operational Facebook page	Fully functional Facebook page by end March 2015	Facebook page not established	Target not achieved as a strategic decision was taken by the executive committee not to proceed with the strategy until a customer service strategy is approved and a customer service manager is appointed. The customer service strategy was approved in February 2015 and the customer service manager is in the process of being appointed

Goal 3: Operational Excellence and Good Corporate Governance (Weighting = 25%)				
Strategic Objective	Key Performance Indicator	2014/15 Target	2014/15 Actual	Management Comment
Create Positive Ithala Stories	Utilise PR and communications to entrench Ithala's positive stories	Achieve 50% positive rating by MRI Index by end March 2015	100% rating achieved	Target achieved
	Embark on social responsibility initiatives	3 initiatives	3 initiatives	Target achieved
Effective and Functional Board of Directors	Implementing Corporate Governance Model	Independent Board and Committees evaluation by an external quality assurer – attain score of 3 by March 2015	Evaluation not completed	Target not achieved due to slow responses from members
Effective Legal Services	Reduction of NPLs with Legal and recovery of arrears	Reduce arrears book with legal by 10%	Arrears book increased by 18% from R87 million to R102 million	Target not achieved by 28% as an estimated 85% of the NPL's are farm loans where legal action is not proceeding and has been pended since April 2014. The business finance unit is working directly with clients and the sugar mills to find solutions in terms of debt restructuring
	Accurate securities administration	85% of securities reviewed	60% of securities reviewed	Target not achieved by 25% as not all required reports could be sourced from IT. This matter is currently being addressed by IT management

Goal 4: Forge Strategic Partnerships (Weighting = 5%)				
Strategic Objective	Key Performance Indicator	2014/15 Target	2014/15 Actual	Management Comment
Implementation of MoUs signed (Skills transfer, Business development, Funding)	Number of training interventions	5	Nil	Target not achieved by 5 as the budget relating to training and business support was removed from Ithala and allocated to the SBGE, hence a lack of financial resources to undertake training interventions
	Number of employees trained	20	Nil	Target not achieved by 20 as the budget relating to training and business support was removed from Ithala and allocated to the SBGE, hence a lack of financial resources to undertake training interventions
	Value of transactions concluded with clients with contracts from eThekwini Municipality and Richards Bay Minerals	R25 million	R17 million	R17 million was achieved with eThekwini Municipality (69%). Target not achieved by R8 million as there were timing delays outside our control in terms of transactions emanating from the Richard Bay Minerals MoU, which took time to finalise. A transaction of R30 million was subsequently approved in May 2015
	Number of interns taken-on (MoU with Office of the Premier)	5	5	Target achieved

Goal 5: Knowledge Management (Weighting = 5%)

Strategic Objective	Key Performance Indicator	2014/15 Target	2014/15 Actual	Management Comment
Institutionalise Knowledge Management at Ithala	Completed Knowledge Management Strategy	Approved Knowledge Management Strategy by end December 2014	Strategy approved.	Target achieved
	Functional supporting technologies	Completed installation and fully functional technologies (EIM/ECM) by end March 2015	Technologies not fully implemented	Target not achieved as the planned implementation of the Enterprise Content Management (ECM) System within the human resources and SCM environment has been held in abeyance in order to allow for later integration of the ECM and CRS solutions within these environments. CRS is the HR ERP solution, and is currently being rolled out over the next six months (ending 31 September 2015). This has impacted on the original scope set-out for ECM at the compilation of the APP. Once CRS implementation is completed, the ECM solution will be revisited
Quarterly Market Intelligence and Competitor Analysis Reports	4 reports submitted 2 weeks after quarter ends	4 reports to be submitted	4 reports submitted	Target achieved



ECONOMIC VALUE CREATION

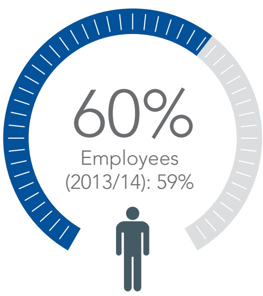
DURING THE 2014/15 FINANCIAL YEAR WE CONTRIBUTED VALUE TO THE LOCAL ECONOMY AND CREATED STAKEHOLDER WEALTH.

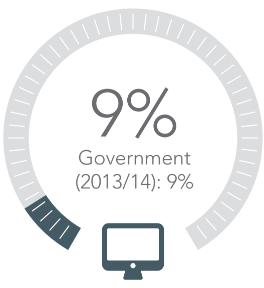
The value and wealth contribution made by Ithala during the reporting period is depicted as follows:

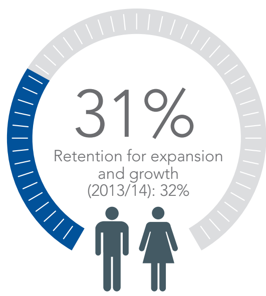
FINANCIAL IMPACT

For the year ended 31 March 2015

	2015		2014	
	R'000	%	R'000	%
VALUE ADDED				
Net interest Income	225 736	18	189 853	16
Non-interest income	1 017 698	82	1 026 045	84
Other expenditure	(629 294)	(51)	(630 494)	(52)
	614 140	49	585 404	48
VALUE ALLOCATED				
To employees:				
Staff costs	388 047	63	349 557	60
To government:	52 402	9	54 108	9
Skills development levies	2 696	1	2 399	1
Value Added Taxation	9 845	2	11 975	2
Rates and taxes paid to local authorities	35 464	6	35 205	6
South African normal taxation	4 397	1	4 529	1
To retain for expansion and growth:	173 691	28	181 739	31
Depreciation	48 753	8	47 321	8
Retained income for the year	124 938	20	134 418	23
Total value allocated	614 140	100	585 404	100







DEVELOPMENT IMPACT

	2011	2012	2013	2014	2015	TOTAL
Jobs created through financing business enterprises	1 508	1 966	3 650	4 468	886	**12 478**
Primary agriculture	471	440	282	991	12	**2 196**
Construction	535	870	1 850	2 828	697	**6 780**
Manufacturing	197	312	50	78	2	**639**
Trade and services (2015 trade only)	300	242	1 106	520	13	**2 181**
Co-operatives	5	102	362	51	44	**564**
Property	-	-	-	-	2	**2**
Franchise	-	-	-	-	5	**5**
Logistics	-	-	-	-	25	**25**
Micro-finance					86	**86**
Jobs created through property development and maintenance	398	232	301	373	845	**2 149**
Hectares of agri-land financed	2 675	2 979	762	428	25	**6 869**
Savings accounts opened	101 073	75 143	73 476	34 620	57 560	**341 872**
Direct employment	955	920	870	904	886	**4 485**

OUR PEOPLE

WE ASPIRE TO BE AN EMPLOYER OF CHOICE IN KWAZULU-NATAL AND REMAIN COMMITTED TO INVESTING IN ALL OUR EMPLOYEES

MR THEMBA MATHE

Our human capital strategy is to be a primary resource in partnering with business to drive strategic imperatives of the organisation through consistent and professional human resource (HR) management services, in particular:

- Establishing a performance-orientated organisational culture;
- Implementing an integrated HR system to support a transformational HR service philosophy;
- Supporting the turn-around of business units and their repositioning initiatives;
- Providing HR processes aimed at transformational engagement and service delivery;
- Providing effective implementation of the talent management process; and
- Providing an integrated employee-wellness programme.

We aspire to be an employer of choice in KwaZulu-Natal and remain totally committed to investing in all our employees to ensure that they have the skills required to perform at peak levels.

Our strategy is focused on delivering tangible benefits for Ithala people and their futures, while also contributing to the growth and success of our business and the achievement of our vision. Our success is not only reliant on the retention of capable staff members, but also on ensuring that the knowledge, skills sets and expertise of those carrying out our mandate remain current and relevant. The purpose of our human capital strategy is to ensure optimal human capital enhancement and value creation through:

- Facilitating the development of healthy, positive relationships between management, employees, labour and relevant stakeholders;
- Optimising technology and knowledge management information through addressing the growing needs for decision-facilitating data at all levels of management through real-time, quick access systems and providing further value-adding eShared services to all employees;
- Building an enabling high-performance culture and meeting the needs of individuals by providing exciting career opportunities and growth;
- Accelerating transformation through entrenching a philosophy that embraces diversity in all its forms and contributing to the richness of our organisational heritage; and
- Learning and development initiatives that contribute materially to the creation of a culture of continuous learning.

STAFF PROFILE

- 49,46% female staff members;
- 20,4% of our staff are younger than 31 years and 11% are over 54 years;
- 8,33% of our staff have a tenure of more than 10 years;
- 0,3% of our staff have disabilities;
- Low levels of staff attrition at 11,62% for the year.

Occupational Levels	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Executive Management	4	0	0	1	1	0	0	0	6
Senior Management	10	1	2	0	7	0	3	1	24
Professionally qualified and experienced specialists and middle-management professionals	69	2	16	10	28	0	3	7	135
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	124	2	5	4	164	4	19	13	335
Semi-skilled and discretionary decision-making	126	0	1	0	133	0	1	1	262
Unskilled and defined decision-making	44	0	0	0	27	0	0	0	71
Total	**377**	**5**	**24**	**15**	**360**	**4**	**26**	**22**	**833**
%	**45,26**	**0,60**	**2,88**	**1,80**	**43,22**	**0,48**	**3,12**	**2,64**	**100**

We are committed to creating and maintaining an environment which provides equal opportunities for all employees, with special consideration being afforded to historically disadvantaged groups.

The formal company employment equity policy codifies this commitment and stipulates the promotion of equal opportunity, the elimination of unfair discrimination and the implementation of positive measures specifically designed to redress the disadvantages previously experienced by designated groups.

EMPLOYEE ENGAGEMENT

In achieving this, we engage constantly with our employees to establish their priorities, needs and expectations. These include:

- Career and personal development opportunities;
- Effective performance management and recognition;
- Effective and efficient employee relations;
- Improved employee well-being; and
- A healthy and safe work environment.

HOW WE RESPONDED

CAREER DEVELOPMENT OPPORTUNITIES

In 2014/15 we revamped our job evaluation committee to include union and employment equity representatives, provided training and reviewed its policy and terms of reference. In the forthcoming year, we have planned a project to re-profile all jobs across our organisation according to defined job family frameworks.

These will include clear career streams that ensure alignment of all jobs to our strategic objectives, while fully articulating job responsibilities and requirements.

These revised job profiles will assist in improving career mobility for all employees across the organisation and result in clear career paths, made available per job family.

PEOPLE DEVELOPMENT

While we comply with all training and skills development legislation, we exceed minimum requirements in our efforts to drive high-quality education as a means of transforming our business, industry and country. Our total investment in training in 2014/15 amounted to R2,5 million.

PERFORMANCE MANAGEMENT AND REMUNERATION

A focus on continuous performance improvement facilitates our business transformation and motivates our employees to focus on both business and personal objectives, deliver and sustain outstanding performance and consistently behave in accordance with our values.

Our remuneration policy supports our performance-driven culture and our remuneration is commercially competitive in the relevant markets within which we operate.

Our automated career and performance management module came into effect in April 2015.

Remuneration practices are regularly reviewed and the organisation is committed to removing unfair discrimination in pay scales. Pay differentials are disclosed in terms of employment equity legislation.

EFFECTIVE EMPLOYEE RELATIONS

Our approach to employee relations ensures that we recognise our employees' rights to fair and equitable employment practices and to freedom of association. The South African Municipal Workers Union (SAMWU) is the recognised collective bargaining agent at Ithala, with a combined representation of 54,8% of employees in the bargaining unit. We did not experience any industrial action in this particular year.

EMPLOYEE WELLNESS

Our employee well-being programme (EWP) provides our staff with professional support and resources in their professional and personal lives.

Our wellness strategy aims to create a 'culture of healthy living', premised on the belief that healthy employees tend to be happier and more productive.

EWP support through our referral doctors and service providers cover a range of issues, including emotional and personal difficulties, family and relationship concerns, alcohol or drug abuse, stress and change management, financial matters, legal concerns, HIV/AIDS, violence, bereavement and loss.

Our quarterly wellness days focus on various issues ranging from disability to disease management. Occupational health and safety is provided through an on-site nurse and work safety programme. We will continue to increase the level of participation in these offerings and are currently reviewing our wellness programme, in which we invested R600 000 for the year.

In the past year we adopted a holistic lifestyle disease management approach as opposed to focusing exclusively on HIV education and testing, as we believe this will contribute to destigmatising HIV. To bring about work and life balance in the workplace, we encourage our staff to participate in both friendly and competitive sporting challenges.

We conduct wellness days, offer HIV management programmes and facilitate comprehensive health assessments and advice.

A HEALTHY AND SAFE WORK ENVIRONMENT

Ithala is committed to ensuring the health, safety and welfare of our employees. In light of this, we continuously develop and implement policies and procedres to assist us to achieve compliance.

Occupational health and safety concerns are the direct responsibility of the group chief executive officer. Our policy was reviewed during the reporting period and the following inclusions were highlighted:

- Legal compliance;
- Prevention of accidents and conservation of energy and reduction of waste; and
- Enabling continuous improvement through established health and safety objectives and targets.

All our major sites have established joint occupational health and safety committees which meet on a quarterly basis to review health and safety measures in the workplace.

Mandatory OHS training is conducted on an ongoing basis and includes first aid and OHS representatives training.

During the year, six incidents, including falls and motor vehicle accidents while driving for work purposes occured, which were deemed reportable to the Compensation Commissioner.

CHANGE MANAGEMENT

To manage the rapid rate of change in our industry and country we sought to evolve our strategic change capability with a view to supporting planned changes while developing long-term change management agility.

A change management strategy and framework was designed and implemented with the purpose of instilling a core level of consistency in the way change projects are approached across the organisation.

We also established a change management department to drive the strategic framework going forward.

All restructuring initiatives are undertaken with a focus on transparency, employee engagement and ongoing change management.

TALENT MANAGEMENT

The acquisition and retention of staff in a skills-constrained environment remains a key challenge. We have recently optimised our talent attraction and sourcing strategies by revamping our recruitment guidelines and employer branding and introducing relevant platforms for our recruitment.

This has afforded us access to top candidates who are both passive and active in the job market, across different regions, skills levels and career disciplines.

LEARNING AND DEVELOPMENT

We develop and implement a workplace skills plan on an annual basis. This plan identifies all training requirements based on individual performance, departmental and organisational needs, as well as individual career development plans.

During the year under review, at a total cost of R2,5 million, 459 employees were trained in fields such as compliance, product knowledge and technical skills, and a further 41 employees were granted study loans.

BankSeta-funded training was also accessed to provide employees with training ranging from compliance training to product knowledge and talent driven initiatives.

Study loans to employees	R461 351.00
Other training (Ithala-funded)	R2 508 293.70
Other training (BankSeta-funded)	R1 104 000.00
Total	R4 073 644.70

LEARNERSHIPS

We continue to utilise learnerships to address scarce skills in accordance with our workplace skills plan.

We have designed the programmes in partnership with external service providers to allow participating employees and unemployed graduates to achieve South African Qualifications Authority-accredited (SAQA) qualifications.

In 2014/15, two learnership programmes were conducted, namely the Certificate in Bank Credit (NQF level 5) and the Internal Audit Learnership.

A total of 20 learners studying towards the National Certificate in Bank Credit were placed in our operations.

Of this number, 17 graduated from the programme in March 2015.

Five employees from the internal audit unit successfully graduated from a two-year internal audit training learnership.

External learnerships included nine Letsema learners, placed by BankSeta, studying towards their National Certificate in Banking.

INTERNSHIPS

In addition, nine graduates sponsored by Ithala are undergoing an internship programme focusing on critical and scarce IT skills.

This initiative is undertaken in partnership with both the Mangosuthu University of Technology and Durban University of Technology.

In growing our artisan pool in line with the national focus, being the "Year of the Artisan", Ithala, through its properties unit, took on-board four young graduates from the Durban University of Technology to gain experience in our Ezakheni and Isithebe Industrial Estates in electricity distribution and management.

WORK INTEGRATED LEARNING

In our drive to align with the Ministry of Higher Education and Training's national agenda of creating a training space in every workspace, we have signed Memoranda of Understanding (MoU) with Technical Vocational Education and Training Colleges (TVET) and Universities of Technology throughout the province.

This will ensure that we create opportunities for young students to enter our organisation to experience work integrated learning for 12 to 18 months before they graduate.

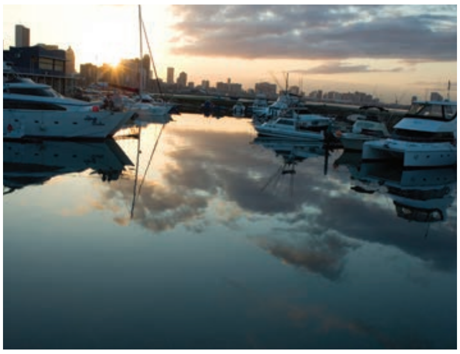
In 2014/15 we placed 76 students in our various business units. We also partnered with the National Ministry of Small Business Development in its Technogirl Programme, which involved 120 girls from 12 schools in the province, representing the top schools from various regions, in SMME development.

We awarded bursaries focused on critical and scarce skills to nine young and deserving students from various areas in KwaZulu-Natal.

LEADERSHIP DEVELOPMENT

Bankseta sponsored seven middle management employees to undertake a management development programme, as well as a female employee studying towards her Masters in Business Leadership, which is due for completion in June 2015.

A total of 47 senior management employees underwent an emotional intelligence programme and three senior managers have been nominated to undertake a senior management development programme, in line with departmental succession plans in May 2015.



SOCIO-ECONOMIC TRANSFORMATION

AS A PUBLIC ENTITY, WE ARE SUBJECT TO THE PUBLIC FINANCE MANAGEMENT ACT

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

While our mission centres on supporting the integration of Black people into the economy, we further contribute to Broad-Based Black Economic Empowerment (B-BBEE) in a number of ways, including skills development, providing equal opportunity and preferential procurement. As a public entity, we are subject to the Public Finance Management Act (PFMA), which promotes the objective of good financial management in order to maximise service delivery through the effective and efficient use of limited resources.

As such, we maintain appropriate procurement and provisioning systems, which aim to be fair, equitable, transparent, competitive and cost-effective.

	Procurement Spend	B-BBEE Spend	% B-BBEE Spend
Level 1	40 113 392	53 680 554	133,82
Level 2	150 987 712	190 157 998	125,94
Level 3	227 789 225	253 420 764	111,25
Level 4	22 588 633	22 701 150	100,50
Level 5	4 273 197	3 461 214	81,00
Level 6	196 700	118 536	60,26
Level 7	602 675	305 104	50,62
Level 8	183 138	18 314	10,00
Level 20	134 748 193		
	581 482 865	**523 863 634**	**90**

We are a level 3 B-BBEE contributor and are classified as a value-adding supplier, a benefit that accrues to those that utilise us as a supplier. Our procurement spend amounted to approximately R582 million (2013/14: R484 million). Our weighted procurement spend from B-BBEE suppliers in 2014/15 amounted to R524 million (2013/14: R439 million), an increase of 19,13% compared against 2013/14.

An impressive 78,75% of our total procurement spend was consumed in terms of our top 100 suppliers.

COMMUNITY INVOLVEMENT

OUR COMMUNITY INVOLVEMENT PROGRAMMES DIRECTLY IMPACT OUR DEVELOPMENTAL EFFECTIVENESS AS A STRATEGIC DELIVERABLE.

We focus on skills development, entrepreneurship development, financial wellness, and community development.

SCHOOL ENTERPRISE CHALLENGE

During the year, the Ithala school enterprise challenge was piloted in schools in KwaZulu-Natal. It aims to bridge the employment gap between education and the workplace, and also tests an innovative new way of reaching and supporting young people in low-resource offline settings.

Fifty teachers participated in training in June and July 2014, and 1 015 learners across KwaZulu-Natal are now learning vital skills for business establishment (eg, feasibility studies, start-up capital and the like).

School business plans developed focus on concepts ranging from agricultural projects, events planning, catering and handicrafts projects to recycling and computer/IT businesses. Wide press coverage of the competition resulted in increased interest from schools across South Africa, increasing from 22 registrations in 2013 to 98 in 2014.

TEACHING SCHOOL CHILDREN TO SAVE

During the year, we launched a provincial Teach Children to Save Campaign at Sibambanezulu High School in Umbumbulu. The school has an impressive track-record having improved from a 43% pass rate in 2004 to 83% in 2009 and then 100% every year since 2010.

Impressive, too, is the fact that in 2013, 65% of learners qualified to apply for bachelor degrees at university. Science and maths are key subjects on the priority list at the school, and even though it currently does not have a science laboratory, learners have still achieved satisfactory results.

JOB CREATION AND ENTREPRENEURSHIP

INKUNZ'ISEMATHOLENI YOUTH IN BUSINESS

In March 2014, we introduced an innovative concept for the development of youth businesses and launched a competition named: African Solutions to African Challenges.

The competition sought to address, head-on, the social ills faced by society, while focusing on the 'green' economy and knowledge economy.

The competition attracted 115 business plan entries. Two business plans have been selected and their creators will receive finance from us to assist them turn their dreams into reality.

ITHALA PROPERTIES SMME TRAINING

Ithala properties unit hosted SMME financial literacy and business skills training for our tenants at our Madadeni Shopping Centre in Newcastle. Attended by 19 SMME tenants, training focused on enhancing their business skills and assisting them to grow their businesses.

BURSARIES

As part of our developmental mandate, we fund students from historically disadvantaged backgrounds, who excel in their matriculation examinations, to study at various tertiary institutions.

This year, nine students received bursaries, two of whom were nominated from the Premier's Office's 2014 Top Students.

Ithala supports bursary candidates with work exposure opportunities within our business or other related businesses in order to enable their integration into the work place.

KNOWLEDGE MANAGEMENT

The roll-out of the Enterprise Content Management (ECM) solution was achieved within the Ithala SOC Limited environment, and further installations are set for 2015/16 in HR and SCM operations. These installations enable further opportunities for knowledge retention and exchange internally as well as externally with other entities in the sector.

During 2014/15 engagements with other Development Finance Institutions (DFIs) were held in order to forge collaboration in areas of common interest.

These included SMME support and training programmes, the creation of communities of interest and the establishment of centralised platforms for client consultation and business finance application.

A Memorandum of Understanding (MoU) with the Development Bank of Southern Africa is nearing conclusion, while a MoU with the German Chamber of Commerce and Industry is in its implementation phase, involving the training of SMME owners and our own administrators in business administration.

INFORMATION AND COMMUNICATION TECHNOLOGY

THE ESTABLISHMENT OF A CENTRAL REPOSITORY OF ALL CONTRACTS HAS IMPROVED INTERNAL CONTROLS REGARDING CONTRACT MANAGEMENT.

MR MICHAEL MATIBE

Investment in information and communication technology (ICT), to enable the business to conduct its operations in an efficient and cost-effective manner, is coming to fruition.

The contract management and job costing module of the JDE enterprise resource planning (ERP) system went live at the beginning of the financial year.

The establishment of a central repository of all contracts has improved internal controls regarding contract management.

Significant progress has been made in disaster recovery planning and testing, with key infrastructure including a 90-seat business continuity centre in place, which is a prerequisite to proper disaster recovery planning.

Our executive committee has approved the plan, and in the forthcoming financial year, we will begin testing the functioning of the plan to ensure that critical IT systems might be recovered from any form of disaster that can befall the organisation.

This will also be a parallel process with the relocation of the Corporate Services Centre to the Ithala Trade Centre.

The project to migrate the wide area network (WAN) infrastructure was completed successfully during the year under review.

All Ithala's sites are now connected to its virtual private network, ensuring that service interruptions will be reduced to a minimum.

HIGHLIGHTS

- Successful migration of the Wide Area Network covering all branches
- Finalisation of the IT Disaster Recovery Plan
- Successful implementation of Contract Management and Job Costing of JDE
- Completion of the UPS roll-out project

LOWLIGHT

- Recruitment and retention of critical ICT skills remains a major concern for ICT deparment

The enterprise content management (ECM) project, which focuses on digitising paper documents and forms, in order to reduce the use of paper, has successfully automated the process of handling faxed home loan applications. The second phase will focus on connecting the system to bond originators.

Of concern, remains the shortage of critical IT skills in the organisation, resulting in available staff being overly stretched. Key priorities for the new financial year include the implementation of the commercial lending system for business finance in order to enable a fully-automated loan acquisition and management process, end-to-end, that will enable loan origination, approval, contracting, disbursement, monitoring and collections and support.

