Annual Report '16

FDC

Free State Development Corporation

Growing the Free State

ABOUT THIS REPORT

This annual report presents a transparent, comprehensive and comparable view to all stakeholders of the financial, operating, and social and sustainability performance of Free State Development Corporation for the year ended 31 March 2016. This report outlines the group's outlook and further aims to highlight opportunities and challenges, as well as planned actions to address the same. The planned actions take into account business priorities, risks and recommendations made by stakeholders.

The group is committed to sustainable development, and responds to economic, social and natural environmental imperatives within the Free State Province. These principles are embedded in the group's corporate strategy and values, and are reflected in the financial and economic decisions made by the group. FDC identifies significant matters through engagements with both internal and external stakeholders, and considers the group's risk management. This process ensures that the group remains relevant in discharging its mandate.

The board of directors oversees and reports on the key strategies, risks and sustainability matters of the group. This is done through the relevant committees, namely, Audit and Risk, Investment and Finance, Information Technology and Legal. The group's most significant and material issues are discussed throughout the annual report, as well as in the directors' report on pages 61 to 62.

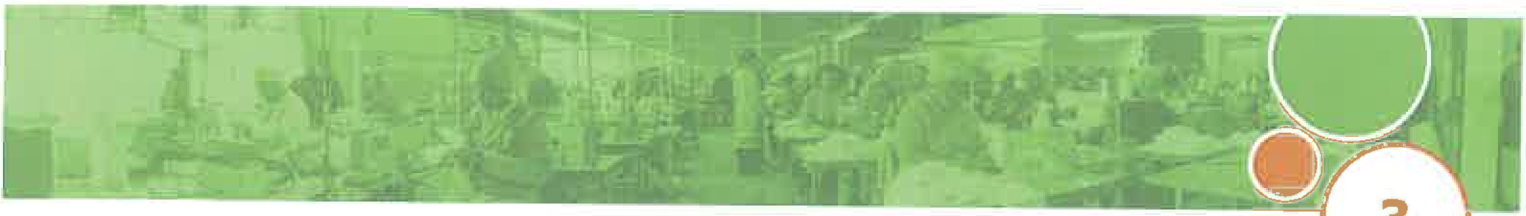


TABLE OF CONTENTS

Part 1

GROUP OVERVIEW

1.1 GENERAL INFORMATION

Nature of business and principal activities

The Free State Development Corporation (FDC) is an economic development agency created to provide a wide selection of services to the Free State people and potential investors. The Corporation is based in the Free State Province in South Africa. The services offered include:

- Small medium and Micro Enterprise support through both financial (loans) and non-financial.
- Providing development and management of property portfolio.
- Providing investors with a comprehensive service in setting up a business.
- Providing export ready Free Sate companies with assistance in identifying new markets and export opportunities for their products.

Registered Office	33 Kellner Street, Westdene, Bloemfontein, 9301
Business Address	33 Kellner Street, Westdene, Bloemfontein, 9301
Postal Address	PO Box 989, Bloemfontein, 9300
Holding Company	Free State Development Corporation
Bankers	ABSA Bank
Auditors	Auditor- General of South Africa
Company Secretary	Ms. S.J. Motloung

LIST OF ABBREVIATIONS

AGSA	Auditor-General of South Africa
AFASA	African Farmers Association of South Africa
BDS	Business Development Support
CAE	Chief Audit Executive
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CS	Company Secretary
DESTEA	Department of Economic, Small Business Development, Tourism and Environmental Affairs
DTI	Department of Trade and Industry
EMC	Executive Management Committee
FDC	Free State Development Corporation
FLISP	Finance Linked Individual Subsidy Programme
MACUFE	Mangaung Cultural Festival
MAP SEZ	Maluti– A-Phofung Special Economic Zone
MEC	Member of the Executive Council
PFMA	Public Finance Management Act
SAITEX	Southern African International Trade Exhibition
SARCDA	South African Retail International Trade Show
SMME	Small, Medium and Micro Enterprise
TIA	Technology Innovation Agency

1.3 VISION, STRATEGIC DRIVERS AND VALUES

Free State Development Corporation (FDC) is the implementation arm of the Free State Provincial Government, committed to stimulate economic growth and development in the Free State Province. The business is underpinned by its vision, strategic drives and values as stated below:

VISION	DRIVERS	OBJECTIVES	FUTURE STATE
Development and investment agency of choice in contributing to the economic growth of Free State	Grow revenue base, improve debtor's collection, and improve customer relations Increase productivity and efficiency Create and enhance capabilities and foster innovation	Increase in property occupancy. Leverage strong and smart partnerships. Strengthen stakeholder relationships. Cost structure optimization Strong balance sheet Operational excellence Increase research and development Strong focus on project management Skills development	Vibrant, Smart, financially sustainable and profitable organization

VALUES

INTEGRITY

We are truthful, honest and ethical

CUSTOMER FOCUSED

We care for our customers

HONEST

We are ethical and truthful

COMMITMENT TO EXCELLENCE

We embrace operational excellence

RESPECT

We care for our community, people, and the environment

PURPOSE

FDC mandates covers various functions such as enterprise development, property development, investment promotion and facilitation, export promotion and project management

- To provide financial and business support services to SMME's and Cooperatives
- To undertake the development and management of properties
- To facilitate and promote investments and trade

FDC is committed to conducting business with integrity, respect, honesty, excellence and customer focused

1.4 ROLE OF FDC AND ITS LEGISLATIVE MANDATES

FDC was established in terms of the Free State Development Corporation Act, Act 6 of 1995, for the purpose of promoting urban and rural development in the Province, with special emphasis on small business development.