The implementation of the HR management system will automate all key human resource processes and provide employees with the ability to access the system from anywhere, anytime, using web interfaces, and providing self-service functionality.

This includes the automation of performance management, career path planning and management, the training environment, industrial relations, recruitment, health and safety, as well as payroll. A key focus is to be placed on the implementation of the Ithala Trade Centre ICT infrastructure, including servers and cabling, as well as unified communications.

HEALTH, SAFETY AND ENVIRONMENT

ITHALA EMPLOYEES, AT ALL LEVELS, HAVE A PERSONAL RESPONSIBILITY TO TAKE DUE CARE AND FOLLOW HSE PROCEDURES.

HEALTH, SAFETY AND ENVIRONMENTAL GOVERNANCE

Ithala is committed to ensuring that, as far as is reasonably practicable, it works in a way that protects the health and safety of our employees and minimises the environmental effects of its activities. In support of this, we reviewed the corporate Health, Safety and Environmental (HSE) Policy which was ratified by the board in December 2014.

Ithala's HSE Policy contains the following commitments:

- To prevent accidents, promote conservation of energy and reduce waste;
- To comply with all the relevant health, safety and environmental legislation; and
- To continually improve health, safety and environmental performance.

We strongly believe in the power of continuous improvement and we have made progress in implementing our integrated HSE systems to realise its benefits. These systems will help to improve our management of HSE issues by providing a framework for risk reduction, continual improvement, compliance assurance and management review.

The group chief executive officer assumes overall responsibility for HSE matters, and the most senior manager in each division takes overall responsibility for HSE issues within their business units and for implementing organisational arrangements to ensure compliance with this policy.

These are overseen through local HSE committees and our HSE unit.

Ithala employees, at all levels, have a personal responsibility to take due care and follow HSE procedures.

They also have a responsibility to warn others of potential hazards and unsafe acts.

HSE issues are addressed at HSE committees comprising management and employee representatives at each site.

These form a monitor and provide guidance on occupational health and safety programmes and meet at least every three months to discuss pertinent HSE issues, report any incidents and hazards, and to identify actions for improvement.

HSE performance is reported to the group executive committee and the board, along with actions to improve performance over time.

HEALTH, SAFETY AND ENVIRONMENTAL RISKS

Key operational activities were identified by the HSE team and members of the HSE committee.

Risk assessments were completed for contractor management, electrical safety, energy management, fire and emergencies, manual handling and ergonomics, plant and machinery safety, waste management, working at heights and workplace violence.

TRAINING AND AWARENESS

During the reporting period, the following HSE training interventions took place:

Course
Noise and hearing conservation
Manual handling
Incident reporting and investigation
Forklift operator training
Health and safety representatives training
First aid - level 1

WORK-RELATED INJURIES OR INCIDENTS

In 2014/15 six workmen's compensation claims were submitted to the Compensation Commissioner in the light of various incidents.

ENVIRONMENT

Ithala is committed to ensuring that, where possible, any detrimental effects of its activities upon the environment are minimised.

During the reporting period, Ithala procured the services of a service provider to conduct the rehabilitation of the Ezakheni landfill site to meet legal and industry requirements.

This project will be completed during the new financial year. The rehabilitation will enable us to manage the landfill such that it does not present a risk to the environment or the community.

We also aim to target valuable materials which can be recovered from waste disposed of at the landfill, to be re-used or re-cycled. All other sites will be planned for the same processes to be undertaken where applicable.

GOVERNANCE

ITHALA WORKS CONTINUOUSLY TO ENSURE ITS COMPLIANCE WITH THE PRINCIPLES CONTAINED IN KING III

KING III

Ithala complied with King III principles in all material respects relevant to its business. In terms of the Ithala Act, the group chief executive is the only member of the management team who is an ex-officio member of the board. During the year under review, the board approved a continuity policy and rotation plan, informed by the gap analysis exercise undertaken.

BOARD APPOINTMENTS

The board is appointed by the executive council of the province of KwaZulu-Natal. There are currently four vacancies on the board. The existing skills gaps have been communicated to the office of the Member of the Executive Council responsible for Ithala.

BOARD EFFECTIVENESS

The board has an approved performance evaluation framework consisting of self-evaluation by directors, collective evaluation of the board, including the evaluation of the performance of the chairman and chairpersons of board committees, as well as peer evaluation.

In line with a board resolution that an independent evaluation be carried out once every three years, an independent service provider was appointed to conduct a board evaluation for the 2014/15 financial year. The results of the evaluation will be presented to the board's first sitting of the new financial year, whereupon appropriate learning and development interventions will be developed.

ITHALA BOARD

During the year under review the board largely concerned itself with the implementation of the repositioning strategy and management of associated risks.

Progress with regard to the implementation of the repositioning strategy was a standing item on the agenda of the board. The board continues to focus on turning around the properties portfolio and approved a three-year properties holding strategy in October 2014.

Progress on the implementation of the strategy is a standing matter on the agendas of the related committees.

The performance of subsidiaries and associated companies, such as Ithala SOC Limited and Ubuciko Twines and Fabrics (Pty) Ltd, as well as Ntingwe Tea (Pty) Ltd, respectively were and remain key focus areas for the board, due to the risk associated with the non-performance of these entities to the overall group performance.

GOVERNANCE IN ACTION

Our governance report focuses on the board's activities and deliberations and its committees. See their terms of reference on our website: www.ithala.co.za/governance

BOARD AND COMMITTEES' MEETING ATTENDANCE

	Date of first appointment	Board	Audit Committee	Enterprise Risk Committee	Human Resources & Remuneration Committee	Credit & Investment Committee	Nominations, Governance, Social & Ethics Committee	Banking Licence Committee
Total Meetings Held		5	5	4	5	7	5	4
Dr MSV Gantsho	01/06/2011	5	-	-	-	-	4	3
Ms NN Afolayan	21/04/2008	3	3	-	4	3	-	-
Ms BC Bam	15/09/2009	4	-	-	5	4	4	-
Mr WJ Jacobs	15/09/2009	5	-	3	-	7	-	-
Mr N Khambule	21/04/2008 resigned wef 01/07/2014	-	-	-	-	-	2	-
Rev NNA Matyumza	01/06/2011	5	5	4	-	-	-	-
Mr DM McLean	15/09/2009	5	5	4	-	-	-	4
Mr GNJ White	01/06/2011 resigned wef 01/10/2014	1	1	-	2	1	2	2
Ms M Mosidi (co-opted to ERC wef 01/01/2013)	-	-	-	1	-	-	-	-
Ms YEN Zwane	01/12/2011	5	-	3	-	3	5	4

* Non-executive directors are appointed for a term of no more than three years and may be re-appointed for a further two terms, subject to a non-executive director serving no more than nine years on the board.
* All directors were re-appointed by the shareholder at the annual general meeting held on 26 November 2013
* – = Not a member
* Ms M Mosidi - co-opted to the enterprise risk committee, but is not a non-executive director

CREDIT AND INVESTMENT COMMITTEE

The credit and investment committee focused on the performance of the loan book and, in particular, strengthening the credit assessment process prior to funding in order to maintain Ithala's financial sustainability in line with our repositioning strategy.

The committee has engaged credit experts to review a sample of approved transactions to benchmark the processes followed by Ithala in approving transactions.

The committee also concentrated on post-investment initiatives, ensuring that businesses in distress and those that have a probability of success, were assisted in one way or another, be it restructuring of loan terms, referral to turn-around or other business support specialists.

In addition, the independence of the credit risk division has also been addressed by separating the approval and risk assessment processes.

Whilst the properties portfolio was posting profits, it was not performing to expected levels, and consequently the committee has also focused on the performance of this portfolio. The committee approved the introduction of a credit scoring tool in the business finance portfolio in order to facilitate decision-making, thereby improving turn-around times.

ENTERPRISE RISK COMMITTEE (ERC)

During the year under review, the enterprise risk committee focused on occupational health, safety and environmental risk. To this end, the audit of the occupational health, safety and environmental status of all Ithala entities was concluded and a plan developed for addressing identified gaps.

The progress made in bridging identified gaps is a standing item on the agenda of the ERC. There is also an occupational health and safety committee dealing with the related risks at an operational level, which reports to the executive committee. The ERC focused on mitigation strategies against the top 10 risks, which were identified through a formal risk assessment conducted annually, and especially the mitigating strategies against repositioning strategy risks. During the year, the ERC also focused on health, safety and environmental aspects.

Additional attention was paid to the risks associated with the implementation of the hosted banking system for Ithala SOC Limited, given the level of investment made by Ithala in order to improve the performance of Ithala SOC Limited.

The committee also directed that post-investment interventions be extended to the properties unit, which was also facing performance challenges.

During the reporting period, the ERC reviewed and recommended for board approval the group health, safety and environmental policy, the introduction of a medical surveillance policy, the roll-out of the medical surveillance programme at industrial estates, and the rehabilitation of the Ezakheni landfill site.

ENTERPRISE RISK MANAGEMENT

Effective management of risks and opportunities is a critical component of Ithala's strategy of expanding access to development finance and effectively integrating and implementing development solutions, primarily for the benefit of historically disadvantaged people in the region.

Risk management plays a crucial role in ensuring that Ithala delivers on its mandate, while remaining financially sustainable in its interventions.

The board is ultimately accountable for the effective management of risks. It has mandated the ERC to assist it in executing its responsibilities with respect to risk management.

As set-out in its terms of reference, the ERC meets at least four times annually and its role includes:

- Oversight of the development and annual review of the relevant policies and risk management plan to recommend for approval to the board and monitor implementation thereof;
- Making recommendations to the board on acceptable risk appetite and tolerance levels and management thereof;
- Ensuring that risk assessments are performed regularly and on a continuous basis;
- Ensuring that management considers and implements appropriate risk intervention measures; and
- Expressing its opinion to the board on the effectiveness of the systems and processes of risk management.

An Enterprise Risk Management (ERM) approach to managing risk exposures has been developed.

This involves the embedding of frameworks, policies, methodologies, processes and systems for managing all risk exposures inherent in Ithala's strategies, operations and business processes.

The key components of the Ithala's ERM framework are risk governance, risk assurance, risk control and risk oversight.

Risk is managed on two levels, namely strategic and operational.

The former includes the management of strategic risks, processes and systems, regulatory compliance, legal risk and business continuity, while the latter includes the impact of operational risk issues on Ithala's day-to-day operations. Management is committed to ensuring that the risk management process remains robust to ensure that Ithala assets are protected and, where necessary, the risk is mitigated through adequate insurance.

Two risk workshops were held in February 2015 whereby the old risk register was revisited, revised and mapped to Ithala's strategy.

Read about these strategic risks and our mitigating strategies on page 16.

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

All risks are reviewed on a monthly basis and the status of the mitigation plans are considered, as well as the outcomes of the scheduled reviews conducted by group risk and compliance, and then reported to the executive committee.

Quarterly update reports are submitted to the ERC, ensuring management can execute its risk management responsibility in terms of the PFMA and King III.

IT GOVERNANCE

In line with King III guidelines, the board takes responsibility for Information Technology (IT) governance and has delegated the oversight role of IT risk and governance to the ERC by way of:

- Delegated powers of authority, as set-out in the approved terms of reference of the ERC, which terms specifically include responsibility for information communication and technology governance;
- The appointment of a co-opted IT specialist member, who is included in the composition of the ERC, fulfilling the main purpose of ensuring the effectiveness of and providing assurance for the IT function;
- Ensuring that the group chief executive officer has appointed a suitably qualified and experienced group chief information officer who is responsible for the management of IT; and
- Ensuring that IT governance is integrated into the Ithala group operations and governance practices and frameworks, which is reviewed as part of the annual internal audit plan.

The ERC reports on a quarterly basis to the board regarding its oversight responsibilities, including that of critical IT governance.

In terms of IT governance, key deliberations of the committee focused on contract management and job costing, disaster recovery planning (DRP) and testing, the migration of the wide area network (WAN) infrastructure, which was completed successfully during the year, and the enterprise content management (ECM) project, which focuses on digitising paper documents and forms (find more details of these projects on page 41).

AUDIT COMMITTEE

The board is ultimately responsible for governance, risk management and internal control.

Management is accountable to the board for designing, implementing and monitoring the effectiveness of internal financial controls, general control environment and compliance.

Ithala Group Internal Audit and Risk Assurance Services' (IGARAS) is responsible for providing independent, objective assurance on the adequacy and effectiveness of Ithala's system of governance, risk management and internal control to the board and executive management and, in so doing, helps enhance the controls culture within the organisation.

Furthermore, consultative and forensic investigation services are provided by IGARAS.

The independence and objectivity of IGARAS is underpinned by functional reporting to the audit committee and administratively to the group chief executive officer.

IGARAS's mandate is contained in the internal audit charter submitted to and approved annually by the audit committee, in line with the requirements of International Standards for the Professional Practice of Internal Auditing as well as Treasury Regulations.

We have adopted a three lines of defence model as part of the combined assurance roadmap.

This model allocates responsibility for risk and control activities according to the three lines of defence principle, with management as the first line of defence, the control functions (other than internal audit) as the second line of defence, and internal audit and other external assurance providers as the third line of defence.

Management is deemed to own the controls and the other lines of defence are to help ensure their application and viability.

Internal audit, as the third line of defence, provides independent and objective assurance to management and the board about the adequacy and effectiveness of the control environment.

Internal audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of combined assurance.

Our combined assurance framework is aimed at ensuring the correct amount of assurance in the right areas, from people with the best skills, and in a cost-effective manner.

The approach focuses on Ithala's strategic risks and will provide the audit committee with a dashboard of strategic risks and the assurance provided on those risks.

The implementation and reporting on combined assurance will be a priority for the 2015/16 financial year.

During the year under review the audit committee focused on the group's financial performance and its performance against its annual performance plan, as agreed upon with the Department of Economic Development, Tourism and Environmental Affairs the Provincial Treasury in February 2014.

An area of concern requiring the attention of the audit committee was the financial performance of the properties unit and instances of its FICA non-compliance in relation to old lease agreements.

Ensuring compliance is ongoing and is monitored closely. All new lease agreements are compliant with FICA.

In addition, non-adherence to the supply chain management processes, resulting in instances of irregular expenditure, continues to be a key focus of the committee. It has directed management to implement disciplinary action in any such instances.

NOMINATIONS, GOVERNANCE, SOCIAL AND ETHICS COMMITTEE

The committee maintained its focus on fraud and ethics risk, as well as environmental issues raised by the ERC.

To this end the committee recommended for board approval the code of conduct for board members, which included sanctions for non-compliance.

ANTI-FRAUD AND CORRUPTION

We are implacably committed to zero tolerance of any incidents of fraud and unethical behaviour and, therefore, focus effort on preventing, detecting and combating fraud and unethical behaviour of every description.

The Anti-Fraud and Ethics Committee (AFEC) under the guidance of our nominations, governance, social and ethics committee, oversees the group's anti-fraud and ethics framework.

This covers our code of ethics and business conduct, the declaration of interest framework, internal controls, physical and information security management, risk management and internal audit.

The AFEC is an executive oversight structure, chaired by the group chief financial officer, and deals with all incidents of fraud and unethical behaviour.

It engages various assurance units and relevant divisions within Ithala, including the forensic investigation unit, which works in collaboration with law enforcement agencies.

We encourage staff and external stakeholders to use our anonymous fraud reporting line, Tip-Offs Anonymous, which is provided by an independent external service provider and administered by the group internal audit division.

The AFEC continued working on strategies to promote the use of the anonymous hotline, ensuring its effective utilisation. All known internal and external incidents of fraud and corruption are fully investigated. To provide visible leadership regarding our zero tolerance approach to fraud and corruption, the group chief executive officer and senior management of Ithala have signed an anti-fraud pledge.

The signing of the pledge has been cascaded to all employees in the organisation.

The committee also reviewed the employment equity plan, which had been recommended for board approval by the human resources and remuneration committee.

The group's corporate social investment programmes were reviewed to ensure their alignment to the business strategy, as directed during the previous financial year.

The committee was satisfied with the level of Broad-Based Black Economic Empowerment spend for the financial year, in terms of which the target was exceeded.

During the year, all suppliers on the Ithala database were required to provide their B-BBEE scorecard.

The group's advertising plan for the financial year was considered and the committee was satisfied that the target market was in line with the repositioning strategy.

The committee deliberated with the shareholder who, in terms of the Ithala Act, is responsible for the appointment of directors to the board, on Ithala's request to amend this Act.

This would allow the group chief financial officer to be appointed as a second executive director.

The request was not approved, based on the requirements of the PFMA.

The board skills set was reviewed and the committee recommended that future nominations target individuals with qualifications and experience in law, specialising in environmental law, property, economic development, especially agricultural development, tourism and IT.

A board continuity policy and rotation plan was presented for board approval.

The committee also reviewed the performance of the group company secretary, and focused on ensuring that stakeholders are considered in board deliberations when important decisions are made.

HUMAN RESOURCES AND REMUNERATION COMMITTEE (HRR)

During the year under review, the HRR Committee focused on ensuring that Ithala was making progress towards its goal of becoming an employer of choice.

An on-boarding programme, which seeks to provide prospective employees with a pleasant work experience from recruitment to the first three months of employment, was considered and approved.

A salary benchmark exercise was commissioned and the results indicated that in terms of D to F band employees (Patterson Grading System), Ithala pays within the market median. For A to C Band employees, Ithala pays above the market median.

The committee requested executive management to propose a remedial plan with specific time-frames where gaps were identified, and the executive committee is putting together a total employee value proposition for consideration by the HRR Committee during the forthcoming financial year.

In an effort to align Ithala's remuneration practices with market practices, the committee approved the notches policy in respect of A to C band employees.

In line with the talent management framework approved during the previous financial year, the committee approved a bursary scheme policy targeting KwaZulu-Natal rural and township-qualifying learners for bursaries.

The committee requested that the bursary scheme be extended to students already pursuing tertiary education and who require financial assistance to complete their studies, subject to specific criteria. A mentorship policy, catering for students who were previously beneficiaries of Ithala's bursary scheme, and Ithala employees was approved. Ithala executives will play an active role in this initiative.

The committee continued to monitor the implementation of the human resources department business plan, ensuring it's alignment to the group strategy.

The HRR Committee also considered the employment equity plan.

The committee requested that the province's demographics be used as a benchmark for the plan.

Another area of focus for the committee was the financial wellness of Ithala employees.

This led to the development of a comprehensive employee wellness policy, inclusive of financial wellness.

The committee chairman attends the annual general meeting to address all executives and members of staff about remuneration-related issues that may be raised by the shareholder.

REMUNERATION AND REWARD

In order for Ithala to achieve its strategic objectives, it requires, inter-alia, suitably qualified and skilled individuals.

In an effort to inculcate a culture of good governance and operational excellence, in line with its strategic objectives, every manager is evaluated in terms of their balanced scorecards on all levels.

To achieve this, Ithala's remuneration policy covers the following:

- Payment of market-related salaries: On an annual basis, Ithala subscribes to generic salary surveys conducted by reputable organisations in the remuneration field. Every three years Ithala conducts an Ithala-specific salary benchmarking exercise in order to assess its position in the market place with regard to competitive

remuneration;
- Salary increases for all management positions (D, E and F band): These are divided into two components, namely a cost of living increase and a performance assessment score;
- We have in place an approved guideline regarding recognising and rewarding good performance: On an on-going basis, such as token vouchers and time-off. All managers are encouraged to use this tool as an informal way of recognising and rewarding their staff; and
- Ithala has identified the scarce skills it requires: In order to retain these skills, it has developed scarce skills retention guidelines. These guidelines take into account any extraordinary measures that may have to be taken in order to attract and retain these skills. The guidelines include, inter-alia, payment of premium rates where necessary, succession planning and talent management.

Whilst Ithala has no incentive bonus scheme, the committee drove the implementation of a high-performance culture.

Employees falling within the D to F Band levels and who performed at a level rated as 'above average', received a 13th cheque in recognition of their sound performance.

BANKING LICENCE COMMITTEE

The banking licence committee focuses on the regularisation of Ithala SOC Limited's banking activities and maintains ongoing engagement with National Treasury in this regard.

The subsidiary has developed a detailed strategy to achieve its full banking licence by 2017.

The company has also implemented a turn-around strategy to return the business to profitability, as well as key business systems to support business growth and the development of new products.

The committee also focused on the capitalisation requirements of the business to ensure its viability and growth.

Research on a possible strategic partner for Ithala SOC Limited is underway.

ANNUAL FINANCIAL STATEMENTS

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The Annual Financial Statements are audited by the Auditor-General, as an 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).

The Annual Financial Statement preparation has been supervised by Ms F Amod CA(SA), CIA, CFSA, the acting group chief financial officer of Ithala Development Finance Corporation.

REPORT OF THE AUDIT COMMITTEE

REPORT OF THE AUDIT 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]

We are pleased to present our report for the financial year ended 31 March 2015. The Audit Committee is a statutory committee of the Board of Directors and in addition to having specific statutory responsibilities in terms of the Companies Act, it assists the Board through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the Corporation and Group.

TERMS OF REFERENCE

The Audit Committee has adopted formal terms of reference that have been approved by the Board of Directors and has executed its duties during the past financial year in accordance with these terms of reference.

COMPOSITION

The committee consists of three Independent Non-Executive Directors.

At 31 March 2015 the Audit Committee comprised:

- Rev NNA Matyumza (Chairman), Chartered Accountant (SA); LLB
- Ms NN Afolayan, MBA: Finance;
- Mr DM McLean, Chartered Accountant (SA); and
- Mr GNJ White, BAdmin (Hons), Development Studies

(Resigned with effect from 30 September 2014).

For detailed qualifications of the afore-mentioned Audit Committee members, see pages 11-12 of the Integrated Annual Report.

The Group Chief Executive, the Group Chief Financial Officer, Senior Executives of the Corporation and representatives from the external and internal auditors attend the Committee's meetings by invitation only. The internal and external auditors have unrestricted access to the Audit Committee.

MEETINGS

The Audit Committee held five meetings during the period. Attendance at these meetings is reflected in the table below:

Members	Dates of meetings				
	22 May '14	29 Jul '14	13 Nov '14	28 Jan '15	31 Mar '15
Rev NNA Matyumza	√	√	√	√	√
Ms NN Afolayan	☐	√	√	√	☐
Mr DM McLean	√	√	√	√	√
Mr GNJ White	√	☐	N	N	N

√ = Present
☐ = Apology
N = Not a member at this stage

STATUTORY DUTIES

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

- Understands that the appointment of the Auditor-General (South Africa) as 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 21.1 of the Annual Financial Statements;
- Determined the terms of engagement of the Auditor-General (SA);
- Reviewed the quality of financial information;
- Reviewed the annual report and financial statements;
- Received no complaints relating to the accounting practices and internal audit of the Corporation and Group, the content or auditing of their financial statements, the internal controls of the Corporation and Group, and any other related matters;
- Made submissions to the Board on matters concerning the Corporation and Group's accounting policies, financial controls, records and reporting; and
- Concurs that the adoption of the going concern premise in the preparation of the financial statements is appropriate.

INTERNAL CONTROLS

The Audit Committee has:

- Reviewed the effectiveness of the Corporation and Group's system of internal controls, including receiving assurance from management, internal and external audit;
- Reviewed significant issues raised by the internal and external audit process;
- 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 the Corporation and Group.

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

REGULATORY COMPLIANCE

The Audit Committee has:

- Reviewed the effectiveness of the system for monitoring compliance with laws and regulations.

EXTERNAL AUDIT

The Audit 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.

Based on processes followed and assurances received, nothing has come to our attention with regard to the external auditor's independence. Details of the external auditor's fees are set out in Note 21.1 of the Annual Financial Statements.

INTERNAL AUDIT

The Audit 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;
- Reviewed internal audit reports, including the response of management to issues raised therein;
- Satisfied itself that the internal audit function has the necessary resources, budget and standing authority within the Group to enable it to discharge its functions;
- Approved the internal audit plan; and
- Encouraged co-operation between external and internal audit.

FINANCE FUNCTION

At the end of the financial year, the organisation received the resignation of the group chief financial officer. The group finance function is currently managed by the acting group chief financial officer, Ms F Amod, who possesses appropriate skills and experience to meet her responsibilities in this position.

We are satisfied with the expertise and adequacy of resources within the finance function.

We are satisfied with the quality of the monthly management reporting to the Executive Committee, as well as 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 effective.

COMBINED ASSURANCE MODEL

In compliance with Chapter 3, Principle 3.5 of King III on Corporate Governance, the Audit Committee adopted a combined assurance model to provide a co-ordinated approach to all assurance activities and address significant risks facing the company.

Combined assurance is used to provide the Audit Committee with the comfort that significant risks, including strategic risks and the actions to mitigate the risks, have been subjected to assurance procedures.

Assurance is provided through three lines of defence, the first being management oversight, the second being the formal and effective risk management framework and the third, the independent and objective assurance of the Audit Committee, supported by internal audit, external audit and other credible assurance providers.

Assurance is provided, primarily, by the second and third lines of defence.

With combined assurance, the Audit Committee is able to fulfil its oversight function much more effectively and efficiently. Implementation and reporting on Combined Assurance will be a priority for the 2015/16 financial year.

A combined assurance project team comprising representatives from all three lines of defence is engaging stakeholders to define and elaborate on each role.

The approval of the 2015/16 strategic risks for the organisation will enable the team to populate the combined assurance profile for reporting, in line with the approved framework.

On behalf of the Audit Committee

Rev NNA Matyumza
Chairman

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

THE DIRECTORS ACKNOWLEDGE THAT THEY ARE REQUIRED BY THE KWAZULU-NATAL ITHALA DEVELOPMENT FINANCE CORPORATION ACT NO. 5 OF 2013 AND THE PUBLIC FINANCE MANAGEMENT ACT OF 1999 TO PREPARE FINANCIAL STATEMENTS EACH YEAR WHICH FAIRLY PRESENT THE STATE OF AFFAIRS, RESULTS AND CASH FLOW FOR THE YEAR AND THAT THE INDEPENDENT AUDITORS' RESPONSIBILITY IS LIMITED TO REPORTING ON THE FINANCIAL STATEMENTS.

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP).

It is the responsibility of the Directors to ensure that the Corporation and the Group maintain a system of internal control designed to provide reasonable, but not absolute assurance that the assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

The control system includes written accounting and control policies and procedures and clearly drawn lines of accountability and delegation of authority.

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

The concept of reasonable assurance recognises that the cost of control procedures should not exceed the expected benefits. The Corporation and the Group maintain their internal control system through management reviews and a programme of internal audits.

Nothing has come to the attention of the Directors to indicate any breakdown in the functions of these controls during the year, which resulted in any material loss to the Corporation and the Group.

The Corporation and Group Annual Financial Statements have been prepared on the going concern basis. This basis of accounting has been adopted by the Board of Directors after having made enquiries of management and given due consideration to information presented to the Board, including budgets and cash flow projections for the year ahead and key assumptions and accounting policies relating thereto.

Accordingly, the Directors have no reason to believe that the Corporation and the 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 2004 (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 53-54.

The Annual Financial Statements which appear on pages 58-125 were approved by the Board of Directors on 20 August 2015 and are signed on its behalf by:

Dr MSV Gantsho
Chairman

Ms YEN Zwane
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 No. 5 of 2013. All such returns are correct and up-to-date.

L S Mahamba
Group Company Secretary

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON ITHALA DEVELOPMENT FINANCE CORPORATION LIMITED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the consolidated and separate financial statements of the Ithala Development Finance Corporation Limited (IDFC) and its subsidiaries set out on pages 58 to 125, which comprise the consolidated and separate statement of financial position as at 31 March 2015, the consolidated and separate statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act) and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the IDFC and its subsidiaries as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Statements of GAAP and the requirements of the PFMA and Companies Act.

EMPHASIS OF MATTERS

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

BANKING LICENCE EXEMPTION

8. As disclosed in the Directors report, the National Minister of Finance (the Minister) has specified performance obligations for Ithala SOC Limited for the financial years ending 31 March 2015, 2016 and 2017. The Minister has assessed the specific performance obligations for the year ending 31 March 2015 and has granted the entity a banking licence exemption until 30 June 2016. The 2015-16 first quarter financial performance by the entity indicates that there may be challenges in achieving certain specified performance obligations for the year ending 31 March 2016. This indicates the existence of a material uncertainty on the entity's ability to obtain a further banking licence exemption which may cast doubt on the entity's ability to continue as a going concern.

SIGNIFICANT UNCERTAINTIES

9. As disclosed in note 25.2 to the consolidated and separate financial statements, the group was the defendant in various claims as at 31 March 2015. The ultimate outcome of these matters cannot currently be determined and therefore no provision for any liability has been made in the consolidated and separate financial statements.

MATERIAL LOSSES

10. As disclosed in note 1.3 to the consolidated and separate financial statements, losses of R63,39 million (2014: R301,73 million) were reported by the group as a result of a write-off of previously impaired loans and advances. This included a R57,24 million (2014: R231,20 million) write-off of capital and a further R6,15 million (2014: R70,53 million) relating to non-realisable revenue.

ADDITIONAL MATTERS

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

12. As part of our audit of the consolidated and separate

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON ITHALA DEVELOPMENT FINANCE CORPORATION LIMITED

financial statements for the year ended 31 March 2015, I have read the directors' Report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited consolidated and separate financial statement. I have not audited the reports and accordingly do not express an opinion on them.

FINANCIAL REPORTING FRAMEWORK

13. As a result of the Companies Act requirements, SA Statements of GAAP have been withdrawn for financial years commencing on or after 1 December 2012. In terms of Directive 5 issued for determining the accounting framework for government business enterprises (GBEs), the Accounting Standards Board, after consultation with its constituents, agreed that GBEs should retain the status quo regarding the reporting frameworks applied in preparing their financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the financial sustainability and viability on page 27 and developmental effectiveness on pages 27 to 28 presented in the annual performance report of the entity for the year ended 31 March 2015.
16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).
18. I assessed the reliability of the reported performance information to determine whether was valid, accurate and complete.
19. I did not identify any material findings on the usefulness and reliability of the reported performance information for the financial sustainability and viability and developmental effectiveness objectives.

ADDITIONAL MATTER

20. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

ACHIEVEMENT OF PLANNED TARGETS

21. Refer to the annual performance report on pages 27 to 32 for Information on the achievement of the planned targets for the year.

COMPLIANCE WITH LEGISLATION

22. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

INTERNAL CONTROL

23. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

OTHER REPORTS

INVESTIGATIONS

24. Ithala Group Internal Audit Services conducted investigations which covered the period 01 April 2014 to 31 March 2015. The investigations emanated from the alleged irregularities as a result on non-compliance with the policies and procedures, the outcomes were communicated to management and action taken where necessary.

AUDIT-RELATED SERVICE

25. A report was issued to the National Credit Regulator on compliance with the National Credit Act of South Africa, 2005 (Act No.34 of 2005).

Auditor-General

Auditor-General
Pietermaritzburg
28 September 2015

AUDITOR-GENERAL SOUTH AFRICA
Auditing to build public confidence

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2015

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 2015.

A. LEGAL FORM AND DOMICILE
The Corporation is a provincial development finance institution, wholly-owned by the KwaZulu-Natal Government 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 Unit 19, 17 Isilo Drive, V-Section, Umlazi Township, Durban.

B. NATURE OF OPERATIONS
A general overview of The Corporation's business operations is given in the Group Chief Executive's Review on page 9.

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 6, 7 and 27 and Annexures 2 and 3 of the AFS.

C. FINANCIAL RESULTS
The results of the Corporation and the Group for the year ended 31 March 2015 are disclosed in the Annual Financial Statements set-out on pages 58 to 125.

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 Note 6, 7, 27, Annexure 2 and 3 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 2015.

E. EVENTS SUBSEQUENT TO THE DATE OF STATEMENT OF FINANCIAL POSITION
There were no events identified subsequent to year end that may have a significant impact on the Annual Financial Statements.

FAIR VALUE OF INVESTMENTS
The fair value of listed investment, as disclosed in Note 10 is R18,3 million at year-end (2014: R14,9 million) and was quoted at R17,7 million on 12 May 2015.

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 (2014: R1 billion).

G. DIVIDENDS
No dividend is 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
Contracts entered into during the year, in which Directors and Officers of the Corporation had an interest, are disclosed in Note 27 of the AFS.

I. SOURCES OF FUNDING
The Corporation did not raise any new long-term borrowings from lenders during the year under review (2014: Rnil) - refer to Annexure 1 of the AFS for more details on existing Borrowings.

During the year under review, the Corporation received Government grants of R148 million (2014: R185 million) from EDTEA for SMME on-lending. The prior year grant included an amount of R37 million, ring-fenced for use by the Small Business Growth Enterprise (SBGE). The Corporation received a further voted grant of R50 million in the year relating to the re-capitalisation of Ithala SOC Limited.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2015 (continued)

FINANCIAL ASSISTANCE (GRANTS) ANALYSIS OVER THE PAST TWO YEARS FOR THE CORPORATION:

	R' million	
	FY2015	FY2014
Grants unapplied at the beginning of year	**94**	760
Received during the year	**239**	290
SMME on-lending	**148**	148
Ntingwe	**5**	-
SBGE	**-**	37
Ithala SOC Limited share capital injection	**50**	105
Ndumo	**36**	-
Interest on Equity Fund and EDTEA Fund	**-**	25
Grants applied during the year	**(194)**	(307)
- SMME on-lending	**(112)**	(177)
- Management fee	**(19)**	(19)
- Co-operatives	**(13)**	(4)
- BEE risk fund	**(-)**	(1)
- Share participation	**(-)**	(1)
- Ithala SOC Limited share capital injection	**(50)**	(105)
Grants transferred during the year	**(37)**	(611)
- Co-operatives	**(-)**	(7)
- KZN Growth Fund	**(-)**	(363)
- EDTEA	**(-)**	(241)
- SBGE	**(37)**	(-)
Grants unapplied at the end of year	**102**	157
Held on behalf of EDTEA	**-**	63
Corporation grant funds unapplied at end of year	**102**	94

J. GOING CONCERN BASIS OF ACCOUNTING

- Corporation

  The Corporation's business activities, together with the factors likely to affect its future development, performance and position as at 31 March 2015, 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 33 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 8 and 33 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 R93 million from major financial banking institutions.

  The Group posted a profit of R138,6 million for the year ended 31 March 2015 (2014: R133,5 million).

  The Group is solvent since its total assets exceeded its total liabilities by R2,2 billion (2014: R2,0 billion).

  The Group is able to pay its debts as they become due and its liquidity is evident by its current assets exceeding its current liabilities by R1,3 billion (2014: R1,3 billion) with a liquidity ratio of 13,2% (2014: 11,7%).

  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

  Refer to the Group Chief Executive's Report for an operational review of the subsidiary companies.

  The going concern ability of the Corporation's subsidiary companies has been assessed by the Directors at year-end.

  All subsidiaries have adopted the going concern basis in preparing their financial statements for the year under review, with the exception of Sibaya Conservation Projects (Pty) Ltd which is under voluntary liquidation and its Annual Financial Statements have been prepared on this basis.

BANKING LICENCE EXEMPTION OF ITHALA SOC LIMITED

The Minister of Finance has signed a Memorandum of Agreement with Ithala SOC Limited which stipulates specific performance obligations that must be achieved for the renewal of the banking licence exemption for the years commencing 1 July 2016 and 1 July 2017.

The Minister of Finance has assessed the performance obligations for the year ending 31 March 2015 and has granted Ithala SOC Limited a banking licence exemption until 30 June 2016.

The 2015/16 first quarter financial performance of Ithala SOC Limited indicates that there may be challenges in achieving certain specified performance obligations for the year ending 31 March 2016 which may give rise to a material uncertainty on the ability to obtain a further banking licence exemption which may cast doubt on Ithala SOC Limited's ability to continue as a going concern.

K. BOARD OF DIRECTORS

Information pertaining to Board Members and Committees is covered in the Corporate Governance Report, on pages 43 to 48. The following changes were made to the Board of Directors during the period under review:

CORPORATION

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

N Khambule	-	30 June 2014 (Resigned)
AN Zondi	-	4 May 2014 (Passed away)
GNJ White	-	30 September 2014 (Resigned from the Group Board of Directors to take up the position of Acting Chief Executive Officer of a subsidiary, Ithala SOC Ltd)

No appointments were made during the year

ITHALA SOC LIMITED

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

• GNJ White	-	1 September 2014 (Appointed)
• VJ Klein	-	26 November 2014 (Appointed)

There were no resignations during the year.

KZN GROWTH FUND MANAGERS SOC LTD

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

FA Ferguson	-	27 May 2014 (Appointed)
	-	30 April 2015 (Resigned)

L. COMPANY SECRETARIAT

The Group Company Secretary is Ms LS Mahamba, B.Comm, Post-Graduate Diploma in Business Management, whose address is the Corporation's registered office (see section A on page 55).

M. 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 Note 29 and 31 of the AFS.

- In the ordinary course of business and in accordance with prevailing business rules, the Group wrote-off bad loans of R63,3 million (2014: R301,7 million), comprising a capital portion of R57,2 million and a non-realised revenue (NRR) of R6,1 million. R18,3 million of bad debts written-off were charged to the income statement in respect of the un-provided portion of these loans.

- Despite 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 Corporation. During the year under review a total of R22,2 million (2014: R2,5 million) was recovered from bad debts previously written-off.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	Note	Group 2015	Group 2014	Corporation 2015	Corporation 2014
		R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		**3 165 503**	2 987 506	**2 096 023**	1 816 801
Loans and advances	1.1	**1 940 282**	1 898 320	**576 861**	497 452
Properties in possession	1.4	**8 878**	13 410	**1 212**	5 456
Investment properties	2	**951 592**	802 179	**893 377**	743 436
Property, plant and equipment	3	**177 410**	190 831	**131 880**	129 036
Intangible assets	4	**38 446**	31 604	**30 184**	25 564
Straightlining of operating lease income	5	**48 163**	50 325	**39 708**	41 388
Subsidiaries	6.2	**-**	-	**422 391**	373 632
Goodwill	6.3	**299**	246	**299**	246
Associated companies	7	**111**	591	**111**	591
Current assets		**1 553 032**	1 547 029	**476 234**	693 720
Current portion of loans and advances	1.1	**224 915**	251 906	**133 758**	146 900
Straightlining of operating lease income	5	**2 669**	-	**3 223**	-
Straightlining of operating lease expenditure	24.2	**4**	16	**4**	16
Cash and cash equivalents	8.1	**1 037 328**	956 103	**217 889**	368 470
Statutory liquid assets	8.2	**152 493**	146 205	**-**	-
Trade and other receivables	9	**111 083**	153 641	**98 192**	141 196
Investments	10	**18 308**	14 946	**18 308**	14 946
Inventory and contracts in progress	11	**6 555**	24 212	**4 860**	22 192
Total assets		**4 718 535**	4 534 535	**2 572 257**	2 510 521
EQUITY AND LIABILITIES					
Capital and reserves		**2 147 339**	2 022 401	**2 186 654**	2 067 869
Ordinary share capital	12	**1 008 582**	1 008 582	**1 008 582**	1 008 582
Retained income		**1 138 757**	1 013 819	**1 178 072**	1 059 287
Non-controlling interest	13	**(881)**	(826)	**-**	-
Total equity		**2 146 458**	2 021 575	**2 186 654**	2 067 869
Non-current liabilities		**2 353 554**	2 325 620	**232 450**	309 205
Borrowings	14	**54 514**	70 143	**52 438**	68 015
Deposits due to customers	15	**2 072 977**	1 973 429	**-**	-
Post-retirement obligation	16.1	**80 646**	74 125	**53 153**	49 220
Long service obligation	16.3	**24 964**	18 796	**13 190**	9 984
Government grants	17	**102 139**	156 432	**102 139**	156 432
Straightlining of operating lease expenditure	24.2	**6 012**	6 316	**5 557**	5 554
Deferred tax	26	**986**	1 097	**-**	-
Provision for landfill restoration	34	**5 973**	20 000	**5 973**	20 000
Cell captive insurance fund	35	**5 343**	5 282	**-**	-
Current liabilities		**218 523**	187 340	**153 153**	133 447
Straightlining of operating lease income	5	**-**	1 541	**-**	428
Current portion of borrowings	14	**23 175**	23 488	**23 175**	23 488
Post-retirement obligation	16.1	**3 130**	2 875	**2 385**	2 270
Long service obligation	16.3	**1 647**	2 818	**1 049**	1 689
Trade and other payables	18	**190 572**	156 618	**126 544**	105 572
Total liabilities		**2 572 077**	2 512 960	**385 603**	442 652
Total equity and liabilities		**4 718 535**	4 534 535	**2 572 257**	2 510 521

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

		Group		Corporation	
	Note	2015	2014	2015	2014
		R'000	R'000	R'000	R'000
Interest income	19.1	307 747	256 066	94 148	76 018
Interest expenditure	19.2	82 011	66 213	5 729	5 998
Net interest income before credit impairment charges		225 736	189 853	88 419	70 020
Credit impairment charges		93 048	99 344	72 678	65 952
Loans and advances	1.3	75 082	75 961	56 347	46 288
Properties in possession	1.4	(2 712)	2 073	(2 282)	540
Straightlining of operating lease income	5	(851)	112	(788)	(52)
Trade and other receivables	9	21 529	21 198	19 401	19 176
Net interest income after credit impairment charges		132 688	90 509	15 741	4 068
Other operating income	20	1 017 698	1 026 045	795 425	915 165
Operating income before operating expenditure		1 150 386	1 116 554	811 166	919 233
Operating expenditure	21	1 020 737	977 247	691 901	674 509
Operating expenses		1 051 215	975 300	720 387	663 060
Non-credit related impairments	21.5	(33 174)	(452)	(30 163)	9 953
Indirect taxation	22.1	2 696	2 399	1 677	1 496
Equity accounting loss		(480)	(908)	(480)	(908)
Operating profit before taxation		129 169	138 399	118 785	243 816
Taxation expense	22.2	4 286	4 949	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		124 883	133 450	118 785	243 816
Attributable to:					
Equity holders of the parent		124 938	134 418	118 785	243 816
Non-controlling interest		(55)	(968)	-	-
		124 883	133 450	118 785	243 816

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

	Ordinary Share Capital	Retained Income	Attributable to Equity Holders of Parent	Non-Controlling Interest	Total
	R'000	R'000	R'000	R'000	R'000
2015					
Group					
Balance at 31 March 2014	**1 008 582**	**1 013 819**	**2 022 401**	**(826)**	**2 021 575**
Income attributable to the shareholder	**-**	**124 938**	**124 938**	**(55)**	**124 883**
Balance at 31 March 2015	**1 008 582**	**1 138 757**	**2 147 339**	**(881)**	**2 146 458**
Corporation					
Balance at 31 March 2014	**1 008 582**	**1 059 287**	**2 067 869**	**-**	**2 067 869**
Income attributable to the shareholder	**-**	**118 785**	**118 785**	**-**	**118 785**
Balance at 31 March 2015	**1 008 582**	**1 178 072**	**2 186 654**	**-**	**2 186 654**
2014					
Group					
Restated balance at 31 March 2013	1 008 582	879 401	1 887 983	142	1 888 125
Income attributable to the shareholder	-	134 418	134 418	(968)	133 450
Balance at 31 March 2014	1 008 582	1 013 819	2 022 401	(826)	2 021 575
Corporation					
Restated balance at 31 March 2013	1 008 582	815 471	1 824 053	-	1 824 053
Income attributable to the shareholder	-	243 816	243 816	-	243 816
Balance at 31 March 2014	1 008 582	1 059 287	2 067 869	-	2 067 869

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2015

	Note	Group 2015	Group 2014	Corporation 2015	Corporation 2014
		R'000	R'000	R'000	R'000
Cash flow from operating activities					
Cash generated from operating activities	23.1	222 990	269 618	165 460	325 630
Decrease/(increase) in working capital	23.2	114 027	6 571	100 750	(16 822)
Taxation paid	23.3	(4 813)	(4 615)	-	-
Net cash generated from operating activities		332 205	271 574	266 210	308 808
Cash flow from investing activities					
Investments to promote economic development in KwaZulu-Natal:					
Loans and advances					
- granted		(537 820)	(932 862)	(276 766)	(434 586)
- repaid		508 058	439 438	178 696	152 545
- other loan movements		(60 292)	(28 727)	(24 544)	(2 324)
Additions to investment properties		(155 091)	(45 774)	(154 012)	(45 353)
Additions to property, plant and equipment		(12 050)	(34 475)	(9 895)	(26 251)
Additions to intangible assets		(14 728)	(23 018)	(10 913)	(18 415)
Additions to properties in possesssion		(5 362)	(12 222)	(4 108)	(8 041)
Proceeds on disposal of investment properties and property		114	9 337	94	7 084
Proceeds on disposal of Properties in Possession		9 370	3 880	8 105	2 205
Increase in goodwill		(53)	(9)	(53)	(9)
Increase/(decrease) in cell captive insurance fund		61	(482)	-	-
(Increase)/decrease in liquid assets		(6 288)	71 832	-	-
Decrease/(increase) in subsidiaries and associated companies		480	(378)	(48 279)	(100 655)
Net cash utilised by investing activities		(273 601)	(553 460)	(341 675)	(473 800)
Cash flow from financing activities					
Borrowings capital repaid		(15 942)	(7 724)	(15 890)	(7 716)
Increase in fixed, short-term deposits and savings accounts		99 548	169 971	-	-
Post-retirement medical paid		(3 874)	(3 579)	(3 244)	(3 037)
Long service obligations paid		(2 818)	(1 380)	(1 689)	(865)
Net Government grants utilised		(54 293)	(603 424)	(54 293)	(603 424)
Net cash generated/(utilised) by financing activities		22 621	(446 136)	(75 116)	(615 042)
Net increase/(decrease) in cash and cash equivalents		81 225	(728 023)	(150 581)	(780 035)
Cash and cash equivalents at beginning of year		956 103	1 684 126	368 470	1 148 505
Cash and cash equivalents at end of year		1 037 328	956 103	217 889	368 470

SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2015

1. REPORTING ENTITY
Ithala Development Finance Corporation (Ithala) is a company domiciled in the republic of South Africa. The address of its registered offices and principal place of business is Unit 19, 17 Isilo Drive, V Section, Umlazi Township, Durban.

The consolidated financial statements of Ithala as at and for the year ended 31 March 2015 comprise Ithala and its subsidiaries, together referred to as the Group and individually, referred to as the Corporation.

The words 'Group' and 'Ithala' are used interchangeably throughout the Annual Financial Statements.

2. STATEMENT OF COMPLIANCE
The consolidated financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (Statements of GAAP), as prescribed by the Accounting Standards Board.

Statements of GAAP are based on the International Financial Reporting Standards (IFRS) with the exception of six new IFRSs (IFRS 10, 11, 12, 13, 14 and 15), amendments to IFRSs, including amendments made under the annual improvements process (namely amendments to IFRS 1, 3, 7, 9, 10, 11, 12 and 13 and amendments to IAS 1, 16, 19, 27, 28, 32, 34, 38 and 40 and 2 IFRCs (IFRC 20 an 21), which have not been included in Statements of GAAP due to a joint announcement by the Accounting Practices Board and the Financial Reporting Standards Council withdrawing Statements of GAAP, which ceased to apply from financial years commencing on or after 1 December 2012. Although no longer formally issued by a particular standard-setter, the Accounting Standards Board adopted and defined Statements of GAAP as the reporting framework for Government Business Enterprises, such as Ithala, through its amendments to Directive 5.

The financial statements were approved and authorised for issue by the Board of Directors on 20 August 2015.

3. BASIS OF PREPARATION
3.1 BASIS OF MEASUREMENT
The financial statements have been prepared on a going concern basis utilising the historical cost concept except for the following:
- Non-derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Post-retirement medical and defined benefit obligations are measured at actuarial values; and
- Listed equity investments are measured at closing bid prices.

3.2 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.

3.3 USE OF ESTIMATES AND JUDGEMENTS
The preparation of financial statements 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' revisions affect both current and future periods.

3.4 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 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.

IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES AND PROPERTIES IN POSSESSION
The Group assesses its credit portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

For purposes of these judgements the following factors are taken into consideration:
- Historical loss patterns over the back testing period;
- Default rates;
- Estimated cash flows; and
- Time taken to realise securities.

The time period selected for back testing is based on the following factors:

- The consistency of the base period in relation to the current financial period; and
- Consideration of the prevailing economic conditions.

Estimates of loss ratios and similar risk indicators are based on an analysis of internal and, where appropriate, external data.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

Investment properties that may be impaired are identified and the recoverable values of such assets are established by applying an appropriately adjusted discount rate to the estimated future cash flows, to be generated from continued use of these assets, over the next three years.