The main objectives of the FDC in terms of the Free State Development Corporation Amendment Act, Act 5 of 2010 are:

- To promote and develop small, medium and micro enterprises;
- To assist Free State based small, medium and micro enterprises with funding by advancing loans;
- To assist Free State based small, medium and micro enterprises in financial distress;
- To initiate economic empowerment projects that would benefit the Free State;
- To promote investment in and trade with the Province and to identify, analyse, publicise and market investment and trade opportunities in the provincial economy, in such a manner and by such means as the Board may from time to time deem appropriate; and
- To undertake, at the request of the responsible member or other stakeholders or agencies, activities for which necessary resources can be raised and which, in the opinion of the Board will contribute to the strengthening of the provincial economy.

The Public Finance Management Act (PFMA), 1999 (Act 1 of 1999)

FDC is a Schedule 3, Part D entity governed by a duly appointed Board of Directors which is the Accounting Authority of the FDC, as contemplated in Section 49(2) (a) of the PFMA.

Other legislative and policy frameworks

FDC's functions and operations are also governed by other legislative and policy frameworks and guidelines such as:

- Companies Act, Act 71 of 2008;
- National Credit Act, Act 34 of 2005;
- National Small Business Enterprise Act, Act 102 of 1996;
- Broad Based Black Economic Empowerment Act, Act 53 of 2003;
- National Development Plan (NDP);
- Medium Term Strategic Framework (MTSF);
- Free Sate Growth and Development Strategy (FSGDS);
- Framework for Managing Performance Information;
- Public Sector Risk Management Framework;
- Internal Audit Framework and
- King Code of Governance for South Africa 2009 (King III).

Policy Mandates

In addition the FDC's functions and operations are governed by other policy frameworks and guidelines namely the National Development Plan (NDP), Medium Term Strategic Framework (MTSF) and Free State Growth and Development Strategy (FSGDS). These policy frameworks were integrated into the FDC Strategy and Annual Performance Plan 2016-2017 and that of previous years.

The FDC prioritised its activities and worked towards implementation of the priority policy mandates as set out below:

NDP	MTSF	FSGDS
Chapter 3: Economy and employment	Outcome 4: Decent employment through inclusive growth	Driver 3: Expand and diversify manufacturing opportunities
Chapter 13: Building a capable and developmental state	Outcome 12: An efficient, effective and developmental orientated public service outcome	Driver 15: Foster good governance to create a conducive climate for growth and development

Part 2

DIRECTORS AND THEIR PROFILES

"The positive results achieved demonstrates the Corporation's agility and resilience in difficult conditions..."

CHAIRPERSONS STATEMENT

Introduction

I am pleased to present the annual report for the financial Year ended 31 March 2016 to the MEC for Economic Development, Small Business, Tourism and Environmental Affairs (DESTEA), the Free State Legislature, the Provincial Treasury, Auditor-General of South Africa and all other stakeholders of the Corporation. This annual report highlights what FDC does, the Corporation's performance against target, governance and its consolidated annual financial statements.

The FDC's mandate remains to facilitate the economic growth of the Free State Province through the financial and nonfinancial support of small medium micro enterprise and co-operatives, Trade and Investment promotion and facilitation in order to encourage direct investment into the Province and exports out of the province and country.

The FDC prides itself on supporting the growth of black business by providing premises from which they can operate, at minimal rates for Commercial, Industrial or temporary office purposes ("rent –a –desk").

The Corporation operates under difficult economic and trading conditions, in a highly regulated environment with high levels of stakeholder interests. I am grateful for the strategic interface and the role that our stakeholders play in supporting the board and management in addressing the business and regulatory challenges, contributing to the success of the business.

Sustained Improvement

This financial year will go down as one of the most challenging, but also most rewarding as bold strategic decisions were taken and implemented. These decisions have contributed to improved financial performance, confirming that FDC is turning around. The positive results achieved demonstrates the Corporation's agility and resilience in difficult conditions. I believe that FDC is in a stronger position than before to deliver sustainable returns, achieve long-term growth and meet shareholders targets. This is further demonstrated by the fact that profit posted excluding the MAP SEZ Government grant is R3,7 mil.

The legacy liabilities to our Municipalities and long outstanding debtors continue to impact negatively the business and its cashflows. Nonetheless, I am encouraged by the willingness of our stakeholders to support the Corporation's efforts in managing its cash flows.

FDC operated during the year without external funding and its long-term debts are due to actuarial valuation of its post-retirement medical aid contribution to its employees. The gearing of the company remains extremely good with debt ratio of 0,31% (PY: 0,36). This demonstrates that our business can take on Provincial Government projects that stimulate the provincial economy without constraining the business operations, as the ability to obtain external funding is high. These are the projects that will contribute positively, both to the Corporation and to the group. The Corporation's three-year budget has considered all these and the result is that I am confident of us achieving sustainable profits and delivering value to the shareholders.

Strategic and Operational developments

We have been engaging robustly on strategy matters requiring both redirecting and refocus. The main focus has been to ensure the increased level of debt collection and occupancy of FDC properties to achieve financial stability. Furthermore, the focus has been on turning around the performance of the organisation by reviewing the organisational structure, diversifying revenue, collaboration with other investors, State owned Companies and State Departments in order to leverage on each other's mandate.

By the end of the financial year, there was a significant improvement as far as the management of the Vrede Integrated Dairy Project was concerned. At the same time, the rollout of the Free State Broad Band Initiative was also at an advanced stage. In collaboration with the DTI, the FDC managed to implement the initial phase of the Special Economic Zone and Botshabelo Industrial park. This has attracted a number of local and international investors who have shown interest in opening businesses at the Industrial parks.

FDC continues to look for opportunities and partnerships that will aid to the economic growth of the province and improve the standard of living among our communities.

Appreciation

I recognise that our achievements would not be possible without fostering good working relations with our strategic stakeholders mainly the Executive Authority, National and Provincial Departments, the Free State Legislature, Municipalities, Media, Clients and sister Development Financial Institutions such as the Small Enterprise Development Agency (SEDA), the Small Enterprise Funding Agency (SEFA), the National Empowerment Fund (NEF) and the Industrial Development Corporation (IDC). We must single out DESTEA as our host department for its on-going guidance and support.