The average discount rates (rates of return) obtained from independent property specialists, are adjusted down to an average rate suitable to the Group's development-driven objective.

In accepting such a lower rate of return, management takes into account the location of the asset, past performance, competition in the area and vacancy rates.

The impairment of other assets is based on the estimated remaining useful lives and original costs or market value of the assets.

Furniture and fittings in the subsidiary branches are estimated to be replaced in line with the branch refurbishment programme.

Management expects this programme to be executed as scheduled. However, any changes in the programme will affect the impairment of the related assets.

During the period under review, there were no other areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

DEFINED BENEFIT AND DEFINED CONTRIBUTION PENSION PLAN

The cost of the defined benefit and defined contribution pension plans are determined using actuarial valuations. The actuarial valuations involves assumptions about 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 Note 16 for the assumptions used.

3.5 COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3.6 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.

3.6.1 BASIS OF CONSOLIDATION

The consolidated financial statements include those 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) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the acquisition date, ie, when control is transferred to the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

(b) SUBSIDIARIES

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity. In assessing control, potential voting rights that are presently exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in companies acquired to protect advances or as a conduit for advances, which assets are included in advances, and investments in companies acquired to facilitate the funding of Government projects with no benefits accruing to the Group from those companies' activities are not consolidated. 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.

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.

SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2015

Investments in subsidiaries are recognised at cost, in the Corporation accounts, and are reviewed annually and written down for impairment, where considered necessary.

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.

(c) SPECIAL PURPOSE ENTITIES
Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates a SPE:
- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- The Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; and
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over a SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control.

However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and, in such instances, the Group determines whether the change warrants a reassessment of control, based on the specific facts and circumstances.

Information about the Group's cell captive activities is set out in note 35 to the AFS.

(d) LOSS OF CONTROL
On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

(e) TRANSACTIONS ELIMINATED ON CONSOLIDATION
Intragroup balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(f) ASSOCIATES AND JOINT VENTURES
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.

Investments in companies acquired to protect advances or as a conduit for advances are included in advances. Joint ventures are those entities over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates are accounted for using the equity method.

The Group recognises its interest in a jointly controlled entity using the proportionate consolidation 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. The consolidated financial statements include the Group's share of assets, liabilities, income and expenses that it jointly controls. The Group discontinues the use of proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled entity.

3.6.2 INTANGIBLE ASSETS
Intangible assets, other than goodwill (refer to basis of consolidation policy above), are recognised if it is probable that future economic benefits will flow to the entity from the intangible assets and the costs of the intangible assets can be reliably measured.

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. Intangible assets with an indefinite life are not amortised.

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.

Intangible assets with an indefinite useful life are tested annually for impairment and whenever there is an indication that the asset may be impaired.

(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.

Computer software is tested annually for impairment or changes in estimated future benefits. 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 for use as follows:

- Computer software - 2 years

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 project, 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.

(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.

3.6.3 FINANCIAL INSTRUMENTS

(a) NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and advances, borrowings and deposits. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual right to the cash flows from the financial assets expires or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

3.6.4 FINANCIAL ASSETS

The Group classifies its financial assets in one of the following categories:

- Loans and receivables;
- Held to maturity;
- Available for sale; or
- At fair value through profit or loss and within the category as:
  - Held for trading; or
  - Designated at fair value through profit and loss.

(a) LOANS AND RECEIVABLES

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus origination transaction costs and subsequently accounted for at amortised cost using the effective interest rate method, less any impairment losses.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment charges.

SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2015

(b) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
An instrument is recognised at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit and loss if the Group manages such investments and makes purchases and sale decisions based on their fair values.

Financial instruments at fair value through profit or loss are measured at fair value and changes in value are recognised in profit or loss. The fair value of publicly traded investments is based on quoted bid prices.

(c) NON-CURRENT ASSETS HELD FOR SALE
Non-current assets (or properties in possession) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(d) CASH AND CASH EQUIVALENTS
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(e) OTHER
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

3.6.5 DERECOGNITION OF FINANCIAL ASSETS
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3.6.6 IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES
Loans and advances are stated after the deduction of provisions for credit impairment. Loans and advances are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Loans and advances are impaired and impairment losses are incurred if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition that indicates it is probable the Group will be unable to realise all amounts due.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indication that the borrower or issuer will enter bankruptcy, the disappearance of an active market for a security or other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers in the Group or economic conditions that correlate with defaults in the Group.

The carrying amount of a financial asset identified as impaired is reduced to its estimated recoverable amount. The estimated recoverable amount of the advance is calculated as the present value of expected future cash flows discounted at the original effective interest rate at inception of the advance. In estimating the expected future cash flows from the realisation of ‘permission to occupy’ securities, past experience in realising this type of security has been taken into account. Subsequent to impairment, the effects of discounting unwind over time, based on the original effective interest rate.

The Group considers evidence of impairment for loans and advances and held to maturity investment securities at both a specific asset and collective level. The impairment of non-performing loans and advances is based on periodic evaluations of loans and advances and take account of past loss experience and the economic climate in which the borrowers operate. Impairment of individually performing loans and advances is accounted for if there is observable evidence that a loss event has occurred after the initial recognition of the financial asset.

In order to provide for latent losses in a portfolio of loans and advances that have not yet been individually identified as impaired, a credit impairment for incurred, but not reported losses is created.

In assessing collective impairment the Group uses statistical modeling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management’s judgement, as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Rental debtors, that form part of trade and other receivables, are impaired once the account is 60 days in arrears. The impairment comprises the full debtors balance less the deposits/guarantees held.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances or held to maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

Once all reasonable attempts have been made at collection and there is no realistic prospect of recovering outstanding amounts, an advance is written-off against the related impairment. Loans and advances impairments and any subsequent reversals thereof or recoveries of amounts previously written-off are either charged or credited to the income statement.

3.6.7 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE GROUP

(a) SPLIT BETWEEN DEBT OR EQUITY

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

(b) EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs

(c) OTHER FINANCIAL LIABILITIES

Borrowings and deposits are initially measured at fair value, net of transactions costs, when the Group becomes party to contractual provisions of the instrument.

After initial recognition, borrowings and deposits are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis in profit or loss.

3.6.8 DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises financial liabilities when, and only when, the Group's obligations under the contract are discharged, cancelled or they expire.

3.6.9 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 GAAP, or for gains and losses arising from a group of similar transactions, such as in the Group's trading activity.

3.6.10 AMORTISED COST MEASUREMENT

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.6.11 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing third parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted bid prices in an active market for that instrument. A market is regarded as active if quoted bid prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

3.6.12 PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

Items of property, plant and equipment and capital work in progress is included at cost and are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditure directly attributable to bringing the assets to working condition for their intended use. Borrowing costs are capitalised in relation to plant requiring a substantial period of time for preparation for intended use.

SUBSEQUENT COSTS

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, only 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

DEPRECIATION

Buildings, infrastructure, plant, equipment and vehicles are depreciated on a straight line basis at rates that will reduce the historical costs to estimated residual values over the anticipated useful lives of the assets.

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.

Property, plant and equipment acquired under finance lease arrangements are capitalised. Such assets are depreciated on a straight line basis at rates considered appropriate to reduce capitalised cost to estimated residual value over the anticipated useful lives of the assets.

Lease finance charges are amortised over the duration of the finance leases using the effective interest rate method.

SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2015

Properties subject to sale and lease-back transactions, where the lease is classified as a finance lease and the value of the property implicit in the lease is higher than the carrying value, the carrying value is not adjusted and no gain is recognised.

The residual value of assets is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already at the age and in the condition expected at the end of its useful life.

A review of residual value is performed at balance sheet date each year, as well as an adjustment, if appropriate. The assets useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The anticipated useful lives of the assets are as follows:
- Infrastructure and buildings - 50 years
- Plant and equipment - 5-25 years
- Vehicles - 4 years

Land is not depreciated as it is deemed to have an infinite life. Buildings and plant under construction include all direct building costs, allocated overhead costs and capitalised borrowing costs.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written-down to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

3.6.13 INVESTMENT PROPERTY
Investment property is property (land or buildings) held to earn rentals or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property (other than land) is measured at cost less accumulated depreciation. Owner-occupied properties are held for administrative purposes.

This distinguishes owner-occupied properties from investment properties. Investment properties are shown at cost less accumulated depreciation and impairment losses. Property that is being constructed and developed for future use as investment property is accounted for as investment property. All property, other than land, is depreciated over its economic useful life of 50 years on a straight-line basis to its estimated residual value. The depreciation rate and the residual values are reviewed on an annual basis and adjusted for, if appropriate. This basis is consistent with the procedure described above under 'Property, plant and equipment' as required by AC135 (IAS 40).

3.6.14 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. 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.

3.6.15 INVENTORIES AND CONTRACTS IN PROGRESS
Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring, converting the inventories and bringing them to their present location and condition.

In the case of manufactured or constructed inventories and work in progress, costs include an appropriate share of production overheads, based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated completion costs and selling expenses.

3.6.16 EMPLOYEE BENEFITS
The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds. All employees of the Group are entitled to membership of one of these plans, which are governed by the Pension Fund Act of 1956. The schemes are funded by the payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

(a) DEFINED BENEFITS PLANS
A defined benefit plan is a post-employment benefit pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors, such as age, years of service or compensation. Under this method, the cost of providing pensions is charged to the income statement to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a valuation of the plan

every three years. The liability in respect of the defined benefit plan is the present value of the defined obligation at the statement of financial position date minus the fair value of the plan assets, together with adjustments for actuarial gains or losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.
The present value of the defined benefit obligation is determined by the estimated future outflows using interest rates of Government securities that have terms to maturity approximating the terms of the related terms of the related liability. Contributions made during the year are charged to the income statement when plan assets exceed the liability for accrued benefits.

(b) DEFINED CONTRIBUTION PLANS
A defined contribution plan is a post-employment pension plan under which the company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The regular contributions constitute net periodic costs for the year in which they are due and, as such, are included in staff costs.

(c) POST-RETIREMENT MEDICAL BENEFITS
Eligible employees and pensioners are entitled to certain post-retirement medical benefits in the form of medical aid contribution subsidies. Employees who commenced service after 1 August 2000 are not entitled to post-retirement medical benefits. Except for the transitional liability arising at 31 March 2002, which will be recognised over a period not exceeding five years, all legal and constructive liabilities are provided for on the accrual basis over the service lives of eligible employees.

Actuarial gains are recognised over the average remaining service lives of employees, to the extent that the unrecognised actuarial gains exceed the unrecognised transitional liability. Actuarial losses are recognised over the average remaining service lives of employees.

(d) LONG SERVICE AWARD BENEFITS
Employees are entitled to a long-term benefit based on various periods of long service to the Group. The long service award liability is calculated by independent actuaries using the projected unit credit method. The long service award liability is an unfunded liability in that there are no separate plan assets out of which obligations are to be settled. The amount recognised as a long service award liability is therefore the present value of the defined benefit obligation at the end of the reported period. Current service costs and interest costs are recognised as expenses. All actuarial gains and losses and past service costs are recognised immediately as expenses.

3.6.17 BORROWING COSTS
Borrowing costs directly attributable to the acquisition, constructing or production of qualifying asset that take a substantial period of time to get ready for their intended use or sale, are capitalised to the costs of those assets. The capitalisation of borrowing costs is suspended during periods of extended suspension of construction, development or production of qualifying asset.

The Group ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.6.18 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.

Other Government grants are recognised as income over the periods necessary to match them 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 or for the purposes of giving immediate financial support to the Group 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.

3.6.19 TAXATION
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 not wholly-owned are subject to normal taxation.

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 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

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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.

3.6.20 PROVISIONS AND CONTINGENT LIABILITIES
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.

A provision for an onerous contract is recognised by the Group when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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.

3.6.21 REVENUE
(a) RENTAL INCOME
Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the of the total rental income, over the term of the lease.

(b) INTEREST INCOME AND INTEREST EXPENSE
Interest income and expenses are recognised in profit or loss on an accrual basis, with reference to the principal outstanding using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument. In terms of IAS 39, interest is accrued in respect of impaired advances based on the original effective interest rate used to determine the recoverable amount.

3.6.22 OTHER OPERATING INCOME
(a) DIVIDENDS RECEIVED
Dividend income is recognised when the Group's right to receive payment has been established.

(b) FEE INCOME
Project management fee income is recognised on an accrual basis when the service is rendered, based on stage of completion basis. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised. Other fee income is recognised as the related services are performed.

(c) COMMISSION INCOME
Commission income is recognised on an accrual basis when the service has been provided.

(d) SALE OF GOODS
Sale of goods is recognised when significant risks and rewards of ownership have passed and the collectability of the related receivable is reasonably assured. Revenue from the sale of electricity, water, sewage and refuse removal services are recognised when consumed by the customer.

3.6.23 LEASED ASSETS
OPERATING LEASE
Assets leased by the Group under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Rental income from operating leases is recognised on a straight line basis over the term of the lease.
Rentals payable under the operating leases are charged to profit or loss on a straight line basis over the term of the lease.

FINANCE LEASE
Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as a finance lease. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

3.7 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED
Below are new standards, amendments to standards and interpretations not yet effective for the year ended 31 March 2015, these have not been applied in preparing these consolidated financial statements.

In addition, new standards, amendments to standards and interpretations not yet effective for the year ended 31 March 2013 and 31 March 2014 have also not been applied in preparing these consolidated financial statements, as these have not been incorporated into SA GAAP, since SA GAAP ceased to apply for financial years beginning on or after 1 December 2012.

Standard	Description	Annual periods beginning on or after
IFRS 1 (AC 138) amendment	First-time adoption of International Financial Reporting Standards • Annual Improvements 2011–2013 Cycle: Amendments to the Basis of Conclusion clarify the meaning of "effective IFRSs". • The Group may have to apply IFRS 1 in the 2015/16 AFS should the Accounting Standards Board (ASB) determine that Government business enterprises, such as Ithala should comply with IFRS going forward.	1 July 2014
IFRS 3 (AC 140), Business Combinations	First-time adoption of International Financial Reporting Standards • Annual Improvements 2011–2013 Cycle: Amendments to the Basis of Conclusion clarify the meaning of "effective IFRSs". • The Group may have to apply IFRS 1 in the 2015/16 AFS should the Accounting Standards Board (ASB) determine that Government business enterprises, like Ithala, should comply with IFRS going forward.	1 July 2014
IFRS 9 (AC 146) (amendment not adopted into SA GAAP)	Financial Instruments: Classification and Measurement • Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9. • A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition: - IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as 'fair value through other comprehensive income' in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. - The new model introduces a single impairment model being applied to all financial instruments, as well as an 'expected credit loss' model for the measurement of financial assets. - IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity. In addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. - IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39. • Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's Annual Financial Statements when applied.	1 July 2014 1 January 2018
IFRS 10 (not adopted into SA GAAP)	Consolidated financial statements • Standard that replaces the consolidation requirements in SIC-12 Consolidation - Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. • Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. • The Group is currently assessing the impact of the new standard on the Group's consolidation requirements.	1 January 2016

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Standard	Description	Annual periods beginning on or after
IFRS 11 (not adopted into SA GAAP)	Joint arrangements Standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities. • Amendments adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions. • Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. • The Group is currently assessing the impact of the new standard as there is currently a joint arrangement in the properties department.	1 January 2016
IFRS 12 (not adopted into SA GAAP)	Disclosure of interest in other entities Comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. • Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. • The Group is currently assessing the disclosure requirements for interest in subsidiaries, joint arrangements, associates and unconsolidated structures in comparison with the existing disclosures.	1 January 2016
IFRS 13 (not adopted into SA GAAP)	Fair value measurements IFRS 13 provides a single source of guidance on how fair value is measured and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. • Annual Improvements 2010-2012 Cycle: Amendments to clarify the measurement requirements for those short-term receivables and payables • Annual Improvements 2011–2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9. • Although many of the IFRS13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in level 3.	1 July 2014 1 July 2014
IFRS 15 (not adopted into SA GAAP)	Revenue from Contracts from Customers New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. • The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. • The new standard supersedes: (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue; (c) IFRIC 13 Customer Loyalty Programmes; (d) IFRIC 15 Agreements for the Construction of Real Estate; (e) IFRIC 18 Transfers of Assets from Customers; and (f) SIC-31 Revenue - Barter Transactions Involving Advertising Services	1 January 2017

Standard	Description	Annual periods beginning on or after
IAS 1 (AC 101) (amendment not adopted into SA GAAP)	Presentation of Financial Statements Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.	1 January 2016
IAS 16 (AC 123)	Property, plant and Equipment • Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.	1 July 2014
IAS 19 (AC 116) (amendment not adopted into SA GAAP)	Employee Benefits • IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. • For defined benefit plans, removal of the accounting policy for recognising actuarial gains and losses is expected to have an impact on the Group as the Group currently utilises the corridor method to account for such gains and losses. Should the amended IAS 19 be adopted, unrecognised actuarial losses in the balance sheet of R13,3 million for the Corporation and R5,0 million for a subsidiary would have to be released to the income statement. The net impact to the Group would be a reduction of R18,3 million net profit. • Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended.	1 January 2013 1 July 2014
IAS 38 (AC 129), Intangible Assets	Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method - proportionate restatement of accumulated depreciation.	1 July 2014
IAS 40 (AC 135), Investment Property	Annual Improvements 2011-2013 Cycle: Amendments to clarify the inter-relationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.	1 July 2014
IFRIC Interpretation 21	Levies IFRIC 21 defines a levy as an outflow from an entity imposed by a Government in accordance with legislation. It confirms that an entity recognises a liability when, and only when, the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have a material effect on the Group's financial statements.	1 January 2014

Should the ASB decide that Government business enterprises, such as Ithala, must comply with IFRS, all standards and interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

3.8 AMENDMENT TO THE BASIS OF ACCOUNTING

Section 55 1(b) of the PFMA requires Public Entities to prepare financial statements for each financial year in accordance with Generally Accepted Accounting Practice (SA GAAP).

The Group has accordingly prepared its Annual Financial Statements on this basis to date. However, during the FY2012, the Accounting Practices Board (APB), together with the Financial Reporting Standards Council (FRSC) jointly announced the withdrawal of SA GAAP, which ceased to exist from financial years commencing on or after 1 December 2012.

The Accounting Standards Board (ASB) is currently busy with research to determine whether IFRS of GRAP is most appropriate to Government business enterprises, such as Ithala.

It is envisaged that the research will be completed in the 2016 financial year and the ASB, together with National Treasury, will provide guidance on the applicable accounting framework to be applied prospectively.

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	Group		Corporation	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
1. LOANS AND ADVANCES				
1.1. Sectoral analysis				
Housing and commercial property	1 469 554	1 505 872	-	-
Micro finance - secured	66 480	50 802	-	-
Micro finance - unsecured	57 382	73 059	-	-
Personnel	4 394	5 202	4 394	5 206
Primary agriculture*	257 855	266 412	257 855	266 412
Manufacturing	54 766	68 285	54 766	68 285
Trade	9 640	5 455	9 640	5 455
Construction	103 507	97 619	103 507	97 619
Services	55 456	66 951	55 456	66 951
Tourism	2 585	3 127	2 585	3 127
Property	222 613	144 474	222 613	144 474
Franchise	30 421	28 644	30 421	28 644
Mining	70 709	63 845	70 709	63 845
Logistics	71 447	70 395	71 447	70 391
	2 476 809	2 450 142	883 393	820 409
Credit impairment for loans and advances	(311 612)	(299 916)	(172 774)	(176 057)
Net loans and advances including current portion	2 165 197	2 150 226	710 619	644 352
Less: Current portion included under current assets	(224 915)	(251 906)	(133 758)	(146 900)
Net loans and advances	1 940 282	1 898 320	576 861	497 452
Non-performing loans	341 803	314 710	185 222	190 210
Impairment of loans and advances	(240 598)	(207 365)	(140 340)	(128 804)
Unimpaired portion of non-performing loans	101 205	107 345	44 882	61 406

* Included in Primary Agriculture business loans and advances are amounts totaling R201,2 million (2014:R204,0 million) which have been ceded and assigned to the Land and Agricultural Bank of South Africa.

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
1.2. Maturity analysis				
Maturing:				
Up to 1 month	16 336	28 356	16 336	18 969
From 1 month to 6 months	97 732	114 758	52 034	70 351
From 6 months to 1 year	110 847	108 792	65 388	57 580
From 1 year to 5 years	639 706	692 418	302 171	314 048
After 5 years	1 612 188	1 505 818	447 464	359 461
	2 476 809	2 450 142	883 393	820 409

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

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
1.3. Credit impairment for loans and advances				
Balance at beginning of the year	**299 916**	525 683	**176 057**	424 675
Amounts written-off	**(63 386)**	(301 728)	**(59 630)**	(294 905)
Bad debt write-off	**(57 235)**	(231 196)	**(53 629)**	(226 453)
Non-realised revenue write-off	**(6 151)**	(70 532)	**(6 001)**	(68 452)
Charge to income statement	**75 082**	75 961	**56 347**	46 288
Balance at end of the year	**311 612**	299 916	**172 774**	176 057
Comprising:				
Impairment for performing loans (IBNR)*	**71 014**	92 551	**32 434**	47 253
Impairment for non-performing loans	**240 598**	207 365	**140 340**	128 804
Impairment for loans and advances	**311 612**	299 916	**172 774**	176 057

*Impairment for performing loans is referred to as Incurred But Not Yet Reported (IBNR). These relate to latent losses in a portfolio of loans and advances that have not been individually identified as impaired.

1.4. Properties in possession				
Balance at beginning of the year	**25 236**	18 019	**11 764**	6 885
Acquisitions	**5 362**	12 222	**4 108**	8 041
Disposals	**(12 605)**	(5 005)	**(10 634)**	(3 162)
Carrying amount before impairment	**17 993**	25 236	**5 238**	11 764
Accumulated impairment loss	**(9 115)**	(11 826)	**(4 026)**	(6 308)
Net carrying amount	**8 878**	13 410	**1 212**	5 456
Accumulated impairment loss				
Balance at beginning of the year	**11 826**	9 753	**6 308**	5 768
(Reversal)/charge to income statement	**(2 711)**	2 073	**(2 282)**	540
Balance at end of the year	**9 115**	11 826	**4 026**	6 308

Properties in possession relate to immovable properties that have been repossessed by the Group. These assets are valued in terms of AC 142: Non–Current Assets Held for Sale.

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	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
2. INVESTMENT PROPERTIES				
Cost				
Land and buildings	**1 108 857**	1 094 324	**1 022 420**	1 008 362
Work-in-progress	**249 267**	108 708	**248 662**	108 708
Accumulated depreciation				
Buildings	**360 533**	340 746	**334 916**	316 737
Accumulated impairment				
Land and buildings	**16 320**	36 330	**13 112**	33 121
Work-in-progress	**29 678**	23 776	**29 678**	23 776
Net book value	**951 592**	802 179	**893 377**	743 436
Fair value of investment property	**2 059 733**	1 641 749	**1 878 833**	1 480 948

The fair values of investment properties were determined by external, independent valuers, having appropriate, recognised, professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair values of the investment property portfolio annually.

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
2.1. Amounts recognised in profit or loss for:				
- Rental income from investment properties	**282 951**	274 080	**253 381**	259 262
- Direct operating expenses arising from investment property that generated rental income	**192 991**	180 956	**180 429**	169 242
- Direct operating expenses arising from investment property that did not generate rental income	**202**	127	**202**	127

2.2. A register containing information regarding land and buildings is available for inspection at the registered offices.

	Land & buildings	Work-in-progress	Total
	R'000	R'000	R'000
2.3. Movement in investment properties			
2015			
Group			
Net book value at beginning of year	**716 827**	**85 352**	**802 179**
Additions	**7 162**	**148 651**	**155 813**
Depreciation charge	**(19 787)**	**-**	**(19 787)**
Impairment reversal/(charge)	**20 010**	**(5 902)**	**14 108**
Transfers	**7 794**	**(8 516)**	**(722)**
Net book value at end of year	**732 006**	**219 586**	**951 592**
Corporation			
Net book value at beginning of year	**658 505**	**84 931**	**743 436**
Additions	**6 687**	**148 047**	**154 734**
Depreciation charge	**(18 178)**	**-**	**(18 178)**
Impairment reversal/(charge)	**20 010**	**(5 902)**	**14 108**
Transfers	**7 372**	**(8 094)**	**(722)**
Net book value at end of year	**674 395**	**218 982**	**893 377**
2014			
Group			
Net book value at beginning of year	717 664	63 390	781 054
Additions	3 198	42 576	45 774
Depreciation charge	(20 867)	-	(20 867)
Impairment (charge)/reversal	(647)	1 099	452
Transfers	21 713	(21 713)	-
Disposals	(4 234)	-	(4 234)
Net book value at end of year	716 827	85 352	802 179
Corporation			
Net book value at beginning of year	657 843	63 390	721 233
Additions	3 198	42 155	45 353
Depreciation charge	(19 368)	-	(19 368)
Impairment (charge)/reversal	(647)	1 099	452
Transfers	21 713	(21 713)	-
Disposals	(4 234)	-	(4 234)
Net book value at end of year	658 505	84 931	743 436

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
3. PROPERTY, PLANT AND EQUIPMENT				
Cost	**404 056**	406 173	**244 943**	237 401
Land, infrastructure and buildings	**138 796**	137 664	**138 796**	137 664
Buildings on leasehold land	**12 665**	12 665	**12 665**	12 665
Plant, equipment and vehicles	**224 067**	232 624	**64 954**	65 761
Work-in-progress	**28 528**	23 220	**28 528**	21 311
Accumulated depreciation	**211 954**	201 024	**103 281**	98 958
Infrastructure and buildings	**55 559**	54 757	**55 559**	54 757
Buildings on leasehold land	**3 258**	3 258	**3 258**	3 258
Plant, equipment and vehicles	**153 137**	143 009	**44 464**	40 943
Accumulated impairment				
Land, infrastructure and buildings	**9 782**	9 407	**9 782**	9 407
Plant, equipment and vehicles	**4 911**	4 911	**-**	-
Net book value	**177 410**	190 831	**131 880**	129 036
Fair value of property, plant and equipment	**51 200**	38 800	**51 200**	38 800

3.1. A register containing information regarding land and buildings is available for inspection at the registered offices.

3.2. Property plant and equipment with nil book values				
Original cost	**36 410**	13 267	**9 310**	3 067

This represents property, plant and equipment that are still in use and have an nil book value. This relates to assets with a cost of R2 000 and below that have been fully depreciated in line with the Group's policy.
During the year the useful lives of property, plant and equipment was re-assessed and depreciation adjusted accordingly as disclosed in note 28.1

	Land, infrastructure and buildings	Plant, equipment and vehicles	Work-in-progress (WIP)	Total
	R'000	R'000	R'000	R'000
3.3. Movements in property, plant and equipment				
2015				
Group				
Net book value at beginning of year	**81 893**	**83 069**	**25 868**	**190 831**
Additions	**410**	**4 968**	**7 216**	**12 594**
Depreciation charge	**(804)**	**(20 276)**	**-**	**(21 080)**
Disposals	**-**	**(4 016)**	**-**	**(4 016)**
Impairment charge	**(375)**	**-**	**-**	**(375)**
Transfers	**722**	**(586)**	**(680)**	**(544)**
Net book value at end of year	**81 846**	**63 159**	**32 404**	**177 410**
Corporation				
Net book value at beginning of year	**82 907**	**24 818**	**21 311**	**129 036**
Additions	**410**	**1 547**	**7 216**	**9 173**
Depreciation charge	**(802)**	**(5 681)**	**-**	**(6 483)**
Disposals	**-**	**(193)**	**-**	**(193)**
Impairment charge	**(375)**	**-**	**-**	**(375)**
Transfers	**722**	**-**	**-**	**722**
Net book value at end of year	**82 862**	**20 491**	**28 527**	**131 880**
2014				
Group				
Net book value at beginning of year	81 719	83 306	14 167	179 193
Additions	3 526	11 310	19 639	34 475
Depreciation charge	(2 617)	(19 288)	-	(21 905)
Disposals	(1 093)	(1 606)	(77)	(2 776)
Transfers	358	9 347	(7 861)	1 844
Net book value at end of year	81 893	83 069	25 868	190 831
Corporation				
Net book value at beginning of year	81 465	16 997	11 006	109 468
Additions	3 526	9 747	12 978	26 251
Depreciation charge	(2 442)	(5 037)	-	(7 478)
Disposals	-	(147)	-	(147)
Transfers	358	3 257	(2 673)	942
Net book value at end of year	82 907	24 818	21 311	129 036

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	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
4. INTANGIBLE ASSETS				
Cost	**102 610**	87 881	**53 720**	42 808
Software	**44 882**	40 558	**32 576**	28 251
System development costs (WIP)	**52 134**	42 232	**15 550**	9 466
Other	**1 485**	982	**1 485**	982
Licences and warranties	**4 109**	4 109	**4 109**	4 109
Accumulated amortisation	**31 398**	23 511	**23 536**	17 245
Software	**28 212**	21 394	**20 350**	15 127
Other	**427**	260	**427**	260
Licences and warranties	**2 759**	1 857	**2 759**	1 857
Accumulated impairment				
System development costs	**32 766**	32 766	**-**	-
Net book value	**38 446**	31 604	**30 184**	25 564

	Software	System development costs (WIP)	Licences & other	Total
4.1. Movement in intangible assets				
2015				
Group				
Net book value at beginning of year	19 164	9 467	2 973	31 604
Additions	598	12 360	504	13 462
Amortisation	(6 817)	-	(1 069)	(7 886)
Transfers	3 726	(2 460)	-	1 266
Net book value at end of year	16 671	19 367	2 408	38 446
Corporation				
Net book value at beginning of year	13 124	9 467	2 972	25 562
Additions	598	9 811	504	10 913
Amortisation	(5 222)	-	(1 069)	(6 291)
Transfers	3 726	(3 726)	-	-
Net book value at end of year	12 226	15 552	2 407	30 184

	Software	System development costs (WIP)	Licences & other	Total
4.1. Movement in intangible assets				
2014				
Group				
Net book value at beginning of year	4 911	8 555	1 512	14 978
Additions	4 619	16 584	1 815	23 018
Amortisation	(2 955)	-	(1 594)	(4 549)
Transfers	12 589	(15 672)	1 239	(1 844)
Net book value at end of year	19 164	9 467	2 973	31 604
Corporation				
Net book value at beginning of year	2 526	7 653	1 512	11 691
Additions	16	16 584	1 815	18 415
Amortisation	(2 007)	-	(1 594)	(3 601)
Transfers	12 589	(14 770)	1 239	(942)
Net book value at end of year	13 124	9 467	2 972	25 564

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
5. STRAIGHT-LINING OF OPERATING LEASE INCOME				
Opening balance	**48 784**	47 949	**40 960**	40 747
Straight-line accrual during the year	**1 197**	947	**1 183**	161
Decrease/(increase) in provision for bad debts	**851**	(112)	**788**	52
	50 831	48 784	**42 931**	40 960
Current portion of long-term debtor	**(2 669)**	1 541	**(3 223)**	428
Closing balance	**48 163**	50 325	**39 708**	41 388
Minimum future rental receivable under non-cancellable operating leases are as follows:				
Next 12 months	**2 669**	(1 541)	**3 223**	(428)
From 2 to 5 years	**21 260**	19 372	**19 700**	18 140
Later than 5 years	**28 480**	33 383	**21 247**	25 276
	52 409	51 214	**44 170**	42 988
Less: Provision for bad debts	**(1 578)**	(2 430)	**(1 240)**	(2 028)
	50 831	48 784	**42 930**	40 960
Analysis of provisions				
Balance at the beginning of the year	**2 430**	2 318	**2 028**	2 080
(Charge)/reversal to income statement	**(851)**	112	**(788)**	(52)
Balance at end of the year	**1 578**	2 430	**1 240**	2 028

Operating leases relate to investment property owned by the Group with lease terms of between 3 and 10 years and 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.

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	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
6. SUBSIDIARIES (ANNEXURE 2)				
6.1. Cowslip Investments (Pty) Ltd				
Shares at cost	**3**	3	**3**	3
Share premium	**2 778 928**	2 514 650	**2 778 928**	2 514 650
Grants applied	**(2 778 931)**	(2 514 653)	**(2 778 931)**	(2 514 653)
	-	-	**-**	-
6.2. Other subsidiaries	**-**	-	**334 161**	284 061
Shares at cost	**-**	-	**345 161**	295 061
Less provisions	**-**	-	**(11 000)**	(11 000)
Net loans	**-**	-	**88 230**	89 571
Loans to subsidiaries	**-**	-	**165 277**	163 607
Less provisions	**-**	-	**(77 047)**	(74 036)
Total investment in subsidiaries	**-**	-	**422 391**	373 632
6.3. Goodwill	**299**	246	**299**	246

Goodwill arises from the buy-back of minority shares in Sundumbili Plaza Limited and Nongoma Plaza Limited.

	Group		Corporation	
	2015	2014	**2015**	2014
7. ASSOCIATED COMPANIES (ANNEXURE 3)				
7.1. Unlisted Investments				
Shares at cost	**3**	3	**3**	3
Less: provisions	**(2)**	(2)	**(2)**	(2)
Carrying value	**1**	1	**1**	1
Net loans	**110**	590	**110**	590
Loans to associates	**57 302**	57 302	**57 302**	57 302
Less: provisions	**(57 192)**	(56 712)	**(57 192)**	(56 712)
Total interest in associated companies	**111**	591	**111**	591

	Group		Corporation	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
7.2. Significant financial information of associated companies				
Total assets	46 173	58 275	46 173	58 275
Total non-current assets	39 162	40 114	39 162	40 114
Total current assets	7 011	18 161	7 011	18 161
Total liabilities	195 568	189 863	195 568	189 863
Total non-current liabilities	173 706	162 689	173 706	162 689
Total current liabilities	21 862	27 174	21 862	27 174
Net liabilities	(149 395)	(131 588)	(149 395)	(131 588)
Share of net liabilities of associates	(54 816)	(48 784)	(54 816)	(48 784)
Total revenue	19 182	9 194	19 182	9 194
Total losses	(10 259)	(5 835)	(10 259)	(5 835)
Unrecognised share of losses:				
- Current period	(2 854)	(3 251)	(2 854)	(3 251)
- Cumulative	(43 851)	(40 997)	(43 851)	(40 997)

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, but the Group exercises significant influence by virtue of its contractual right to appoint two directors.

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
8. CASH AND LIQUID ASSETS				
8.1. Cash and cash equivalents				
Coin and bank notes	53 864	54 735	24	13
Balance with banks	983 464	901 367	217 865	368 457
	1 037 328	956 102	217 889	368 470

Included in cash is an amount of R7,6 million (2014: R9,4 million) relating to cash in transit at year-end.
The Company 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 Directors. Due to investments being held in institutions that are highly-rated, these instruments are neither past due nor impaired.

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
8.2. Statutory liquid assets				
Treasury bill	152 493	146 205	-	-
	152 493	146 205	-	-
Undrawn facilities available are as follows:				
Absa Bank				
Overdraft facility	93 800	50 000	93 800	50 000
Financial guarantees	9 200	-	6 200	-
Other facilities	25 091	-	-	-
Day light facility	25 000	50 000	-	50 000
	153 091	100 000	100 000	100 000

The treasury bill yields interest at 5,8%. This instrument matures on 3 June 2015 and its maturity value is R154 million.
Statutory investments are utilised to ensure that the minimum reserve requirements are met. These funds are not available for use in operational activities. Amounts held as at 31 March 2015 exceed the minimum reserve requirements by R37,4 million, and are invested in terms of the Company's Capital Management Strategy as disclosed in note 33.

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	Group		Corporation	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
9. TRADE AND OTHER RECEIVABLES				
Trade receivables	97 155	80 203	90 053	72 502
Other receivables	103 303	142 743	90 648	133 172
	200 457	222 946	180 701	205 674
Provisions	(89 374)	(69 305)	(82 509)	(64 478)
Net trade and other receivables	111 083	153 641	98 192	141 196
Ageing of past due but not impaired trade and other receivables				
<30 days	19 006	55 458	15 008	48 212
30 to 60 days	7 365	5 698	6 231	3 595
60 to 90 days	9 123	1 503	8 592	1 063
>90 days	58 896	87 011	50 904	88 310
	94 389	149 670	80 735	141 180
Ageing of past due and impaired trade and other receivables				
<30 days	18 142	4 700	17 634	3 987
30 to 60 days	8 296	26 064	7 165	25 435
60 to 90 days	6 067	4 563	5 679	3 903
>90 days	73 563	37 949	69 488	31 169
	106 068	73 276	99 966	64 494
Analysis of provisions				
Balance at beginning of year	69 305	53 599	64 478	45 734
Amounts written-off	(1 459)	(5 492)	(1 370)	(431)
Charge to income statement	21 529	21 198	19 401	19 176
Balance at end of year	89 374	69 305	82 509	64 478

Included in trade and other receivables are amounts due by the Departments of Education and Health in respect of the schools and clinics projects that are managed by Ithala. These funds are recovered on a monthly basis, in arrears.The amount due by the Department of Education at year-end was R15,6 million (2014:R30,5 million) and Department of Health R21,1 million (2014:R29,7 million).

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
	R'000	R'000	R'000	R'000
10. INVESTMENTS				
Designated at fair value through profit and loss				
Balance at beginning of year	14 946	16 141	14 946	16 141
Fair value movement	3 362	(1 195)	3 362	(1 195)
Balance at end of year	18 308	14 946	18 308	14 946

Investments comprise of 3 736 400 units in SA Corporate Real Estate Fund (2014: 3 736 400).
Fair value is determined by reference to stock exchange-quoted bid prices.

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
11. INVENTORY AND CONTRACTS IN PROGRESS				
Raw materials	1 695	2 020	-	-
Consumables	2 237	2 508	2 237	2 508
Contracts in progress	1 455	37 971	1 455	37 971
Residential stands and houses	1 168	1 155	1 168	1 155
	6 555	43 654	4 860	41 634
Write-down to net realisable value	-	(19 442)	-	(19 442)
	6 555	24 212	4 860	22 192
12. ORDINARY SHARE CAPITAL				
Authorised				
1 008 582 361 (2014: 1 008 582 361) ordinary shares of R1 each	1 008 582	1 008 582	1 008 582	1 008 582
Issued				
1 008 582 361 (2014: 1 008 582 361) ordinary shares of R1 each	1 008 582	1 008 582	1 008 582	1 008 582
13. NON-CONTROLLING INTEREST				
Balance at beginning of year	(826)	142	-	-
Movement	(55)	(968)	-	-
Balance at end of year	(881)	(826)	-	-

Non-controlling interest represents the share of profit and losses attributable to minority shareholders of the subsidiary companies.

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
14. BORROWINGS (ANNEXURE 1)				
At amortised cost				
Total borrowings	77 689	93 631	75 613	91 503
Portion repayable within 12 months	(23 175)	(23 488)	(23 175)	(23 488)
Long-term portion	54 514	70 143	52 438	68 015

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	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
15. DEPOSITS DUE TO CUSTOMERS				
Call deposit accounts	**71 938**	151 433	-	-
Savings accounts	**838 163**	795 492	-	-
Term deposits	**1 162 876**	1 026 504	-	-
	2 072 977	1 973 429	-	-
Maturity analysis repayable:				
On demand	**977 366**	993 974	-	-
Up to 1 month	**177 454**	107 349	-	-
From 1 month to 6 months	**526 656**	516 726	-	-
From 6 months to 1 year	**351 531**	313 372	-	-
From 1 year to 5 years	**39 970**	42 008	-	-
	2 072 977	1 973 429	-	-

The maturity analysis is based on the remaining periods to contractual maturity from year-end. At 31 March 2015, the balance of funds deposited by various trusts for land restoration compensation exceeded 5% of total deposits. The Department of Land Affairs disburses these funds to community trusts for land restitution. The current condition of this disbursement is that the funds are placed with the Company.

Savings accounts are further analysed as follows:				
Pass book*	**589 451**	573 179	-	-
Trust accounts	**83 494**	90 621	-	-
Debit card	**116 324**	94 459	-	-
Corporate	**48 894**	37 233	-	-
Total savings	**838 163**	795 492	-	-
Term deposits are further analysed as follows:				
Retail accounts	**886 112**	840 105	-	-
Current accounts	**276 764**	186 399	-	-
Total term deposits	**1 162 876**	1 026 504	-	-

*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.

	Group				
	2015	2014	2013	2012	2011
	R'000	R'000	R'000	R'000	R'000

16. EMPLOYEE BENEFITS
16.1. 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 2015 quantified the present value of unfunded obligations at R102,0 million (2014:R90,3 million) for Group and R68,8 million (2014:R63,0 million) for Corporation. These actuarial valuations are conducted annually, as at balance sheet date. The principal actuarial assumptions used included a discount rate of 8,60% (2014:9,10%), and a health-care cost inflation rate of 8,40% (2014:8,60%). The movement in the liability recognised in the balance sheet is as follows:

	2015	2014	2013	2012	2011
Balance at beginning of year	**77 001**	71 591	67 619	64 218	61 926
Expensed during the year	**10 649**	8 989	7 084	6 255	4 782
Contributions paid	**(3 874)**	(3 579)	(3 112)	(2 854)	(2 490)
Balance at end of year	**83 776**	77 001	71 591	67 619	64 218
Amounts recognised in the balance sheet are as follows:					
Present value of unfunded obligations	**102 033**	90 355	80 894	70 247	58 474
Unrecognised actuarial (loss)/gain	**(18 257)**	(13 354)	(9 303)	(2 628)	5 744
Liability at end of year	**83 776**	77 001	71 591	67 619	64 218
Amounts recognised in the income statements are as follows:					
Current service cost	**1 766**	1 623	1 548	1 222	908
Interest cost	**8 037**	6 794	5 536	5 033	4 066
Net actuarial gain recognised/(loss) in the year	**846**	572	-	-	(192)
	10 649	8 989	7 084	6 255	4 782
Membership statistics:					
In-service members	**145**	172	178		
Continuation members	**161**	146	151		
	306	318	329		

Sensitivity analysis - unfunded accrued liability

Assumptions	**Change**	**2015**	2014	2013	2012
Central assumptions:		**102 032**	90 354	80 894	70 247
CPI inflation	+1%	**102 168**	90 495	92 376	80 064
	+1,50%	**102 249**	90 585	98 117	85 727
	+1,75%	**102 224**	90 557	100 987	88 775
	-1%	**101 868**	90 190	71 898	62 093
Post-retirement mortality	-1 year	**93 851**	93 851	83 704	72 463
Average retirement age	-1 year	**105 556**	90 354	87 567	72 644

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		Corporation				
		2015 R'000	2014 R'000	2013 R'000 Restated	2012 R'000 Restated	2011 R'000 Restated
16.1. Post-retirement medical obligations (closed fund) (continued)						
Balance at beginning of year		**51 490**	48 302	46 245	44 256	42 878
Expensed during the year		**7 293**	6 225	4 681	4 360	3 488
Contributions paid		**(3 244)**	(3 037)	(2 624)	(2 371)	(2 110)
Balance at end of year		**55 539**	51 490	48 302	46 245	44 256
Amounts recognised in the balance sheet are as follows:						
Present value of unfunded obligations		**68 824**	63 040	57 927	49 602	42 596
Unrecognised actuarial (loss)/gain		**(13 285)**	(11 550)	(9 625)	(3 357)	1 660
Liability at end of year		**55 539**	51 490	48 302	46 245	44 256
Amounts recognised in the income statements are as follows:						
Current service cost		**866**	811	789	706	493
Interest cost		**5 581**	4 844	3 892	3 654	2 995
Net actuarial gain/(loss) recognised in the year		**846**	570	-	-	-
		7 293	6 225	4 681	4 360	3 488
Membership statistics:						
In-service members		**70**	74	75		
Continuation members		**127**	124	141		
		197	198	216		
Sensitivity Analysis - unfunded accrued liability						
Assumptions	**Change**					
Central assumptions:		**68 824**	63 040	57 927	49 602	
CPI inflation	+1%	**68 940**	74 474	65 409	55 898	
	+1,50%	**69 011**	63 210	68 700	59 497	
	+1,75%	**68 989**	63 234	72 002	61 425	
	-1%	**68 687**	56 140	51 808	44 309	
Post-retirement mortality	-1 year	**64 802**	64 802	62 515	51 203	
Average retirement age	-1 year	**70 702**	63 040	59 372	50 850	

	Group				
	2015	2014	2013	2012	2011
	R'000	R'000	R'000	R'000	R'000

16.2. 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 Pensions Fund 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 Pensions Fund 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 2015 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 Old Mutual Corporate Consultants, fellow of the Institute of Actuaries of South Africa. The present value of the defined benefits obligations and the related current service cost were measured using the Projected Unit Credit Method.

16.2.1 Defined Benefit Pension Fund (closed fund)

	2015	2014	2013	2012	2011
Amounts recognised in the balance sheet are as follows:					
Present value of funded obligations	**1 071**	27 945	44 128	66 871	68 112
Fair value of plan assets	**(11 883)**	(32 960)	(44 644)	(71 825)	(70 841)
	(10 812)	(5 015)	(516)	(4 954)	(2 729)
Unrecognised actuarial gain	**10 812**	5 015	516	4 954	2 729
Liability at end of year	**-**	-	-	-	-
The movement in the defined benefit obligation over the year is as follows:					
Balance at beginning of year	**27 945**	44 128	66 871	68 112	58 357
Interest cost	**1 313**	2 364	4 151	5 304	4 578
Current service cost	**-**	-	-	552	573
Benefits paid	**(25 518)**	(15 775)	(30 541)	(4 495)	(4 812)
Contributions by plan participants (employees)	**-**	-	-	230	336
Actuarial (gain)/loss on obligation	**(2 669)**	(2 772)	3 647	(2 832)	9 080
Balance at end of year	**1 071**	27 945	44 128	66 871	68 112
The movement in the fair value of plan assets over the year is as follows:					
Balance at beginning of year	**32 960**	44 644	71 825	70 841	68 934
Expected return on assets	**1 741**	2 030	5 119	6 193	6 018
Contributions received	**-**	-	-	344	591
Benefits paid	**(25 518)**	(15 775)	(30 541)	(4 495)	(4 812)
Investment gain/(loss) on assets	**2 700**	2 061	(1 759)	(1 058)	110
Balance at end of year	**11 883**	32 960	44 644	71 825	70 841

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		Group				
		2015	2014	2013	2012	2011
		R'000	R'000	R'000	R'000	R'000
16.2.1 Defined Benefit Pension Fund (closed fund) (continued)						
Amounts recognised in the income statement are as follows:						
Current service cost		**-**	-	-	552	573
Interest cost		**1 313**	2 364	4 151	5 304	4 578
Expected return on plan assets		**(1 741)**	(2 030)	(5 119)	(6 192)	(6 018)
Recognised actuarial losses		**-**	-	532	448	1 122
		(428)	334	(436)	112	255
Plan assets portfolio:						
Investment assets		**35 588**	32 878	42 514	47 115	45 557
Annuity contracts		**-**	-	-	27 134	27 962
Current assets/(liabilities)		**(23 705)**	82	2 130	(2 424)	(2 678)
		11 883	32 960	44 644	71 825	70 841
Effective rate of return on plan assets (actual)		**16,02%**	20,67%	7,48%	10,16%	10,16%
The principal actuarial assumptions at balance sheet date (expressed as weighted averages) were as follows:						
Discount rate (Annualised Yield on R208, 2014: R208)		**7,30%**	8,50%	6,50%	8,00%	8,00%
Expected rate of return on plan assets		**7,30%**	8,50%	9,00%	9,00%	9,00%
Future salary increases (Inflation plus 1%)		**6,90%**	7,60%	7,40%	7,30%	7,30%
Inflation		**5,90%**	6,60%	6,40%	6,30%	6,30%
Sensitivity analysis (Fund liability)	**Change**					
At valuation assumptions:		**1 071**	27 945	44 128	66 871	68 112
Discount rate	+1%	**1 071**	27 945	44 128	66 871	67 229
	-1%	**1 071**	27 945	44 128	66 871	69 111
Expected rate of salary increases	+1%	**1 071**	27 945	44 128	66 871	68 983
	-1%	**1 071**	27 945	44 128	66 871	67 333
No salary increases		**1 071**	27 945	44 128	66 871	64 026

	Corporation				
	2015	2014	2013	2012	2011
	R'000	R'000	R'000	R'000	R'000
16.2.1 Defined Benefit Pension Fund (closed fund)					
Amounts recognised in the balance sheet are as follows:					
Present value of funded obligations	**482**	12 574	19 856	44 746	45 972
Fair value of plan assets	**(5 347)**	(14 831)	(20 090)	(48 061)	(47 814)
	(4 865)	(2 257)	(234)	(3 315)	(1 842)
Unrecognised actuarial gain	**4 865**	2 257	234	3 315	1 842
Liability at end of year	**-**	-	-	-	-