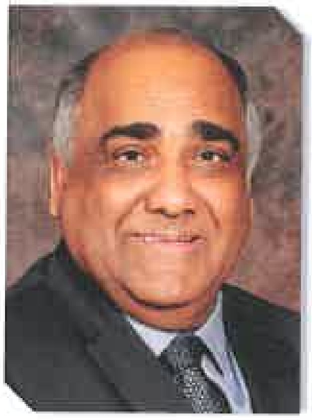
I convey my gratitude to the MEC of DESTEA, Honourable MS Mashinini and his department, for on-going guidance and support. I also thank my fellow board members for the contribution of their individual and collective wisdom during the financial year. Their strong commitment to serving FDC is greatly appreciated.

I recognise the executive management team for the way they have responded to the increasing demands of the industry in which FDC operates and commend them on the results derived from their efforts. We also thank employees who continue to deliver despite the prevailing difficult economic environment in which we find ourselves.

MS HB MATSEKE

2.2 FDC BOARD OF DIRECTORS

Ms HB Matseke (Mayeza)
Board Chairperson



Mr I Osman
CEO

Mr MPB Chuene
Deputy Chairperson

Mr LL Phungo

Mr V. Maharaj

Ms H N Mkhungo

Ms N. Sandlana

The Board comprises of diverse and multi-skilled individuals who are dedicated to contribute to the economic growth of the Free State Province. The FDC Board of Directors is as per the following table:

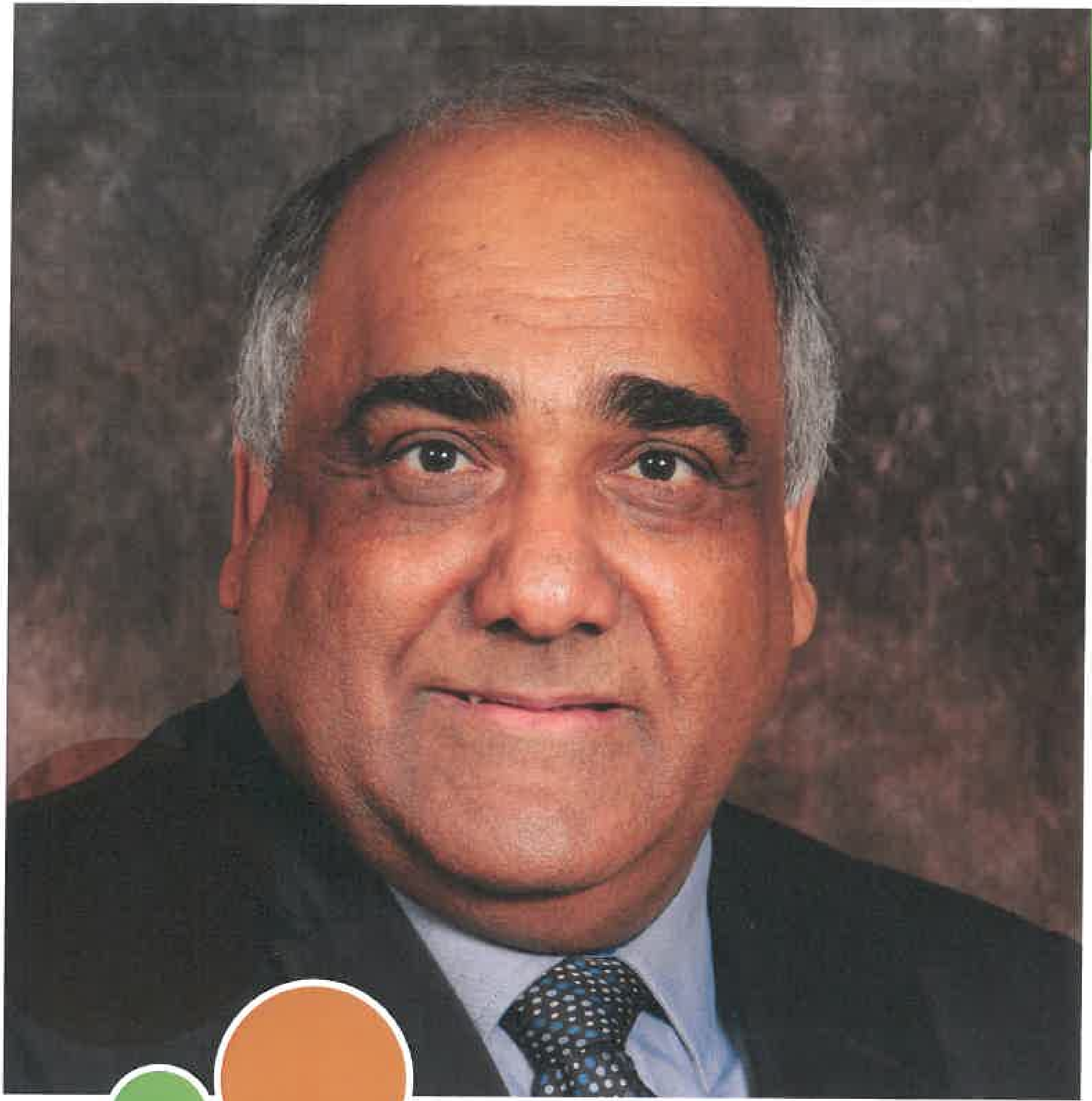
Name of Board Member	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Educational Qualifications	Area of Expertise
Ms HB Matseke (Mayeza)	(Chairperson) Independent Non-Executive Director	04 July 2012	N/A	• Introduction to Computers • Diploma in Personal Computing • Diploma in Software Supporting • Diploma in Marketing • New Managers Programme	• Construction and Property • Business Facilitation • Finance • Business Administration • Stakeholder Relations
Mr MPB Chuene	(Deputy Chair-person) Independent Non-Executive Director	20 October 2014	N/A	• B UIRIS • LLB • LLM	• Corporate Governance • Commercial Law and Contracts • Strategic Board Advisory
Mrs ND Mochochoko	Independent Non-Executive Director	04 July 2012	30 October 2015	• Certified Internal Auditor (I,II) • B.Compt Honours • Certificate of Theory in Accounting • B. Com • B.Com Honours	• Business Performance • Accounting • Regulatory and Management Assurance • Private and Sector External and Public Auditing and Taxation
Mr V Maharaj	Independent Non-Executive Director	04 July 2012	N/A	• Diploma in Telecommunications • Sales Management Diploma • Marketing Management Diploma • Business Administration Diploma	• Financial Services • Marketing • Investment Promotion • Capital Raising • Advisory Services