The Trustees have not yet apportioned the surplus in the fund to the employer, thus no surplus has been recognised in the balance sheet.
The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	**12 574**	19 856	44 746	45 972	41 475
Interest cost	**591**	1 063	1 868	3 549	3 090
Current service cost	**-**	-	-	(26)	387
Benefits paid	**(11 482)**	(7 098)	(13 742)	(3 008)	(3 248)
Contributions by plan participants (employees)	**-**	-	-	154	227
Actuarial (gain)/loss on obligation	**(1 201)**	(1 247)	(13 016)	(1 895)	4 041
Balance at end of year	**482**	12 574	19 856	44 746	45 972
The movement in the fair value of plan assets over the year is as follows:					
Balance at beginning of year	**14 831**	20 090	48 061	47 815	48 992
Expected return on assets	**783**	914	2 304	3 733	4 062
Contributions received	**-**	-	-	229	400
Benefits paid	**(11 482)**	(7 098)	(13 742)	(3 007)	(3 248)
Investment gain/(loss) on assets	**1 215**	925	(16 533)	(709)	(2 392)
Balance at end of year	**5 347**	14 831	20 090	48 061	47 814
Amounts recognised in the income statement are as follows:					
Current service cost	**-**	-	-	369	387
Interest cost	**591**	1 063	1 868	3 548	3 090
Expected return on plan assets	**(783)**	(1 068)	(2 304)	(4 144)	(4 062)
Recognised actuarial losses	**-**	5	436	301	757
	(192)	-	-	74	172
Plan assets portfolio:					
Investment assets	**16 013**	14 794	19 132	31 526	30 749
Annuity contracts	**-**	-	-	18 157	18 873
Current assets/(liabilities)	**(10 666)**	37	958	(1 622)	(1 807)
	5 347	14 831	20 090	48 061	47 815
Effective rate of return on plan assets (actual)	**15,96%**	21,53%	7,34%	9,98%	10,09%

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		Corporation				
		2015	2014	2013	2012	2011
		R'000	R'000	R'000	R'000	R'000
16.2.1 Defined Benefit Pension Fund (closed fund) (continued)						
Amounts recognised in the income statement are as follows:						
The principal actuarial assumptions at balance sheet date (expressed as weighted averages) were as follows:						
Discount rate (Annualised Yield on R208, 2014: R208)		**7,30%**	8,50%	6,50%	8,00%	8,00%
Expected rate of return on plan assets		**7,30%**	8,50%	9,00%	9,00%	9,00%
Future salary increases (inflation plus 1%)		**6,90%**	7,60%	7,40%	7,30%	7,30%
Inflation		**5,90%**	6,60%	6,40%	6,30%	6,30%
Sensitivity analysis (Fund liability)	**Change**					
At valuation assumptions:		**482**	12 574	19 856	44 746	45 972
Discount rate	+1%	**482**	12 574	19 856	44 746	45 376
	-1%	**482**	12 574	19 856	44 746	46 646
Expected rate of salary increases	+1%	**482**	12 574	19 856	44 746	46 560
	-1%	**482**	12 574	19 856	44 746	45 446
No salary increases		**482**	12 574	19 856	44 746	43 214

	Group				
	2015	2014	2013	2012	2011
	R'000	R'000	R'000	R'000	R'000
16.2.2 Defined Benefit Provident Fund (closed fund)					
Amounts recognised in the balance sheet are as follows:					
Present value of funded obligations	**46 409**	50 683	55 557	44 011	47 255
Fair value of plan assets	**(66 395)**	(63 444)	(53 159)	(51 172)	(50 155)
	(19 986)	(12 761)	2 398	(7 161)	(2 900)
Unrecognised actuarial gain	**19 986**	12 761	-	7 161	2 900
Liability at end of year	**-**	-	2 398	-	-

The Trustees have not yet apportioned the surplus in the fund to the employer, thus no surplus has been recognised in the balance sheet.
The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	**50 683**	55 557	44 011	47 255	42 807
Interest cost	**3 104**	3 506	3 432	3 603	3 351
Current service cost	**1 676**	1 675	1 739	2 091	1 979
Benefits paid	**(8 390)**	(5 654)	(4 663)	(7 343)	(5 824)
Contributions by plan participants (employees)	**757**	677	676	720	790
Benefit increase	**-**	-	(2 436)	-	-
Actuarial (gain)/loss on obligation	**(1 421)**	(5 078)	12 798	(2 315)	4 152
Balance at end of year	**46 409**	50 683	55 557	44 011	47 255

		Group			
	2015	2014	2013	2012	2011
	R'000	R'000	R'000	R'000	R'000
The movement in the fair value of plan assets over the year is as follows:					
Balance at beginning of year	**63 444**	53 159	51 172	50 155	48 593
Expected return on assets	**3 915**	3 331	4 498	4 264	4 204
Contributions received	**1 845**	1 809	2 170	1 683	1 970
Benefits paid	**(8 390)**	(5 654)	(4 663)	(7 343)	(5 824)
Investment gain/(loss) on assets	**5 581**	10 799	(18)	2 413	1 212
Balance at end of year	**66 395**	63 444	53 159	51 172	50 155
Amounts recognised in the income statement are as follows:					
Current service cost	**1 676**	1 675	1 739	2 091	1 979
Interest cost	**3 104**	3 506	3 433	3 603	3 350
Expected return on plan assets	**(3 915)**	(3 331)	(4 498)	(4 264)	(4 204)
Benefit increase	**-**	(3 292)	5 440	-	-
Recognised actuarial (gains)/losses	**-**	-	-	(702)	24
	865	(1 442)	6 114	728	1 149
Plan assets portfolio:					
Investment assets	**69 402**	61 685	53 514	53 707	51 817
Net current liabilities	**(3 007)**	1 759	(355)	(2 535)	(1 662)
	66 395	63 444	53 159	51 172	50 155
Effective rate of return on plan assets (actual)	**16,02%**	20,67%	7,34%	9,00%	10,16%
The principal actuarial assumptions at balance sheet date (expressed as weighted averages) were as follows:					
Discount rate (Annualised Yield on R208, 2014: R208)	**7,30%**	8,50%	6,50%	8.00%	8,00%
Expected rate of return on plan assets	**7,30%**	8,50%	9,50%	9,00%	9,00%
Future salary increases (inflation plus 1%)	**6,90%**	7,60%	7,40%	7,30%	7,30%
Inflation	**5,90%**	6,60%	6,40%	6,30%	6,30%

Sensitivity analysis (Fund liability)	**Change**					
At valuation assumptions:		**46 000**	49 996	54 975	40 706	47 255
Discount rate	+1%	**44 568**	48 333	52 630	39 050	45 267
	-1%	**47 570**	51 815	57 561	42 532	49 451
Expected rate of salary increases	+1%	**47 061**	51 276	56 912	42 086	48 931
	-1%	**45 052**	48 819	53 180	39 447	45 021
No salary increases		**41 225**	43 431	44 941	33 832	38 810

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	Corporation				
	2015	2014	2013	2012	2011
	R'000	R'000	R'000	R'000	R'000
16.2.2 Defined Benefit Provident Fund (closed fund)					
Amounts recognised in the balance sheet are as follows:					
Present value of funded obligations	**29 445**	28 380	29 929	26 145	28 278
Fair value of plan assets	**(42 126)**	(35 525)	(28 637)	(30 399)	(30 013)
	(12 681)	(7 145)	1 292	(4 254)	(1 735)
Unrecognised actuarial gain	**12 681**	7 145	-	4 254	1 735
Liability at end of year	**-**	-	1 292	-	-

The Trustees have not yet apportioned the surplus in the fund to the employer, thus no surplus has been recognised in the balance sheet.
The movement in the defined benefit obligation over the year is as follows:

	2015	2014	2013	2012	2011
Balance at beginning of year	**28 380**	29 929	26 145	28 278	24 809
Interest cost	**1 969**	1 962	1 849	2 140	2 005
Current service cost	**1 063**	938	937	1 036	1 184
Benefits paid	**(5 323)**	(3 165)	(2 512)	(4 362)	(3 485)
Contributions by plan participants (employees)	**480**	380	365	427	473
Benefit increase/(decrease)	**-**	1 179	(2 436)	-	-
Actuarial (gain)/loss on obligation	**2 876**	(2 843)	5 581	(1 374)	3 292
Balance at end of year	**29 445**	28 380	29 929	26 145	28 278
The movement in the fair value of plan assets over the year is as follows:					
Balance at beginning of year	**35 525**	28 637	30 399	30 013	28 162
Expected return on assets	**2 484**	2 995	2 422	2 315	2 516
Contributions received	**1 171**	1 012	1 169	1 000	1 179
Benefits paid	**(5 323)**	(3 165)	(2 512)	(4 362)	(3 485)
Investment gain/(loss) on assets	**8 269**	6 046	(2 841)	1 433	1 641
Balance at end of year	**42 126**	35 525	28 637	30 399	30 013
Amounts recognised in the income statement are as follows:					
Current service cost	**1 063**	938	937	1 242	1 184
Interest cost	**1 969**	1 962	1 849	2 140	2 005
Expected return on plan assets	**(2 484)**	(1 865)	(2 422)	(2 533)	(2 516)
Benefit (decrease)/increase	**-**	(3 292)	2 931	-	-
Recognised actuarial (gains)/losses	**-**	-	-	(417)	(75)
	548	(2 257)	3 295	432	598
Plan assets portfolio:					
Investment assets	**44 034**	34 540	28 828	31 905	31 008
Net current liabilities	**(1 908)**	985	(191)	(1 506)	(995)
	42 126	35 525	28 637	30 399	30 013
Effective rate of return on plan assets (actual)	**15,96%**	21,53%	7,48%	9,98%	4,60%

		Corporation				
		2015	2014	2013	2012	2011
		R'000	R'000	R'000	R'000	R'000
The principal actuarial assumptions at balance sheet date (expressed as weighted averages) were as follows:						
Discount rate (Annualised Yield on R208, 2014: R208)		**7,30%**	8,50%	6,50%	8,00%	8,30%
Expected rate of return on plan assets		**7,30%**	8,50%	9,50%	9,00%	9,00%
Future salary increases (inflation plus 1%)		**6,90%**	7,60%	7,40%	7,30%	6,90%
Inflation		**5,90%**	6,60%	6,40%	6,30%	5,90%
Sensitivity analysis (Fund liability)	**Change**					
At valuation assumptions:		**29 186**	28 932	29 616	26 145	23 246
Discount rate	+1%	**28 277**	27 955	28 352	25 081	22 126
	-1%	**30 182**	30 001	31 009	27 318	24 491
Expected rate of salary increases	+1%	**29 859**	29 692	30 659	27 031	24 351
	-1%	**28 584**	28 236	28 654	25 336	22 252
No salary increases		**26 156**	25 040	24 210	21 730	18 072

The overall expected rate of return is a weighted average of the expected returns of the various categories of fund assets held. The Director's assessment of the expected returns is based on historical trends and analysts' predictions of the market for the asset over the life of the related obligation.

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000

16.3.Long service obligation

The Company provides long service awards to permanent employees in the form of cash from 10 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 7,5% (2014: 8,5%) and an average salary inflation of 6,2% (2014: 7,3%).

The most recent actuarial valuation of the long service awards was carried out for the current financial year by Alexander Forbes, fellow of the Institute of Actuaries of South Africa. The present value of the liability was measured using the Projected Unit Credit Method.

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
Balance at beginning of year	**21 614**	21 632	**11 673**	11 742
Expensed during the year	**4 256**	3 444	**2 363**	2 203
Contributions paid	**(2 818)**	(1 380)	**(1 689)**	(865)
Unrecognised actuarial gain	**3 559**	(2 082)	**1 891**	(1 407)
Balance at end of year	**26 611**	21 614	**14 238**	11 673
Amounts recognised in the income statement are as follows:				
Present value of unfunded obligations	**30 170**	19 532	**16 129**	10 266
Unrecognised actuarial gain	**(3 559)**	2 082	**(1 891)**	1 407
Liability at end of year	**26 611**	21 614	**14 238**	11 673

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		Group		Corporation	
		2015	2014	2015	2014
		R'000	R'000	R'000	R'000
16.3. Long service obligation (continued)					
Amounts recognised in the income statement are as follows:					
Current service cost		2 340	1 956	1 330	1 379
Interest cost		1 916	1 488	1 033	824
Net actuarial loss recognised in the year		3 559	(2 082)	1 891	(1 407)
		7 815	1 362	4 254	796
Membership statistics:					
In-service members		830	887	453	451
Sensitivity Analysis - unfunded accrued liability					
Assumptions	**Change**				
Central assumptions:		26 612	21 614	14 238	11 673
CPI inflation	+1%	28 686	23 030	15 265	12 372
	-1%	24 755	20 331	13 314	11 036
Average retirement age	-2 years	18 431	18 431	9 540	9 540
	+2 years	24 328	24 328	13 329	13 329
Withdrawal rates	-50%	25 724	25 724	13 422	13 422
17. GOVERNMENT GRANTS					
17.1. Government grants - deferred income					
BEE risk fund		10 334	10 574	10 334	10 574
Share participation		12 686	12 686	12 686	12 686
Co-operatives - business		20 369	33 215	20 369	33 215
Co-operatives - agriculture		170	170	170	170
SMME on-lending		17 341	-	17 341	-
Ndumo		35 800	-	35 800	-
Ntingwe		5 319	-	5 319	-
Business support (SBDA Fund)		-	37 000	-	37 000
		102 019	93 645	102 019	93 645
17.2. Government grants - other					
EDTEA equity fund		120	61 970	120	61 970
Department of Economic Development, Tourism and Environmental Affairs		-	817	-	817
		120	62 787	120	62 787
Total Government grants		102 139	156 432	102 139	156 432

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
18. TRADE AND OTHER PAYABLES				
Trade creditors	**14 475**	14 225	**7 744**	10 496
Accruals	**53 534**	45 504	**41 020**	34 721
South African Revenue Service	**10 050**	2 883	**4 360**	1 259
Accrual for audit fee	**6 601**	6 669	**2 655**	2 773
Sundry creditors	**72 143**	54 081	**50 067**	37 171
Accrual for leave pay	**30 551**	30 041	**19 124**	17 702
Accrual for bonus pay	**3 218**	3 214	**1 574**	1 450
	190 572	156 617	**126 544**	105 572

The provision for audit fees is determined based on the audit fee to be incurred for the financial year under review. The audit fee is approved by the Audit Committee.

The provision for bonuses relates to a 13th cheque payable to A – C band employees only that are employed by the Company at the time of payment, being annually in November each year.

Included in sundry creditors is an amount of R7,1 million pertaining to a CCMA award to an ex-employee as disclosed in Note 30 to the Annual Financial Statements.

	Group		Corporation	
	2015	2014	**2015**	2014
19. INTEREST				
19.1. Interest income				
Balances with banks and short-term funds	**59 672**	58 441	**11 427**	23 094
Advances	**248 040**	197 607	**82 686**	52 906
Other	**35**	18	**35**	18
	307 747	256 066	**94 148**	76 018
Analysis per financial instrument category				
Interest on financial assets at amortised cost	**307 747**	256 066	**94 148**	76 018
19.2. Interest expenditure				
Interest on:				
Savings and deposit accounts	**71 477**	55 653	**-**	-
Borrowings	**10 534**	10 560	**5 729**	5 998
	82 011	66 213	**5 729**	5 998
Analysis per financial instrument category				
Interest on financial liabilities at amortised cost	**82 011**	66 213	**5 729**	5 998
20. OTHER OPERATING INCOME	**1 017 698**	1 026 045	**795 425**	915 165
Other operating income is stated after crediting the following items:				
20.1. (Loss)/surplus on sale of investment properties, property, plant and equipment and properties in possession	**(7 191)**	1 203	**(2 630)**	1 750

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	Group		Corporation	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
20.2. Profit/(loss) on valuation of listed investments	3 362	(1 195)	3 362	(1 195)
20.3. Dividends received	1 334	1 143	1 334	57 462
Listed investments	1 334	1 143	1 334	1 143
Unlisted investments	-	-	-	56 319
20.4. Grants applied	245 601	306 146	193 505	306 146
Co-operatives on-lending	12 846	4 219	12 846	4 219
SMME on-lending	130 659	196 927	130 659	196 927
Ithala SOC Limited restructuring	52 096	-	-	-
Share capital Ithala SOC Limited	50 000	105 000	50 000	105 000
20.5. Rental received	288 595	280 466	259 015	251 186
20.6. Sale of electricity, water and sewage	220 325	211 258	220 325	211 258
20.7. Fees, commission and services recovered	141 441	154 682	37 439	34 134
21. OPERATING EXPENDITURE	1 020 737	977 247	691 901	674 509
Operating expenditure is stated after charging/(crediting) the following items:				
21.1. Auditor's remuneration				
Audit fees - current year	7 775	7 720	3 222	2 974
21.2. Depreciation of investment properties	19 787	20 867	18 178	19 368
21.3. Depreciation of property, plant and equipment	21 080	21 905	6 483	7 478
21.4. Amortisation of intangible assets	7 886	4 549	6 291	3 601
21.5. Non-credit related impairments				
Amounts due from subsidiaries	-	-	3 011	10 405
Property plant and equipment	375	-	375	-
Inventory and contracts in progress	(19 442)	-	(19 442)	-
Investment properties	(14 107)	(452)	(14 107)	(452)
	(33 174)	(452)	(30 163)	9 953

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
21.6. Professional fees	**24 701**	20 711	**15 404**	11 634
21.7. Purchases of electricity, water and sewage	**163 838**	165 664	**163 838**	165 664
21.8. Rent, rates and utilities	**124 309**	115 977	**89 119**	83 613
21.9. Loss on disposal of major activities of subsidiary/waiver of loan - Refer to note 6.3	**-**	56 319	**-**	56 319
21.10. Directors' emoluments				
Emoluments paid to Executive Directors:				
YEN Zwane - Group Chief Executive	**2 801**	2 319	**2 801**	2 319
Emoluments paid to Non-Executive Directors:				
MSV Gantsho - Chairman	**996**	919	**996**	919
AN Zondi (Passed away 4 May 2014)	**14**	278	**14**	278
NNA Matyumza	**601**	606	**409**	383
BC Bam	**423**	381	**423**	381
B Ngonyama	**425**	176	**-**	-
DM McLean	**1 378**	993	**802**	373
GNJ White (Resigned 30/09/2014 Corporation and appointed 01/09/2014 Ithala SOC Limited)	**1 128**	835	**324**	555
KPM Simelane	**109**	129	**-**	-
L Van Lelyveld (Resigned 31/03/2014)	**-**	175	**-**	-
MF Kekana (Resigned 30/04/2013 Corporation and appointed 07/05/2013 Ithala SOC Limited)	**921**	404	**-**	47
M Mia	**520**	185	**-**	-
MC Clark	**183**	221	**-**	-
M Mosidi	**50**	48	**50**	48
N Khambule (Resigned 30/06/2014)	**73**	285	**73**	285
NN Afolayan	**373**	332	**373**	332
RS Garach	**230**	241	**-**	-
S Ngidi	**335**	169	**-**	-
W Jacobs	**710**	670	**390**	350
VJ Klein (Appointed 26/11/2014)	**123**	-	**-**	-
	8 593	7 047	**3 853**	3 951

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	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
21.11. Executive management remuneration				
BTT Mathe	**1 899**	1 672	**1 899**	1 672
B Silungwe	**1 576**	1 524	**1 576**	1 524
F Ferguson	**2 131**	1 947	**2 131**	1 947
G White (appointed 01/09/2014)	**1 192**	-	**-**	-
MM Matibe	**1 794**	1 578	**1 794**	1 578
NW Nhlangulela	**2 048**	1 681	**2 048**	1 681
P Ireland	**1 716**	1 635	**-**	-
S Madondo (resigned 13/06/2014)	**2 444**	2 112	**2 444**	2 112
SV Khoza - Chief executive officer Ithala SOC Limited (resigned 01/09/2014)	**2 799**	1 881	**-**	-
	17 601	14 030	**11 892**	10 514
21.12. Personnel costs	**359 053**	320 170	**214 551**	182 341

Included in personnel costs is R4,2 million (2014: R4,3 million) paid in respect of staff costs for Ntingwe Tea (Pty) Ltd in terms of an agreement between Ithala and the Department of Agriculture.

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
21.13. Contribution to retirement benefit schemes**				
Defined benefit schemes	**1 506**	1 438	**903**	852
Defined contribution schemes	**18 712**	15 259	**10 034**	9 169
	20 218	16 697	**10 937**	10 021
**Includes contributions paid on behalf of key management personnel	**1 674**	2 085	**1 239**	1 651

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
21.14. Value Added Taxation (not claimed)	**9 845**	11 975	**1 403**	2 663
22. TAXATION				
22.1. Indirect taxation				
Skills development levies	**2 696**	2 399	**1 677**	1 496
	2 696	2 399	**1 677**	1 496
22.2. Direct taxation				
South African normal taxation	**4 398**	4 529	**-**	-
Deferred taxation	**(112)**	420	**-**	-
	4 286	4 949	**-**	-

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 Section10(1)(cA)(ii) of the Income Tax Act.

Subsidiaries that are not wholly-owned are subject to normal taxation.

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
23. NOTES TO CASH FLOW STATEMENT				
23.1. Cash generated from operating activities				
Net income before taxation	**129 169**	138 399	**118 785**	243 816
Adjustment for non-cash items:				
Landfill sites provision	**(14 027)**	-	**(14 027)**	-
Straightlining of operating lease income and expenditure	**(2 340)**	(1 742)	**(1 956)**	(134)
Depreciation and amortisation	**48 753**	47 321	**30 952**	30 448
Impairment of assets and inventory	**(33 174)**	(452)	**(33 174)**	(452)
Credit impairment for loans and advances	**75 082**	75 961	**56 347**	46 288
Movement in other provisions	**(2 712)**	2 186	**(2 282)**	490
(Profit)/loss on disposal of assets	**7 192**	(1 203)	**2 630**	(1 750)
Post-retirement provision	**10 649**	6 591	**7 293**	4 933
Long service obligation provided and actuarial gains	**7 815**	1 362	**4 254**	796
Movement in non-controlling interest	**(55)**	-	**-**	-
Revaluation of shares	**(3 362)**	1 195	**(3 362)**	1 195
	222 990	269 618	**165 460**	325 630

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	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
23.2. Decrease/(increase) in working capital				
Trade and other payables	**34 370**	22 738	**20 972**	14 166
Trade and other receivables	**42 558**	(15 460)	**43 004**	(30 486)
Inventory and contracts in progress	**37 099**	(707)	**36 774**	(502)
	114 027	6 571	**100 750**	(16 822)
23.3. Taxation paid				
Opening balance	**259**	173	**-**	-
Charge for the year	**(4 398)**	(4 529)	**-**	-
Closing balance	**(674)**	(259)	**-**	-
Taxation paid	**(4 813)**	(4 615)	**-**	-
24. COMMITMENTS				
24.1. Capital commitment				
Authorised but not yet contracted	**26 860**	218 448	**26 860**	172 335
Authorised and contracted	**113 392**	153 553	**93 300**	134 508
	140 252	372 001	**120 160**	306 843
24.2. Operating lease commitments				
The future minimum lease payments under non-cancellable leases are as follows:				
Next 12 months	**12 544**	17 735	**732**	720
From 1 - 5 years	**9 155**	19 037	**3 887**	3 806
Later than 5 years	**22 058**	22 871	**22 058**	22 871
Total future cash flows	**43 757**	59 643	**26 677**	27 397
Straight-lining of operating lease expenditure accrued on balance sheet:	**(6 008)**	(6 300)	**(5 553)**	(5 538)
Long-term portion	**(6 012)**	(6 316)	**(5 557)**	(5 554)
Short-term portion	**4**	16	**4**	16
Future expenses	**37 749**	53 343	**21 124**	21 859
Total commitments	**178 001**	425 344	**141 284**	328 702

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The Company as a lessee has entered into 16 (2014:16) related party lease agreements with the holding company. These contracts, in aggregate, amount to R8,0 million (2014: R12,9 million). The Company has entered into commercial leases for premises. These lease agreements contain clauses indicating an average lease period of five years and, in some instances, a one-term renewal option. Operating lease commitments have been calculated on the original lease term. No renewal periods have been considered due to the uncertainties, amongst others, around the amount to be paid on renewal.