Name of Board Member	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Educational Qualifications	Area of Expertise
Ms HN Mkhungo	Independent Non-Executive Director	20 October 2014	N/A	• Management Development Programme • Corporate Affairs Executive • Management Advanced Programme • MA • Bachelor of Science in Nursing	• General Management • Entrepreneurship Development • Strategic Planning • Business Transformation • Change Management, business process improvement • Stakeholder Management • Business process and re-engineering • Relationship management
Mr LI Phungo	Independent Non-Executive Director	20 October 2014	N/A	• B Proc • LLB	• Labour Law • Insurance Law • Employment Law and Commercial Law • Mining Law • High Court and Magistrate's Court practices
Ms TN Sandlana	Independent Non-Executive Director	20 October 2014	N/A	• Diploma in Management • B Comm • Higher Education Diploma • Master of Business Administration • Certificate in Quality Assessment CQA • Certificate In Control Self-Assessment	• Accounting • Auditing • Management • Project Management • Governance
Mr I Osman	Chief Executive Officer Ex-Officio Member of Board and Board Committees	06 June 2013	N/A	• Bachelor of Commerce • Hons. Bachelor of Commerce • Master of Business Administration • Management Advancement Programme • Chartered Marketer SA. • Advanced Certificate in Leadership (UCT) • Certificate In Directorship (IODSA)	• Governance and Leadership • General Management • Strategy • Financial Management • Marketing and Communication • Economics • People management

Name of Board Member	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Educational Qualifications	Area of Expertise
Ms Selloane Motloung	Company Secretary	1 January 2015	N/A	• B Proc • Certificate in Legislative Drafting • Certificate in the Management of Mining and Mineral Policies	• Governance • Compliance • Legal • Mining Law • Commercial law and Contracts • Strategic Management • General Management • Business process and re-engineering • Project Management • Drafting and Reviewing Policies and Laws • Business Administration • Board Advisory • Stakeholder Relationship

Part 3

EXECUTIVES AND THEIR PROFILES



"We were able to fund 41 SMME's during the financial year at a value of R5.7 million from the FDC's internal resources..."

CHIEF EXECUTIVE OFFICERS REPORT

Introduction

The year under review saw us re-emphasizing debt collection, introducing alternative income streams and working effectively and efficiently to enable us not only to achieve our strategic objectives and mandates but also for us to become more sustainable and profitable.

We managed to improve our performance from an operating loss of R14 million in the 2014-2015 financial year to a profit of R87 million in the current financial year. This is a significant achievement given our on-going challenges to collect the FDC's historical debt and the fact that the Corporation is funding its own operations without external funding.

Strategy and progress during the year

The Property Portfolio remains our main source of income and the occupancy rate has increased by 8% year on year. The average collection rate on rentals is at 87%, which is higher than the 80% achieved during the previous financial year. The Department of Trade and Industry's (DTI) is assisting us to upgrade and secure our industrial park in Botshabelo by installing a fence around the park at a cost of R24 million through the Industrial Revitalization programme. The first phase has been completed and DTI will look at the second phase that will consider improving the structures in the industrial park. They will also be revitalizing our QwaQwa Industrial Park in the 2016-2017 financial year. This will greatly minimize the risk of vandalism while also making our investment property more attractive to both existing and potential tenants and investors.

We were able to fund 41 SMME's during the financial year at a value of R5.7 million from the FDC's internal resources. A total of 49% of these SMME's are youth owned SMME's while 44% are women owned. Free State businesses were also promoted through our active participation in local and international trade exhibitions such as the Ficksburg Cherry Festival, Mangaung Cultural Arts Festival (MACUFE), South African Retail International Trade Show (SARCDA), Global Trade Bridge, China Week, the Grahamstown Arts Festival, DECOREX and the Rand Easter show. Through these initiatives 182 potential Free State exporters were promoted.

As part of our support and development for cooperatives, we procured goods and services from 16 cooperatives for an amount of R755 894. We will continue to focus on this sector and improve our performance in the 2016-2017 financial year in order to contribute to the sustainability of cooperatives in the Province.

During the 2015 - 2016 financial year, FDC was granted R2 million by the DTI to assist Free State crafters with training and market access. These funds were used to train these entities in improved business skills, product design and development and e-commerce. They also received mentoring and coaching. Women made up 60% of these training programmes. These are clear examples of how the FDC continues to develop and support Free State SMME's in the quest to foster economic growth and development in our Province.

Our greatest highlight for 2015-2016 financial year was the designation of the Maluti-A-Phofung (MAP) Special Economic Zone (SEZ), which now operates as a subsidiary company of the group. We expect that it will be officially launched by the President during the 2016-2017 financial year but in the meanwhile it is operating as fully-licensed SEZ. A total of R244 million was provided by the DTI for phase 2 of the project, which involves the upgrading of roads and bulk infrastructure within the park for the next two years. The DTI has committed a total budget for the entire bulk infrastructure and construction of top structures of R805 million that will be disbursed over the coming years as the construction progresses.