Unutilised facilities on advances at statement of financial position date was R9,7 million (2014: R39,2 million)

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
25. CONTINGENT LIABILITIES				
25.1. Guarantees issued				
Loans by petrol companies to service station operators	**131**	131	**131**	131
South African Insurance Association	**3 000**	3 000	**-**	-
Eskom guarantees	**6 066**	6 066	**5 985**	5 985
eThekwini Municipality	**111**	111	**111**	111
Enza Construction (Pty) Ltd *	**5 210**	5 210	**5 210**	5 210
WBHO Construction *	**20 000**	27 000	**20 000**	27 000
Total	**34 518**	**41 518**	**31 437**	**38 437**

*Builders guarantees issued in the ordinary course of business.

No material losses are anticipated as a result of these transactions.

25.2 Legal matters

The Company is currently opposing (defendent) in certain claims that have been instituted against it by various parties. As at year-end, the outcome of the following legal disputes is considered uncertain.

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- Claim for loss of income of R4,4 million in respect of a contract that was re-awarded to another service provider.
- Claim of R0,2 million in respect of payments withheld to settle penalties.
- Claim of R3,6 million for specific performance in that Ithala Corporation be compelled to transfer property sold in 2003.
- Claim of R14,2 million for damages in respect of an alleged early lease termination.

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- Claim for loss of income of R2,8 million arising from early termination of a written service level agreement which was due to expire on 31 March 2010. The applicant alleged that the agreement was to have been extended, based on a verbal agreement, for a further three years until 31 March 2012.

- Claim for damages of R0,3 million arising from incorrect investment advice given by a branch manager.

- Disputed dismissal case being arbitrated at CCMA. Due to the sensitive nature of the case, further disclosures may be prejudicial to the outcome of the case.

- Claim for damages of R4,2 million in respect of a failed development project on the grounds that the Company did not advance the loan applied for, which the Company is defending on the basis that the claimant failed to meet the conditions of the loan.

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	Group		Corporation	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
26. DEFERRED TAXATION				
Deferred taxation liability comprises:				
- Provision for doubtful debts	(1 328)	(734)	-	-
- Straight-line rental debtors	2 413	1 756	-	-
- Provision for straight-line rental debtors	(91)	125	-	-
- Assessed losses	(8)	(50)	-	-
	986	1 097	-	-
The movement is reconciled as follows:				
Balance at beginning of year	(1 097)	(678)	-	-
Movement during the year:				
- Provision for doubtful debts	226	881	-	-
- Straight-line rental debtors	(38)	(1 263)	-	-
- Provision for straight-line rental debtors	(62)	(108)	-	-
- Assessed losses	(15)	71	-	-
	(986)	(1 097)	-	-

27. RELATED PARTIES

Parent/holding company
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 arm's length transactions.

	Loans granted	Outstanding balance	Arrears	Specific impairment charge	Security amount	Interest received
	R'000	R'000	R'000	R'000	R'000	R'000
27.1. Loans to Members of the Provincial Legislature, senior management of the Department of Economic Development, Tourism and Environmental Affairs						
Entities controlled or jointly controlled or significantly influenced by any individual referred to above:						
2015						
Corporation	**14 175**	**12 956**	**-**	**-**	**12 260**	**630**
2014						
Corporation	14 175	13 303	-	-	12 336	1 025

	Loans granted	Outstanding balance	Arrears	Specific impairment charge	Security amount	Interest received
	R'000	R'000	R'000	R'000	R'000	R'000

27.2. Loans to key management personnel

These are individuals responsible for planning, directing and controlling the activities of the Company, namely Non-Executive Directors and Executive Management of Ithala Development Finance Corporation, its subsidiaries and associated companies.

	Loans granted	Outstanding balance	Arrears	Specific impairment charge	Security amount	Interest received
2015						
Corporation	**39 016**	**34 600**	**815**	**7 051**	**18 454**	**3 230**
Ithala SOC Limited	**6 868**	**9 466**	**-**	**-**	**10 399**	**702**
2014						
Corporation	4 000	3 907	3 907	1 546	4 202	-
Ithala SOC Limited	5 869	4 791	-	-	5 499	271

Specific credit impairments of R7,1 million (2014: R1,5 million) have been recognised in respect of loans to Executive and Non-Executive Directors. These loans are secured by mortgage bonds over properties. These transactions occur under terms that are no more favourable to those entered into with third parties at arm's length except for housing loans where all full-time employees qualify for the prime overdraft rate less 1,75%.

	Corporation	
	2015	2014
	R'000	R'000
27.3. Transactions between the Corporation and its subsidiaries		
These are wholly-owned subsidiaries of the Corporation. These amounts are therefore only included in the Corporation accounts and are eliminated on consolidation.		
Bank charges received	(94)	(80)
Interest paid on customer deposits and retention accounts	2 335	135
Shared services	16 385	18 785
Rental	4 600	3 976
Recovery of operating expenses	(2 696)	(2 289)
Insurance recovery	(2 496)	(2 496)
The outstanding balances of the current and shareholders loan accounts:		
Outstanding balance on savings and fixed deposits	(3 705)	63 337
Ithala Development Finance Corporation inter-company balance	(8 181)	(10 152)

Details of movements in inter-company loans are disclosed in Annexure 2.

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	Deposits due	Interest expense	Outstanding balance	Fees received
	R'000	R'000	R'000	R'000
27.4. KwaZulu-Natal Provincial Government				
2015				
Group				
KwaZulu-Natal Local Government	**26 134**	**1 478**	-	-
Department of Agriculture	**1 138**	**23**	-	-
Department of Human Settlements	**12 694**	**264**	-	-
Department of Education	-	-	**15 635**	-
Department of Health	**3 260**	**12**	**21 064**	-
Total	**43 226**	**1 777**	**36 699**	-
Corporation				
Department of Education	-	-	15 635	-
Department of Health	-	-	21 064	-
Total	-	-	36 699	-
2014				
Group				
Department of Corporate Governance and Traditional Affairs	26 030	1 273	-	-
Department of Agriculture	1 116	17	-	-
Department of Human Settlements	12 431	192	-	-
Department of Education	-	-	30 461	1 040
Department of Health	1 402	5	29 673	6
Total	40 979	1 487	60 134	1 046
Corporation				
Department of Education	-	-	30 461	1 040
Department of Health	-	-	29 673	6
Total	-	-	60 134	1 046

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000

28. CHANGE IN ESTIMATES

28.1. Property, plant and equipment

Equipment is depreciated over its useful life taking into account their 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 2015	Group 2014	Corporation 2015	Corporation 2014
Effect on statement of financial fosition:				
Increase in net book value	**6 069**	4 877	**5 377**	4 185
Effect on statement of comprehensive income:				
Decrease in depreciation	**(6 069)**	(4 877)	**(5 377)**	(4 185)

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
28.2. Infrastructure - landfill site				

The estimated useful life of the sites have increased from 25 to 35 years resulting in a reduction in depreciation. The effect of the change in estimate during the current year is as follows:

Effect on statement of financial position:				
Increase in net book value	**2 238**	514	**2 238**	514
Effect on statement of comprehensive income:				
Decrease in depreciation	**(2 238)**	(514)	**(2 238)**	(514)
29. FRUITLESS AND WASTEFUL EXPENDITURE	**792**	-	**-**	-

The Group incurred fruitless and wasteful expenditure in the current year, mainly on interest and penalties payable to the South African Revenue Service for late and non-payment of VAT, PAYE and provisional tax (2014: Rnil)

30. EVENTS AFTER DATE OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In July 2015, a CCMA award was made to an ex-employee of Ithala. Ithala has applied to the Labour Court to review the award. An amount of R6,7 million is therefore being held in trust by Ithala's attorneys pending the outcome of the the review of this CCMA decision.
A provision in respect of the award plus costs is included in Note 18 to the Annual Financial Statements.

31. IRREGULAR EXPENDITURE				
Opening balance	**4 999**	-	**4 580**	-
Add: Irregular expenditure – current year	**11 206**	5 397	**7 154**	4 880
Add: Prior year amounts identified in current year	**11 119**	2 140	**9 087**	2 140
Less: Amounts condoned	**(19 132)**	(2 538)	**(18 712)**	(2 440)
Irregular expenditure awaiting condonation	**8 192**	4 999	**2 109**	4 580
Analysis of expenditure awaiting condonation per age classification				
Current year	**6 161**	2 859	**2 109**	2 440
Prior years	**2 031**	2 140	**-**	2 140
Total	**8 192**	4 999	**2 109**	4 580

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		Group		Corporation	
		2015	2014	**2015**	2014
		R'000	R'000	**R'000**	R'000
31. IRREGULAR EXPENDITURE (continued)					
Incident	**Disciplinary steps taken/ criminal proceedings**				
Non-compliance with supply chain management policies	Disciplinary action in progress	**11 780**	1 821	**11 780**	1 821
Non-compliance with supply chain management policies	Employee resigned	**656**	633	**656**	535
Non-compliance with supply chain management policies and human resources policies	Contracts of employees terminated and civil and criminal investigations commenced	**2 411**	-	**-**	-
Non-compliance with supply chain management policies	To be forwarded to Board for condonation	**5 782**	4 999	**2 109**	4 580
Non-compliance with supply chain management policies	Warnings given	**1 696**	84	**1 696**	84
Total		**22 325**	7 537	**16 241**	7 020
Incident	**Condoned by**				
Non-compliance with supply chain management policies	Accounting Authority	**19 132**	2 538	**18 712**	2 440
Total		**19 132**	2 538	**18 712**	2 440

32. FINANCIAL RISK MANAGEMENT

Introduction

The Board has adopted an integrated risk management strategy in which internal audit, compliance and other specialist functions operate within the Enterprise-Wide Risk Management (ERM) framework.

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 has delegated the responsibility for risk management to three Board Sub-Committees, namely the Enterprise Risk Committee, the Audit Committee and the Human Resources 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 risk and operational risk.

32.1. Credit Risk

Credit risk is the risk of potential loss from the failure of customers, clients or counter parties to fulfil obligations to the Group. In order to minimise the potential for loss, the Group 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 Committee is responsible for management of the Group'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 merit depending on the value and type of transaction, may be 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 Group, 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 Corporation'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.

	Group		Corporation	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000

32. FINANCIAL RISK MANAGEMENT
32.1 Credit Risk (continued)
Credit Risk Concentration

The Group monitors concentrations of credit risk by sector and location. The Group does not have significant exposure to any single counter party or to any group of counter parties with similar characteristics. The Group defines counter parties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed R50 million per counter party at any time during the year. The credit risk on liquid funds and non-derivative financial instruments is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies, excluding those invested with Ithala SOC Limited.

Concentration risk by sector	Group 2015 R'000	Group 2014 R'000	Corporation 2015 R'000	Corporation 2014 R'000
Housing and commercial property	1 469 554	-	-	-
Micro-finance - secured	66 480	-	-	-
Micro-finance - unsecured	57 382	-	-	-
Personnel	4 394	-	4 394	-
Primary agriculture	257 855	-	257 855	-
Manufacturing	54 766	1 505 872	54 766	-
Trade	9 640	50 802	9 640	-
Construction	103 507	73 059	103 507	-
Services	55 456	5 202	55 456	5 202
Tourism	2 585	8 300	2 585	8 300
Property	222 613	318 455	222 613	318 455
Franchise	30 421	75 398	30 421	75 398
Mining	70 709	145 009	70 709	145 009
Logistics	71 447	268 045	71 447	268 045
	2 476 809	2 450 142	883 393	820 409

Concentration risk by location	Group 2015 R'000	Group 2014 R'000	Corporation 2015 R'000	Corporation 2014 R'000
Staff Loans	4 394	5 205	4 394	5 205
Amajuba District	29 216	33 631	29 216	33 631
Ilembe District	131 497	124 914	131 497	124 914
Sisonke District	32 374	31 497	32 374	31 497
eThekwini Metropolitan	446 829	360 474	446 829	360 474
Ugu District	70 631	65 791	70 631	65 791
Umgungundlovu District	48 234	67 777	48 234	67 777
Umkhanyakude District	36 222	44 323	36 222	44 323
Umzinyathi District	2 640	7 782	2 640	7 782
Uthukela District	4 851	7 281	4 851	7 281
Uthungulu District	57 774	52 056	57 774	52 056
Zululand District	18 731	19 678	18 731	19 678
Ithala SOC Limited Loans - KZN Province	1 593 416	1 629 733	-	-
	2 476 809	2 450 142	883 393	820 409

Ithala SOC Limited does not currently record the concentration risk by location but is amending its procedures to include this in future.

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32.1. Credit Risk (continued)

Credit risk exposure

The Group's maximum exposure to credit risk is represented by the balance of outstanding advances, before taking into account the provision for impairment and value of collateral held as security against such exposures and application of grants.

	Group 2015	Group 2014	Corporation 2015	Corporation 2014
	R'000	R'000	R'000	R'000
Credit risk exposures relating to on-balance sheet assets are as follows:				
Assets	3 884 236	3 790 342	1 300 291	1 409 500
Loans and advances	2 476 809	2 450 142	883 393	820 410
Investments	18 308	14 946	18 308	14 946
Trade and other receivables	199 298	222 946	180 701	205 674
Statutory liquid funds	152 493	146 205	-	-
Cash and cash equivalents	1 037 328	956 103	217 889	368 470
Exposure	3 884 236	3 790 342	1 300 291	1 409 500
Credit risk exposures relating to off-balance sheet items are as follows:				
Loan Commitments:	78 132	345 232	68 463	305 968
Housing and commercial property	9 669	39 264	-	-
Primary agriculture	12 991	-	12 991	-
Manufacturing	-	-	-	-
Trade	7 107	-	7 107	-
Construction	40 583	-	40 583	-
Services	195	-	195	-
Tourism	-	-	-	-
Property	1 560	24 347	1 560	24 347
Franchise	2 656	164 367	2 656	164 367
Mining	-	749	-	749
Logistics	3 371	116 505	3 371	116 505
Exposure	78 132	345 232	68 463	305 968

	2015			2014		
	Original carrying amount	Impairment	Carrying amount	Original carrying amount	Impairment	Carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000
32.1. Credit Risk						
Analysis of impairment provisions per sector						
			Group			
Housing and commercial Property	1 469 553	86 760	1 382 793	1 505 872	93 218	1 412 654
Micro-finance - secured	66 479	18 679	47 800	50 802	2 068	48 734
Micro-finance - unsecured	57 382	33 397	23 985	73 059	28 573	44 486
Personnel	4 394	60	4 334	5 205	41	5 164
Primary agriculture	257 855	72 073	185 782	266 412	54 096	212 316
Manufacturing	54 766	9 924	44 842	68 285	24 677	43 608
Trade	9 640	2 970	6 670	5 455	2 318	3 137
Construction	103 507	17 911	85 596	97 619	20 673	76 946
Services	55 456	20 215	35 241	66 951	20 451	46 500
Tourism	2 585	13	2 572	3 127	66	3 061
Property	222 613	6 669	215 944	144 474	6 167	138 307
Franchise	30 421	2 933	27 488	28 645	6 429	22 216
Mining	70 709	32 021	38 688	63 846	31 856	31 990
Logistics	71 449	7 986	63 463	70 390	9 283	61 107
	2 476 809	311 611	2 165 198	2 450 142	299 916	2 150 226
			Corporation			
Personnel	4 394	60	4 334	5 205	41	5 164
Primary agriculture	257 855	72 073	185 782	266 412	54 096	212 316
Manufacturing	54 766	9 924	44 842	68 285	24 677	43 608
Trade	9 640	2 970	6 670	5 455	2 318	3 137
Construction	103 507	17 911	85 596	97 619	20 673	76 946
Services	55 456	20 215	35 241	66 951	20 451	46 500
Tourism	2 585	13	2 572	3 127	66	3 061
Property	222 613	6 669	215 944	144 474	6 167	138 307
Franchise	30 421	2 933	27 488	28 645	6 429	22 216
Mining	70 709	32 021	38 688	63 846	31 856	31 990
Logistics	71 447	7 986	63 461	70 390	9 283	61 107
	883 393	172 775	710 618	820 409	176 057	644 352

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32.1. Credit Risk (continued)

Individually assessed exposures
The Group considers certain exposures to be individually significant warranting an assessment of impairment individually. Furthermore, the Group individually assesses other loans and advances for impairment where they are long overdue, the client shows signs of financial distress and when there is objective evidence that the client is in financial difficulty and, where necessary, a top-up provision is created for such loans.

The Corporation's large exposures are all loans greater than R2,0 million, whilst Ithala SOC Limited's large exposures are the commercial property loans, property development loans and housing loans exceeding R500 000.

	Loan balance	Impairment	Carrying amount	Collateral
	R'000	R'000	R'000	R'000
2015		**Group**		
Housing and commercial property	**54 203**	**34 803**	**19 400**	**42 657**
Primary agriculture	**56 564**	**38 958**	**17 606**	**32 825**
Services	**17 242**	**12 176**	**5 066**	**8 231**
Property	**3 358**	**2 542**	**817**	**1 800**
Mining	**36 380**	**26 339**	**10 041**	**17 264**
Logistics	**3 489**	**2 874**	**614**	**966**
	171 236	**117 692**	**53 544**	**103 743**
2014				
Housing and commercial property	492 421	43 923	448 498	399 173
Agri and agro-processing	3 245	3 240	7	2 031
Construction and tourism	4 148	1 592	2 556	6 188
Manufacturing	38 248	30 086	8 161	20 550
Trade and services	9 170	5 674	3 496	8 832
	547 232	84 515	462 718	436 774
2015		**Corporation**		
Primary agriculture	**56 564**	**38 958**	**17 606**	**32 825**
Services	**17 242**	**12 176**	**5 066**	**8 231**
Property	**3 358**	**2 542**	**817**	**1 800**
Mining	**36 380**	**26 339**	**10 041**	**17 264**
Logistics	**3 489**	**2 874**	**614**	**966**
	117 033	**82 889**	**34 144**	**61 086**
2014				
Agri and agro-processing	3 246	3 240	6	2 031
Construction and tourism	4 148	1 592	2 556	6 188
Manufacturing	5 933	5 353	580	1 783
Services	6 147	3 054	3 093	7 275
Property	3 023	2 620	403	1 557
Mining	32 315	24 737	7 581	18 767
	54 812	40 596	14 219	37 601

32.1. Credit Risk

Credit risk mitigation, collateral and other credit enhancements
The Group uses various techniques to reduce credit risk on its lending activities to an acceptably low level. The most fundamental technique is performing assessments on borrowers liquidity and solvency standing to assess the ability to service the advanced amount without distress. In addition to measures used to reduce credit risk, the Group obtains collateral from borrowers which is held as security against the funds advanced. The Group holds the following collateral against the funds it has advanced.

Assets subject to credit risk on balance sheet	Type of collateral
Loans and advances	Bonds over properties
	Equipment
	Fixed deposit certificates
	Cession over life assurance
	Cession over income
	Cession over shares
	Deeds of suretyship

	Group		Corporation	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
Valuation of collateral				
The fair value of collateral held at balance sheet date was as follows:				
Housing and commercial property	**1 323 046**	1 632 170	**-**	-
Primary agriculture	**249 285**	321 428	**249 285**	321 428
Manufacturing	**16 138**	46 736	**16 138**	46 736
Trade	**6 334**	5 359	**6 334**	5 359
Construction	**58 396**	63 662	**58 396**	63 662
Services	**21 499**	56 132	**21 499**	56 132
Tourism	**3 869**	3 617	**3 869**	3 617
Property	**167 676**	162 278	**167 676**	162 278
Franchise	**7 507**	10 585	**7 507**	10 585
Mining	**29 455**	33 988	**29 455**	33 988
Logistics	**32 320**	47 551	**32 320**	47 551
	1 915 525	2 383 506	**592 479**	751 336
Enforcement of collateral				
Carrying amounts of assets held as a result of enforcement of collateral were as follows:				
Properties in possession:				
Opening balance	**25 236**	18 019	**11 764**	6 885
Acquisitions	**5 362**	12 222	**4 108**	8 041
Disposals	**(12 605)**	(5 005)	**(10 634)**	(3 162)
Closing balance	**17 993**	25 236	**5 238**	11 764

The assets held by the Group as a result of enforcement of collateral consists of shops, shopping complexes, farms, residential properties, equipment, vacant land, plant and machinery.

Loans and advances past due and not impaired
Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

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	< 30 days past due	30 - 60 days past due	60 - 90 days past due	> 90 days past due	Total
	R'000	R'000	R'000	R'000	R'000
32.1. Credit Risk (continued)					
Loans and advances past due and not impaired					
2015			Group		
Housing and commercial property	7 810	9 406	10 924	38 689	66 829
Micro-finance - secured	1 847	1 082	912	5 226	9 067
Micro-finance - unsecured	159	228	47	1 792	2 226
Primary agriculture	116	367	689	1 093	2 265
Manufacturing	-	27	311	80	418
Trade	-	2	-	13	15
Construction	7	581	4 064	188	4 840
Services	17	75	-	24	116
Property	208	-	15	-	223
Franchise	-	4	9	-	13
Logistics	28	-	436	-	464
	10 192	11 772	17 407	47 105	86 476
2014			Group		
Housing and commercial property	27 908	9 324	7 708	34 399	79 339
Micro-finance - secured	-	168	-	1 411	1 579
Micro-finance - unsecured	397	262	475	5 363	6 497
Personnel	-	2	-	-	2
Primary agriculture	201	68	-	3 377	3 646
Manufacturing	14	-	-	250	264
Construction	2 453	3 637	-	132	6 222
Services	11	150	412	268	841
Property	-	-	-	23	23
	30 984	13 611	8 595	45 223	98 413

	< 30 days past due	30 - 60 days past due	60 - 90 days past due	> 90 days past due	Total
	R'000	R'000	R'000	R'000	R'000
32.1. Credit Risk **Loans and advances past due and not impaired**					
2015			Corporation		
Primary Agriculture	116	367	689	1 093	2 265
Manufacturing	-	27	311	80	418
Trade	-	2	-	13	15
Construction	7	581	4 064	188	4 840
Services	17	75	-	24	116
Property	208	-	15	-	223
Franchise	-	4	9	-	13
Mining	-	-	-	-	-
Logistics	28	-	436	-	464
	376	1 056	5 524	1 398	8 354
2014			Corporation		
Personnel	-	2	-	-	2
Primary agriculture	201	68	-	3 377	3 646
Manufacturing	14	-	-	250	264
Construction	2 453	3 637	-	132	6 222
Services	11	150	412	268	841
Property	-	-	-	23	23
	2 679	3 857	412	4 050	10 998

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	< 30 days past due	30 - 60 days past due	60 - 90 days past due	> 90 days past due	Total
	R'000	R'000	R'000	R'000	R'000
32.1. Credit Risk (continued)					
Loans and advances past due and impaired					
2015			**Group**		
Housing and commercial property	-	-	-	**86 563**	**86 563**
Personnel	-	-	-	**37**	**37**
Primary agriculture	-	-	-	**18 703**	**18 703**
Manufacturing	-	-	-	**2 778**	**2 778**
Trade	-	-	-	**3 065**	**3 065**
Construction	-	-	-	**13 436**	**13 436**
Services	-	-	-	**19 911**	**19 911**
Property	-	-	-	**1 753**	**1 753**
Franchise	-	-	-	**468**	**468**
Mining	-	-	-	**14 673**	**14 673**
Logistics	-	-	-	**3 762**	**3 762**
	-	-	-	**165 149**	**165 149**
2014			Group		
Housing and commercial property	-	-	-	125 881	125 881
Personnel	-	-	-	9	9
Primary agriculture	-	-	-	22 655	22 655
Manufacturing	-	-	-	6 842	6 842
Trade	-	-	-	3 161	3 161
Construction	-	-	-	16 509	16 509
Services	-	-	-	19 510	19 510
Property	-	-	-	1 258	1 258
Franchise	-	-	-	246	246
Mining	-	-	-	10 295	10 295
Logistics	-	-	-	2 883	2 883
	-	-	-	209 249	209 249

	< 30 days past due	30 - 60 days past due	60 - 90 days past due	> 90 days past due	Total
	R'000	R'000	R'000	R'000	R'000
32.1. Credit Risk					
Loans and advances past due and impaired					
2015			**Corporation**		
Personnel	-	-	-	**37**	**37**
Primary agriculture	-	-	-	**18 703**	**18 703**
Manufacturing	-	-	-	**2 778**	**2 778**
Trade	-	-	-	**3 065**	**3 065**
Construction	-	-	-	**13 436**	**13 436**
Services	-	-	-	**19 911**	**19 911**
Property	-	-	-	**1 753**	**1 753**
Franchise	-	-	-	**468**	**468**
Mining	-	-	-	**14 673**	**14 673**
Logistics	-	-	-	**3 762**	**3 762**
	-	-	-	**78 586**	**78 586**
2014			Corporation		
Personnel	-	-	-	9	9
Primary agriculture	-	-	-	22 655	22 655
Manufacturing	-	-	-	6 842	6 842
Trade	-	-	-	3 161	3 161
Construction	-	-	-	16 509	16 509
Services	-	-	-	19 510	19 510
Property	-	-	-	1 258	1 258
Franchise	-	-	-	246	246
Mining	-	-	-	10 295	10 295
Logistics	-	-	-	2 883	2 883
	-	-	-	83 368	83 368

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	Group		Corporation	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
32.1. Credit Risk (continued)				
Fair value of collateral for loans past due and impaired				
Housing and commercial property	78 510	87 775	-	-
Primary agriculture	83 100	67 681	83 100	67 681
Manufacturing	3 468	2 528	3 468	2 528
Trade	789	2 008	789	2 008
Construction	5 622	15 623	5 622	15 623
Services	15 603	22 264	15 603	22 264
Property	20 300	1 827	20 300	1 827
Franchise	455	652	455	652
Mining	17 455	15 474	17 455	15 474
Logistics	2 267	2 697	2 267	2 697
	227 569	218 529	149 059	130 754

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 has 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 2015	Group 2014	Corporation 2015	Corporation 2014
Continuing to be impaired after rescheduling:				
Franchise	-	719	-	719
Non–impaired after rescheduling – would otherwise have been impaired:				
Primary agriculture	-	21 535	-	21 535
Construction	4 425	168	4 425	168
Logistics	-	2 292	-	2 292
Non–impaired after rescheduling – would otherwise not have been impaired:				
Primary agriculture	9 512	24 060	9 512	24 060
Manufacturing	-	1 793	-	1 793
Construction	5 644	6 019	5 644	6 019
Services	33	3 817	33	3 817
Logistics	3 254	-	3 254	-
	22 868	60 403	22 868	60 403

Write-off policy
Business loans are written-off when management determines that the loan is uncollectible and that security held against the loan is unrealisable. This determination is made after all recovery efforts, including litigation have been exhausted.