The Corporation granted twenty three tittle deeds and three Permissions to Occupy (PTOs) were issued to old age/ pensioners in Phuthaditjhaba, Bethlehem, and Harrismith. In this way we contributed to our communities by ensuring that people have decent homes, as espoused in the National Development Plan.

FDC submitted sixty three applications for the Finance Linked Individual Subsidy Programme (FLISP), for which it received approval by the Department of Human Settlements. We submitted an additional 200 applications for FLISP at year end and this in the progress. This will enable the FDC to contribute to implementation of the NDP objective of "radically revising housing finance". In the 2016-2017 financial year, FDC will continue to seek partners with funding for implementation of FLISP on a larger scale.

We can report with confidence that measures put in place by management such as internal controls, supply chain, cost management controls and improved operations management of the Vrede Dairy, have enabled us to see positive change in the first year of managing the project.

Another achievement for the FDC is the implementation of an alternative income stream through the establishment of the Free State Broadband Initiative as endorsed and approved at the Premier's Consultative Forum during the previous year. With this initiative, we have installed free Wi-Fi connectivity at Motheo FET College Campuses across the province and at the Dr Molemela Stadium in Mangaung. During the 2016-2017 financial year, cheaper, faster and efficient data connectivity will be installed and accessed in Free State government buildings and spread to the municipalities and even the private sector. This initiative will reduce the cost of internet and telephony usage for both voice and data in the Province. It will therefore also contribute positively to economic growth. As with most business establishments there are teething problems and this initiative was no exception. We are, however, working hard to ensure that in the new financial year FDC Broadband will firmly establish its presence and its contribution.

Appreciation

In conclusion, I wish to thank and show my appreciation to the Board and its sub-committees for its leadership, guidance, good governance and confidence in us. A special word of thanks must also go to our Executive Authority represented by MEC S. Mashinini and the Head of Department, Ms M. Gasela and her executive team for their consistent support and guidance. I further wish to extend my appreciation and thanks to Team FDC for their continued commitment and contribution under these challenging economic conditions

Let me also not forget to thank all our stakeholders amongst others the oversight committees in the Free State Provincial legislature, customers, partners at the various municipalities and especially Maluti-a-Phofung where the SEZ is situated, DTI and TIA.

I Osman

MR I OSMAN

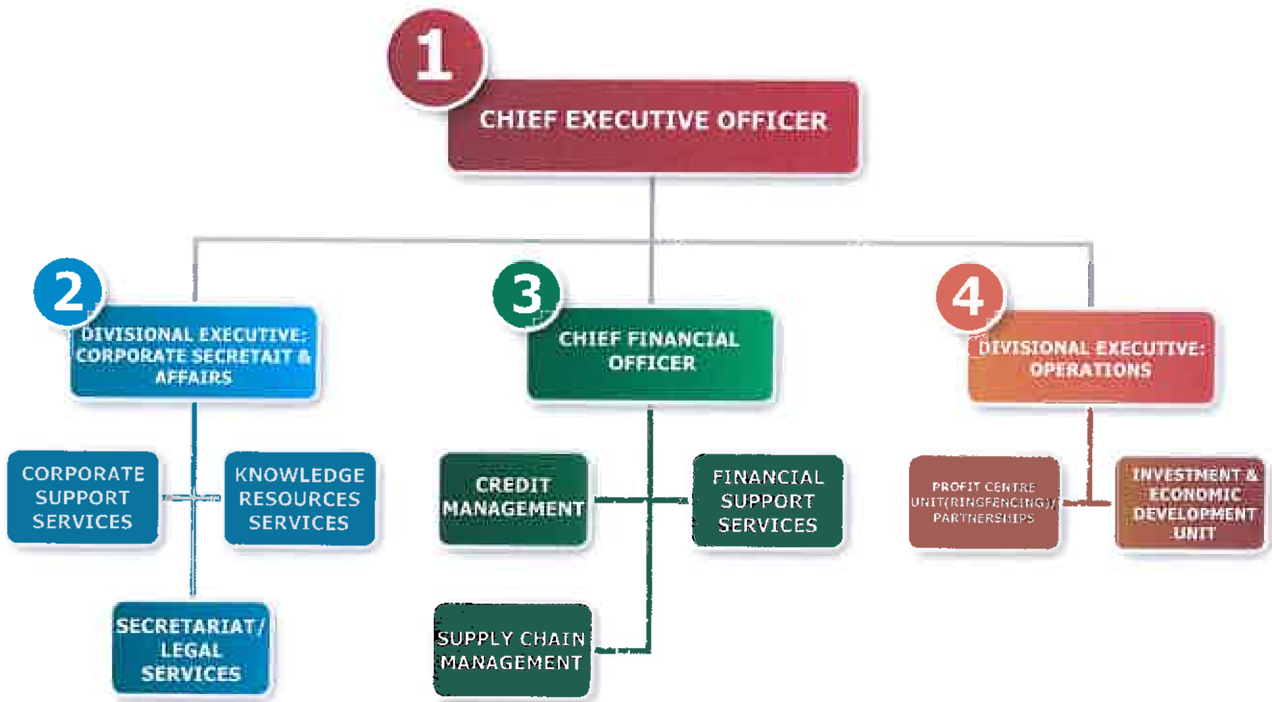
CHIEF EXECUTIVE OFFICER

FDC EXECUTIVES

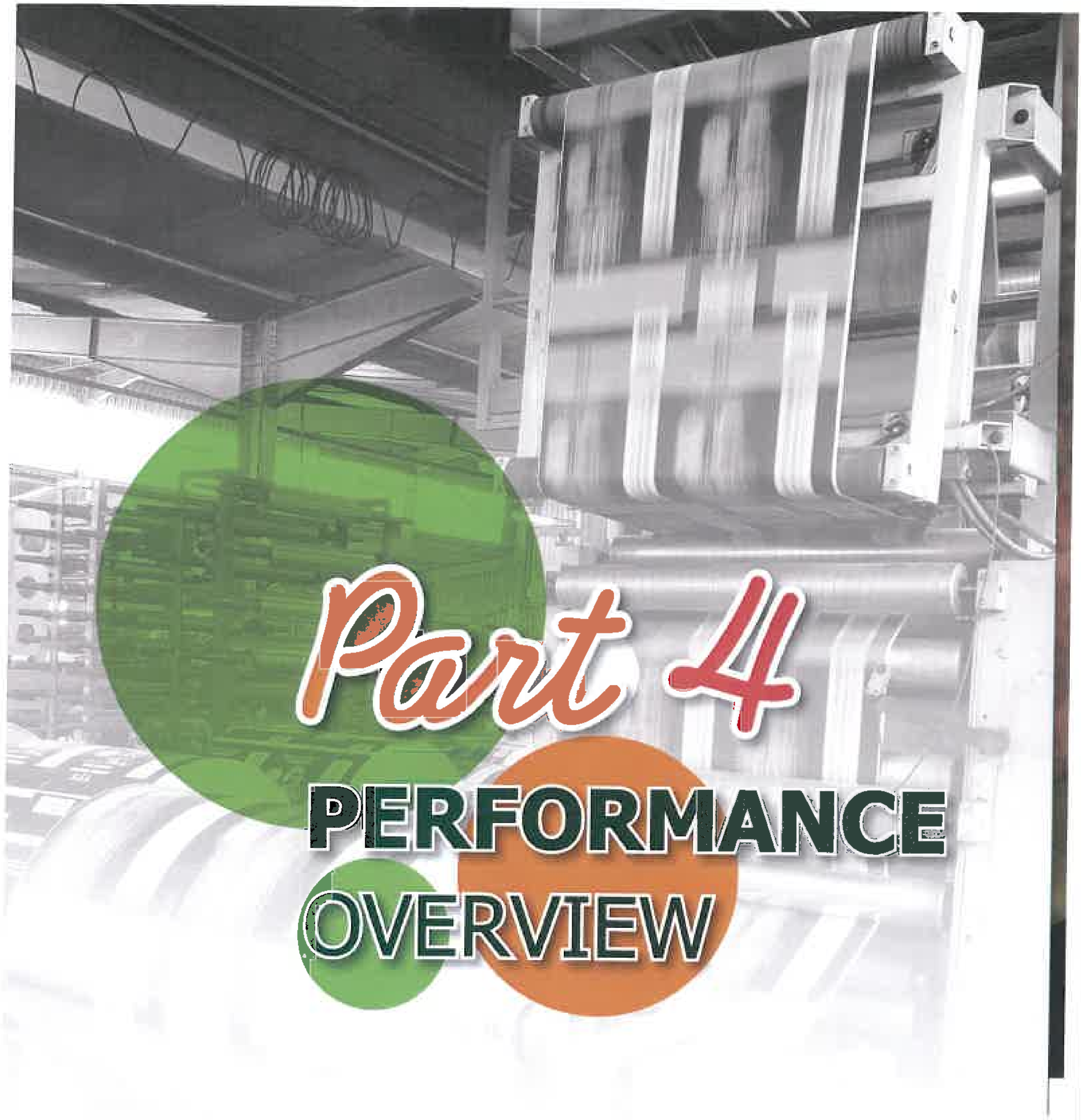
From left: Mr S. Moyo ; Ms G. Shaba; Mr D. Nkaiseng ; Mr I. Osman.

The Executive team is responsible for the day-to-day business of the organisation and is led by the Chief Executive Officer. The profile of the Executive Team is depicted in the table below:

Position held	Name of official	Qualifications	Date of Appointment
Chief Executive Officer	Mr Ikhraam Osman	• Bachelor of Commerce • Hons. Bachelor of Commerce • Master of Business Administration • Management Advancement Programme • Chartered Marketer SA. • Advanced Certificate in Leadership • Certificate In Directorship	6 June 2013
Chief Financial Officer	Mr Shepherd Moyo	• Bachelor of commerce (Accounting) • Hons. Bachelor of commerce (Accounting) / CTA • SAICA (CA) SA • Attended various leadership courses	1 January 2015
Divisional Executive: Corporate Secretariat and Affairs	Mr David Nkaiseng	• B JURIS • LLB	1 November 2014
Divisional Executive: Operations	Mrs Grace Shaba	• Marketing and Public Relations Diploma • Masters in Business Administration • Certificate in Business Management	1 April 2015



1. MR. I. OSMAN
2. MR. DSR. NKAISENG
3. MR. S. MOYO
4. MRS. G. SHABA



Part 4

PERFORMANCE OVERVIEW

"Management's focus during the year was to improve revenue, debt collection, revenue diversification, cost optimisation and strengthening governance..."

4.1 FINANCIAL HIGHLIGHTS

The FDC group continued in the current year to implement its strategic initiatives such as strengthening business development and optimising costs and efficiencies.

Management's focus during the year was to improve revenue, debt collection, revenue diversification, cost optimisation and strengthening governance. The group has a positive outlook. It is unquestionable that FDC is turning around and is poised for growth in the short and medium term. The provincial economy remains challenged in most of the sectors resembling that of both national and global economies. However, the market that we operate in remained challenging but with our focus and commitment we could achieve positive results for the group.