32.2 Liquidity Risk
Liquidity risk is the risk that the Group will be unable to service payment obligations in a timely manner or fund asset growth.

The Group's Board of Directors sets the Group strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation thereof to the Group Enterprise 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 funded in a timely manner.

The key focus areas in managing liquidity risk include, inter-alia:
• 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 Group's expected contractual maturity for its financial liabilities has been 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:

	On demand to 1 month	1 to 6 months	6 months to 1 year	From 1 to 5 years	After 5 years
	R'000	R'000	R'000	R'000	R'000
2015			Group		
Financial assets					
Loans and advances	16 336	97 732	110 847	639 706	1 612 188
Investments at fair value through profit and loss	18 308	-	-	-	-
Trade receivables	37 148	162 150	-	-	-
Statutory liquid assets	152 493	-	-	-	-
Cash and cash equivalents	1 037 328	-	-	-	-
Total assets	1 261 613	259 882	110 847	639 706	1 612 188
Financial liabilities					
Borrowings	7 645	6 246	9 069	46 633	8 096
Liability to depositors	1 154 820	526 656	351 531	39 970	-
Trade payables	190 571	-	-	-	-
Total liabilities	1 353 036	532 902	360 600	86 603	8 096
Net liquidity excess/(shortfall)	(91 423)	(273 020)	(249 753)	553 103	1 604 092
Cumulative liquidity	(91 423)	(364 442)	(614 195)	(61 092)	1 543 000

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	On demand to 1 month	1 to 6 months	6 months to 1 year	From 1 to 5 years	After 5 years
	R'000	R'000	R'000	R'000	R'000
32.2 Liquidity Risk (continued)					
2014			Group		
Financial assets					
Loans and advances	28 356	114 758	108 792	692 418	1 505 818
Investments at fair value through profit and loss	14 946	-	-	-	-
Trade receivables	60 158	162 788	-	-	-
Statutory liquid assets	146 205	-	-	-	-
Cash and cash equivalents	729 103	150 000	75 000	2 000	-
Total assets	978 768	427 546	183 792	694 418	1 505 818
Financial liabilities					
Borrowings	7 973	6 233	9 281	66 035	4 109
Liability to depositors	1 101 323	516 726	313 372	42 008	-
Trade payables	156 617	-	-	-	-
Total liabilities	1 265 913	522 959	322 653	108 043	4 109
Net liquidity excess/(shortfall)	(287 145)	(95 413)	(138 861)	586 375	1 501 709
Cumulative liquidity	(287 145)	(382 558)	(521 419)	64 956	1 566 665
2015			**Corporation**		
Financial assets					
Loans and advances	**16 336**	**52 034**	**65 388**	**302 171**	**447 464**
Investments at fair value through profit and loss	**18 308**	-	-	-	-
Trade receivables	**32 642**	**148 059**	-	-	-
Cash and cash equivalents	**217 889**	-	-	-	-
Total assets	**285 175**	**200 093**	**65 388**	**302 171**	**447 464**
Financial liabilities					
Borrowings	**7 645**	**6 246**	**9 069**	**46 633**	**6 020**
Trade payables	**126 544**	-	-	-	-
Total liabilities	**134 189**	**6 246**	**9 069**	**46 633**	**6 020**
Net liquidity excess/(shortfall)	**150 986**	**193 847**	**56 319**	**255 538**	**441 444**
Cumulative liquidity	**150 986**	**344 833**	**401 152**	**656 690**	**1 098 134**

	On demand to 1 month	1 to 6 months	6 months to 1 year	From 1 to 5 years	After 5 years
	R'000	R'000	R'000	R'000	R'000
2014			Corporation		
Financial assets					
Loans and advances	18 969	70 351	57 580	314 048	359 461
Investments at fair value through profit and loss	14 946	-	-	-	-
Trade receivables	52 199	153 475	-	-	-
Cash and cash equivalents	338 470	30 000	-	-	-
Total assets	424 584	253 826	57 580	314 048	359 461
Financial liabilities					
Borrowings	7 973	6 233	9 281	66 035	1 981
Trade payables	105 572	-	-	-	-
Total liabilities	113 545	6 233	9 281	66 035	1 981
Net liquidity excess/(shortfall)	311 040	247 593	48 299	248 013	357 480
Cumulative liquidity	311 040	558 633	606 932	854 945	1 212 425

32.3. 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.

32.3.1. 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 below 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 2015 would increase or decrease by R1,3 million (2014: R1,6 million). This is mainly attributable to the Group's exposure to interest on its variable financial instruments.

32.3.2. 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 2015. 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 R1,0 million (2014: R0,7 million).

32.3.3. Foreign exchange risks
The Group has no exposure to transactions or balances traded or denominated in foreign currencies.

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32.4. 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 activities 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, the 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. 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.

33. CAPITAL MANAGEMENT - ITHALA SOC LIMITED

Capital requirements

Tier I and Tier II capital comprises issued ordinary shares, share premium, (accumulated loss)/retained income and other regulatory adjustments, such as deduction of intangible assets. (Accumulated loss)/retained income is appropriated to reserves in July annually and, as such, the amounts disclosed exclude profits not approved by the Board.

The capital adequacy assessment process includes identifying the risks that the Company is exposed to, measuring capital requirements for each stand-alone risk and taking into account growth targets. The required capital level is calculated by aggregating the various stand-alone risks and adding a buffer for unforeseen losses. The primary objective of the Company's capital management strategy is to ensure compliance with the Regulator's requirements as well as the maintenance of a strong credit rating and healthy capital adequacy ratios required in order to support its business, maximise shareholder value and instil market and creditor confidence. As at statement of financial position date the capital adequacy ratio was 16,80% (2014:12,23%). The current year level is above the minimum capital adequacy ratio stipulated by the South African Reserve Bank (SARB). Capital planning is an integral part of capital management. The Enterprise Risk Committee has been tasked with assisting the Board in discharging its capital management responsibility and, as such, should there be a need for additional capital this Committee will drive the necessary processes in line with contingency capital planning.

Capital adequacy	Regulatory limit	2015	2014
Capital Adequacy ratio	≥10,00%	**16,80%**	12,23%
Primary share capital and reserve funds adequacy	≥7%	**16,00%**	11,40%
		R'000	R'000
Risk weighted assets			
Risk weighted assets		**921 700**	1 046 331
Risk weighted other assets		**62 477**	79 422
Operational risk		**445 159**	445 159
Total risk weighted assets		**1 429 336**	1 570 912
Capital structure			
Share capital		**190**	295 000
Share premium		**344 810**	-
Reserves		**(108 074)**	(108 611)
Prescribed deductions against capital and reserve funds		**(8 262)**	(7 306)
Total Tier 1 capital		**228 664**	179 083
General provisions		**11 521**	13 079
Total Tier II capital		**11 521**	13 079
Total qualifying capital		**240 185**	192 162

	Group		Corporation	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
34. PROVISION FOR LANDFILL RESTORATION				
Balance at beginning of year	20 000	20 000	20 000	20 000
Finance costs	(11 648)	(109)	(11 648)	(109)
Change in estimates	(2 379)	109	(2 379)	109
Balance at end of year	5 973	20 000	5 973	20 000

The provision is in respect of the restoration of two landfill sites at Ezakheni Industrial Estate. The estimated useful life of the sites have increased from 25 to 35 years resulting in a reduction in the cost of the asset and related finance charges.

35. CELL CAPTIVE INSURANCE FUND				
Unearned premium provision	5 702	5 340	-	-
Re-insurance unearned provision	(813)	(677)	-	-
Gross outstanding claims	951	937	-	-
Deferred acquisition cost	(1 167)	(950)	-	-
Gross incurred but not reported	761	738	-	-
Re-insurance incurred but not reported	(91)	(106)	-	-
Balance at end of year	5 343	5 282	-	-

BORROWINGS - ANNEXURE 1
FOR THE YEAR ENDED 31 MARCH 2015

	Instalment	Date of final repayment	Interest rate %	Group 2015	Group 2014	Corporation 2015	Corporation 2014
				R'000	R'000	R'000	R'000
Development Bank of Southern Africa Ltd							
Repayable in half-yearly instalments	2 457	2018	8,98	13 339	17 049	13 339	17 049
	5 179	2020	8,33	37 417	44 637	37 417	44 637
				50 756	61 686	50 756	61 686
Land and Agricultural Development Bank of South Africa							
Repayable in annual instalments	3 331	2017	6,25	8 204	10 916	8 204	10 916
Khula Enterprise Finance Ltd							
Repayable in monthly instalments	235	2025	4,70	16 653	18 901	16 653	18 901
Sundumbili Plaza Ltd							
No fixed terms of repayment	-	-	11,25	228	277	-	-
Nongoma Plaza Ltd							
No fixed terms of repayment	-	-	11,25	65	67	-	-
Sibaya Conservation Projects (Pty) Ltd							
No fixed terms of repayment	-	-	-	1 783	1 784	-	-
Total borrowings				77 689	93 631	75 613	91 503

SUBSIDIARIES - ANNEXURE 2
FOR THE YEAR ENDED 31 MARCH 2015

	Issued share capital		Percentage interest		Shares		Loans	
	2015	2014	2015 %	2014 %	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Unlisted								
Property development								
Sundumbili Plaza Ltd	**7 570**	7 570	**98**	98	**7**	7	**19 795**	20 856
Nongoma Plaza Ltd	**48 016**	48 016	**99**	99	**48**	48	**24 729**	23 905
Sibaya Conservation Projects (Pty) Ltd	**1 900**	1 900	**-**	-	**-**	-	**-**	-
Durban Wharfside Trust	**-**	-	**100**	100	**6**	6	**35 515**	34 623
Other								
Ithala SOC Ltd	**190 010 500**	190 000 000	**100**	100	**334 000**	284 000	**8 191**	10 187
Cell Captive Guardrisk	**100**	-	**100**	-	**100**	-	**-**	-
Cowslip Investments (Pty) Ltd	**4 047**	3 776	**100**	100	**-**	-	**-**	-
Ubuciko Twines and Fabrics (Pty) Ltd	**100**	100	**100**	100	**-**	-	**-**	-
KZN Growth Fund Managers SOC (Pty) Ltd	**100**	100	**100**	100	**-**	-	**-**	-
					334 161	284 061	**88 230**	89 571

ASSOCIATED COMPANIES - ANNEXURE 3
FOR THE YEAR ENDED 31 MARCH 2015

	Number of shares held		Percentage Holding		Shares		Loans	
	2015	2014	2015 %	2014 %	2015 R'000	2014 R'000	2015 R'000	2014 R'000
UNLISTED								
Golden Ribbon Trading 303 (Pty) Ltd t/a Port Shepstone Quarries	**30**	30	**30**	30	**-**	-	**-**	531
Banzi Pan Development Co (Pty) Ltd	**826**	826	**42**	42	**-**	-	**-**	-
Rocktail Bay Devco (Pty) Ltd	**763**	763	**42**	42	**-**	-	**-**	-
Mabibi Devco (Pty) Ltd	**460**	460	**8**	8	**1**	1	**110**	59
Ntingwe Tea (Pty) Ltd	**384**	384	**38**	38	**-**	-	**-**	-
					1	1	110	590

2014/15 REPORT ON PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

The performance against pre-determined objectives, as set-out in the Annual Performance Plans, is contained in this section. The section presents actual performance against targets for:

1. Ithala SOC Limited
2. KZN Growth Fund Managers SOC Limited
3. Ubuciko Twines and Fabrics (Pty) Ltd

ITHALA SOC LIMITED

Strategic objective 1: Market share and revenue enhancement				
Strategic goals	Key performance indicators	2014/15 target	2014/15 actual	Management comment
Access to Finance	To increase the number of net electronic transactional accounts held by individuals to 145 515 by 31 March 2015	145 515	122 217	Target not achieved The transactional product offering and value added services to support the transactional product offering were not introduced on 1 April 2014 as initially earmarked due to delays relating to the appointment of the value added service providers and the implementation of technology Despite this delay, the number of transactional accounts has grown by 42%, a commendable achievement in a market that is fast approaching saturation Ithala has long been dependent on its single distribution channel, the branch network, as its primary sales and services capability. This dual personality has resulted in a historically weak sales culture at Ithala During 2015/16, Ithala will be introducing a commission-only informal sales channel to increase and focus sales capacity. Further to this, a mobile sales capability will be introduced that will enable the remote opening of bank accounts
	To increase the value of new advances by R256 900 828 by 31 March 2015	R256 900 828	R261 184 904	Target achieved
	To increase the number of insurance policies by 5 599 by 31 March 2015	5 599	6 957	Target achieved

Strategic objective 1: Market share and revenue enhancement (continued)				
Strategic goals	Key performance indicators	2014/15 target	2014/15 actual	Management comment
Access to Finance	Improve the Savings/ Investment Control Book to R2 462 379 262 by 31 March 2015	R2 462 379 262	R2 072 979 000	Target not achieved The competitive market conditions, reduced savings appetite due to lower disposable income and the upward interest rate cycle, high withdrawals over the festive period and the lower than budgeted growth in electronic transactional customers contributed to target not being achieved
	To increase the average revenue earned from transactional accounts to R35.44 per customer by 31 March 2015	R35.44	R28.29	Target not achieved Although Ithala's flagship "Iciko Plus" transactional account was launched on schedule on 15 December 2014, a poor response by customers to the registration of the value added services resulted in the target not being achieved
	To secure seven public sector entities to utilise Ithala as their banking partner by 31 March 2015	7	6	Target not achieved Achievement of these targets was dependent on being able to offer prospective public sector clients a Corporate Banking Solution which was unfortunately not available on 1 June 2014 as earmarked. The Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA) regulations require public sector entities to only enter into relationships with financial institutions that have a credit rating. Ithala does not have a credit rating. However, we are currently engaging with National Treasury to obtain an exemption from this requirement Despite these challenges, the growth in this business unit, which until 2014/15 did not exist, is very encouraging and has been a stand-out achievement in the Recovery Phase of our turn-around strategy
	To secure total deposits from public sector clients to the value of R268 753 485 by 31 March 2015	R268 753 485	R233 527 415	
Economic Profit	Achieve a net profit of R4 543 966 by 31 March 2015	R4 543 966	R537 000	Target not achieved The failure to achieve the targets is attributable to the negative variance in non-interest income which is attributable to the delayed launch of the transactional account offering and value added services and unavailability of the multi-channel distribution network. In addition there was an unanticipated output VAT charge of R2,9 million which further contributed to the negative variance against the target It should be noted, however, that the net profit (excl. turn-around strategy) is a 40,8% improvement on the prior year

2014/15 REPORT ON PERFORMANCE
AGAINST PRE-DETERMINED OBJECTIVES

Strategic objective 2: Accessible financial services				
Strategic goals	Key performance indicators	2014/15 target	2014/15 actual	Management comment
Customer Experience	To spend an additional amount of R1 460 000 on branch upgrades by 31 March 2015	R1 460 000	R19 129	Target not achieved With the focus of 2014/15 being cost containment, the prudent approach of prioritising branch maintenance over full-scale branch renovations was adopted As the year progressed and the importance of the branch network, as a key component of our turn-around strategy became more apparent, we began the project of identifying what the ideal Ithala branch would look like. This is an ongoing project which will reach fruition during 2015/16
	To increase the number of distribution channels from two to five by 31 March 2015	5	5	Target achieved
Strategic objective 3: Customer-centricity				
Strategic goals	Key performance indicators	2014/15 target	2014/15 actual	Management comment
Customer Service	To receive a score of 8 out of 10 on customer satisfaction surveys quarterly	8/10	7,6/10	Target not achieved The key service areas in which we need improvement are: long waiting periods before attending to a customer and long waiting periods before payout on insurance claims Queues are a normal occurrence in the banking industry, However, to ensure that we adhere to the highest standard of customer service, all our branches are in the process of recruiting two interns each; one of whom will fill the role of Client Host while the other will assist clients at the enquiries desk Ithala's insurance claim payout service standard is 48 hours. However, clients expect a 48-hour claim payout regardless of whether all the required claim documents have been supplied or not. This stems from a lack of customer education regarding our process. Accordingly during 2015/16 we will be introducing a claim checklist to ensure clients submit all the required documentation

Strategic objective 4: Operational excellence (human resources, information technology and marketing)				
Strategic goals	Key performance indicators	2014/15 target	2014/15 actual	Management comment
People Management and Leadership	To receive a score of nine out of 10 on staff satisfaction surveys on a quarterly basis	9/10	n/a	Target not achieved A strategic decision was made by the Ithala Executive Committee (EXCO) with the support of the Human Resources and Social Ethics Committee (HRSEC) to postpone the staff satisfaction survey due to the delayed completion of the cost rationalisation process The cost rationalisation process resulted in staff terminations. Therefore, to conduct a staff satisfaction survey during this period may have yielded unconstructive feedback
Technology and Innovation	Adherence to the implementation plan milestones by 31 March 2015	100% adherence to the renegotiated project implementation document milestones	87,30% adherence to the renegotiated project implementation document milestones	Target not achieved On 28 January 2015, the service provider formally notified Ithala of its intention to revise the base-lined project delivery dates for the implementation of the hosted banking system. This was agreed to by the board of directors on the understanding that the reprioritisation of delivery dates will have no impact on Ithala's budgeted revenue earning ability The complexity of the solution required has meant that the delivery time has had to be extended. This delay has been further exacerbated by capacity constraints experienced by both the service provider and the Ithala project team
	To achieve the financial ratios as stated below by 31 March 2015:			
Efficiencies and Effectiveness	Cost to income ratio	92,40%	93,41%	Target not achieved The failure to achieve the target is attributable to the negative variance in non-interest income which is attributable to the delayed launch of the transactional account offering, value added services and unavailability of the multi-channel distribution network. It should be noted, however, that the cost to income ratio is a 19,5% improvement on the prior year

2014/15 REPORT ON PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

Strategic objective 4: Operational excellence (human resources, information technology and marketing)				
Strategic goals	Key performance indicators	2014/15 target	2014/15 actual	Management comment
Efficiencies and Effectiveness	To achieve the financial ratios as stated below by 31 March 2015:			
	JAWS ratio	Positive	Positive	Target achieved
	Leverage ratio	8,60%	9,31%	
	Liquid assets	9,00%	12,02%	
	Capital adequacy ratio	13,70%	16,80%	
	Impaired advances ratio	6,80%	8,34%	Target not achieved The strategic decision to curtail lending resulted in the gross advances balance not growing at the same rate as the arrears and non-performing loans balances Capacity constraints, the need for training and the lack of a fully-integrated collection system are among the chief reasons that the target was not achieved
	NPL % ≤	9,70%	9,84%	
Strategic objective 5: Corporate governance excellence				
Strategic goals	Key performance indicators	2014/15 target	2014/15 actual	Management comment
Compliance	To ensure that there are zero reported breaches with any applicable regulations	0 breaches	0 breaches	Target achieved
Business Risk	Implementing risk management action plans for the risks per the register by 31 March 2015	100% resolved within the stipulated timeframe	85,80% resolved within the stipulated timeframe	Target not achieved Target not achieved as some findings were neither fully nor substantively resolved within the stipulated timeframe due to capacity constraints and delays in meeting the key milestones for the implementation of the hosted banking system. However, there has been an improvement of 7,8% compared to the prior year
Internal Audit	To achieve a 100% resolution of the audit issues log within the stipulated timeframe	100% resolved within the stipulated timeframe	77,53% resolved within the stipulated timeframe	Target not achieved Target not achieved as some findings were neither fully nor substantively resolved within the stipulated timeframe due to certain audit findings needing to be reallocated to the correct business unit and responsible person. However, there has been an improvement of 5,5% compared to the prior year
Governance Framework	To have a functional board and sub-committee structure and attendance thereof that complies with the provisions of the Companies Act, King III, the Banks Act and the PFMA	Maintained a functional board and sub-committees structure which complied with the applicable laws and regulations	Maintained a functional board and sub-committees structure which complied with the applicable laws and regulations	Target achieved

KZN GROWTH FUND MANAGERS SOC LIMITED

Programme 1: Finance and administration		**Strategic Goals: Effective corporate governance**					
Strategic objective	Measurable objective	Performance measure indicator	Reporting period	Annual targets	Annual actual	Result	Comments
To ensure statutory compliance in respect of financial management and corporate governance	Financial reporting	Submission of unaudited AFS to AG by 31 May	100%	100%	100%	Achieved	Unaudited AFS submitted on 31 May 2014
		Submission of audited AFS to Ithala and Provincial Treasury by 31 August	Annual	08/31/2014	08/31/2014	Achieved	Submitted AFS to Ithala and Provincial Treasury on 31 August 2014
		QPR to be submitted to Ithala and EDTEA as indicated by EDTEA	Quarter	Dates as circulated by EDTEA	Dates as circulated by EDTEA	Achieved	
	Design and implementation of sound system of internal controls	Auditor-General's report of the AFS	Annual	Clean audit	Clean audit	Achieved	Clean audit as per the Auditor-General's report for the 2014 financial year
		Number of adverse findings on internal audit report	Annual	No repeat findings	No repeat findings	Achieved	No internal audit work was carried out in the financial year
Programme 2: Project origination and post-investment activities		**Strategic Goals: Excellence in collection of debt**					
Strategic objective	Measurable objective	Performance measure indicator	Reporting period	Annual targets	Annual actual	Result	Comments
To ensure that maximum recoveries are made from impaired projects	Recovery of bad debts	Amounts recovered from impaired projects	Quarterly	R3 million	R0,3 million	Not achieved	The legal process for the recovery managed by the attorneys, Johnston and Partners is currently underway

2014/15 REPORT ON PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

UBUCIKO TWINES AND FABRICS (PTY) LTD

Goal 1: Financial Sustainability and Viability (Weighting = 100%)				
Strategic objective	Key Performance indicator	2014/15 annual target	2014/15 actual	Management comment
Financial sustainability	Trading income	R36 million	R32,3 million	Target not achieved due to uncompetitive pricing structure and inability to attract major client
	Volume of bulk bags sold (units)	346 666	424 724	Target achieved
	Volume of fabric sold (tonnes)	877 193	113 778	Target not achieved as there was a change in strategy to utilise all fabric to manufacture bulk bags and not sell the fabric individually
	Number of new clients attracted	6	12	Target achieved