Some of the developments and achievements during the year are depicted below:

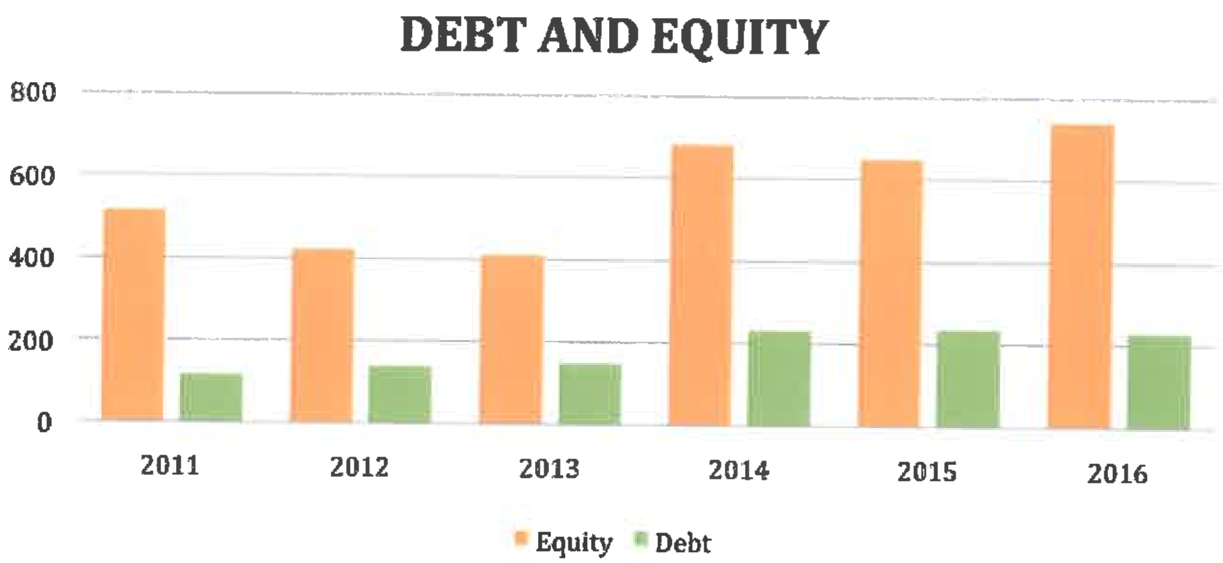
- **Debt collection was assigned to an Integrated Debt Collection Team** comprising of legal, property and finance. We successfully insourced debt collection and with the implementation of our Business Development Support (BDS) Model achieved 87% collection (PY;80%).
- **Good progress** was achieved in the broadband rollout which is a potential significant **revenue generating business** for the coming years.
- **Profit for the corporation** increased to **R83 million** compared to a loss of **R14 million** in the prior year period. However, this increase was due to government grant for the MAP SEZ of R79.3 million. If this is excluded the group made a profit of R3.7 million from its own operations, which is a significant achievement over prior years. The grant to the FDC is significant as it increased the value of its assets.
- **Improvement in stakeholder engagement** resulting in projects such as the MAP-SEZ, and The Improvement of the Botshabelo Industrial Park getting underway during the year. The most important benefit of this improvement in stakeholder management is our improving cashflow position due to continuing improvements in debt and rental collection.
- **Stable Revenue Base**

Revenue for prior years has been adjusted to be in line with the current year treatment of grants received.

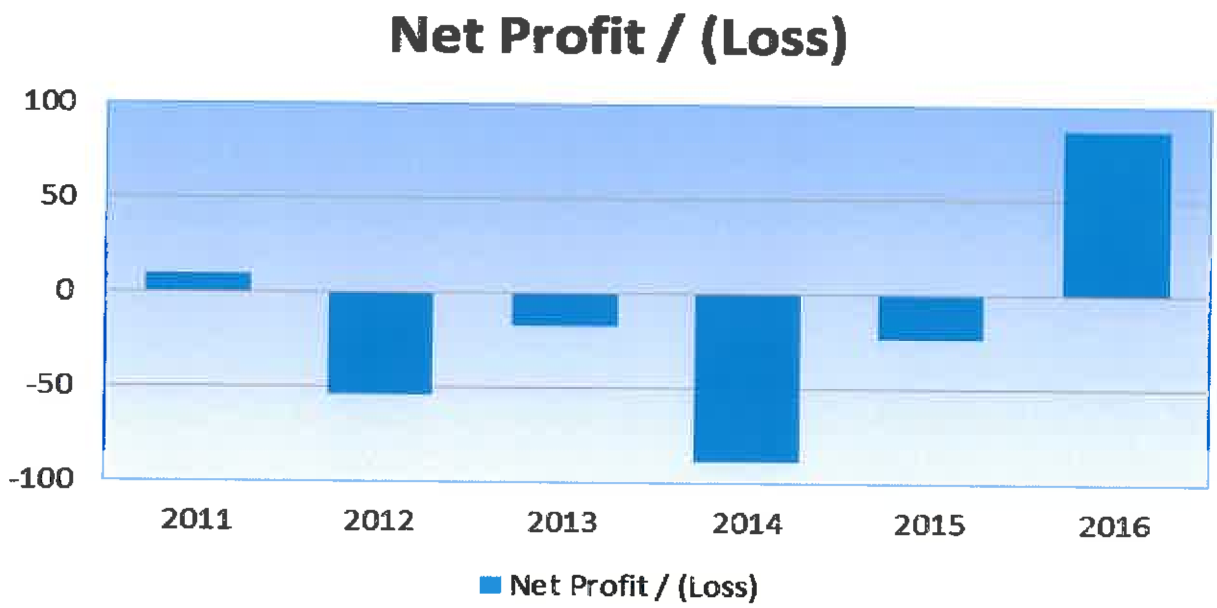
FDC experienced a relatively stable revenue-flow during the year due to buoyant property occupancy which remains the major source of revenue contributing to 92% of the total revenue. The main focus going forward is to diversify revenue by market as well as product type. The property portfolio will see an increase of revenue due to FLISP programme that will contribute positively to the revenue and also cash flows. The group has also initiated cost savings on telephony for the province that will see an improvement in revenue base. This line of business has been initiated by looking at alternative ways of improving efficiency and costs within government and also meeting socio-economic imperatives of the province. Moreover, it should be noted that whilst the property occupancy increased in current year compared to current year, the effects of this improvement will be seen in the next financial year due to rental holidays afforded to our clients and investors.

Cashflow generated from operating activities increased year on year from **negative R52.7 million** in the prior year to **positive R23.2 million** in the current year which represents **144% increase** in the current year.

Debt: Equity ratio improved from 0.36 in the prior year to 0.31 in the current year. Equity position at 31 March is R747 million which is an improvement by R88 million.



Net profit of **R87 million for the group** was realised which is an improvement of **R101 million** due to the reduction of cost of sales by 12%, reduction of operating cost by 21%, and impairment reduction of 88%.



4.2 KEY FINANCIAL PERFORMANCE INDICATORS

KEY AREARS		2016 Rm	2015 Rm
Revenue	▼	192	**193**
Gross Profit	▲	70	54
Profit from operations	▲	42	(39)
Equity	▲	**747**	**659**
Debt	▼	231	236
Ratios		**%**	**%**
Gross profit	▲	36	28
Operating profit	▲	22	(20)
Debt Equity ratio	▼	**31**	**36**
Solvency ratio	▲	37	17
Current ratio	▲	100	82

4.3 PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

FDC is committed to its key performance areas with its Shareholder on an annual basis and this is documented in the Shareholder's compact and the Corporate Plan. Performance against the contracted targets is continuously monitored by the board and reported to the Shareholder on a quarterly basis. We are pleased that FDC has performed well in set targets in a number of areas. The performance achieved by the group for the year under review, compared to the set targets, is provided in this latter part of the report.

Programme	No. of annual targets	No. of annual targets achieved	% achieved	No. of targets not achieved
Administration	5	5	100	0
Corporate Secretariat & Affairs	12	9	75	3
Finance	6	5	83	1
Economic Development	12	6	50	6
Total	35	25	71	10

Strategic outcome oriented goals

FDC 's strategic outcome oriented goals and progress towards achievements of these goals are reflected below:

Administration

Strategic outcome orientated Goal 1	Progress towards achievement of the goal
Lead and monitor organisational performance	Corporate Plan, monitoring reports and annual report were submitted timely as required by the PFMA.

Corporate secretariat and affairs

Strategic outcome orientated Goal 2	Progress towards achievement of the goal
Good governance and efficient administration	Board and Board Sub-Committee Charters were reviewed Board and Board Sub-Committee were fully operational A total of 80 training opportunities were created

Finance

Strategic outcome orientated Goal 3	Progress towards achievement of the goal
Financial sustainability	Achieved a profit of R83 Million for the Corporation Achieved an unqualified audit opinion with matters of emphasis

Economic development

Strategic outcome orientated Goal 4	Progress towards achievement of the goal
Vibrant and inclusive Free State Economy	FDC funded 41 enterprises with business loans to the value of R5.7 million from its own internal resources. An additional 10 enterprises were funded through TIA funds to the value of R1, 2 million. Through its property portfolio, FDC provided rental space for commercial and industrial purposes and offered rental incentives in line with rental policy. A total of 20 600 jobs were created through the FDC property portfolio. A total of 182 SMMEs were provided with an opportunity to access markets through exhibitions and training to enable them to trade both nationally and internationally.

Administration

Programme 1 : Administration Sub-Programme: Strategy Planning, Monitoring and Evaluation							
Strategic Objective	Measurable Objective	Actual Achievement 2014/2015	Key Performance Indicator	Planned Target 2015/2016	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Ensure sustainability	Comply with governance imperatives	Approved Corporate Plan was submitted to Treasury and Executive Authority by end of February 2015	Number of Corporate Plans submitted to Executive Authority and Treasury	1 x Corporate Plan	1 x Corporate Plan was submitted to the Executive Authority and Treasury by end of February 2016	N/A	N/A
		4 x audited quarterly performance monitoring reports were submitted to Treasury as per the stipulated timeframes	Number of performance monitoring reports submitted to Treasury	4 x performance reports	4x performance monitoring reports submitted were submitted to Treasury.	N/A	N/A
Ensure sustainability	Comply with governance imperatives	Approved Annual Report was submitted by the 31 August 2014	Number of Annual Reports submitted to Executive Authority and Treasury	1x Annual Report	1 x annual report was submitted to the Executive Authority and Treasury	N/A	N/A

Programme 1: CEO's office Sub-Programme: Internal Audit Services							
Strategic Objective	Measurable objectives	Actual Achievement 2014/2015	Key Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Ensure sustainability	Timely identification and migration of risks, monitor effectiveness and adequacy of internal controls	Not targeted	Number of audit reports submitted in line with the approved audit plan	4 x audit reports	7x audit reports were submitted in line with the approved audit plan	+3 audit reports submitted	The target was overachieved because a number of audits had to be done to test and improve the organisation's internal controls and processes.
Sub Programme: Risk Management							
Ensure sustainability	Timely identification and migration of risks, monitor effectiveness and adequacy of internal controls	Not targeted	Number of risk management reports submitted in line with the approved risk management plan	4 x risk management reports	4 risk management reports were submitted line with the approved risk management plan	N/A	N/A

Corporate secretariat and affairs

Strategic Objective	Measurable objective	Actual Achievement 2014/2015	Key Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Programme 2 : Corporate Secretariat & Affairs							
Sub-Programme: Information Management & Technology							
Build capability to deliver	Implement enabling systems and processes	Not targeted	Percentage uptime of critical systems	95% uptime of all critical systems	Annual Average of 98.35 % uptime of all critical systems	+3.35%	The target was overachieved because of the efficient processes implemented in the current year
Sub -Programme : Human Resource Management							
Build capability to deliver	Create a high performing work culture	0% achieved	Percentage of total employees with signed performance contracts	100% of total employees with signed performance contracts	4.26% of staff with signed performance contracts	Target not achieved as 95.74% of staff have not h signed performance contracts	The target was not achieved because of delays due to the protracted consultations that had to be conducted with the Union. The executive management team, however, signed their contracts.

Strategic Objective	Measurable objective	Actual Achievement 2014/2015	Key Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Programme 2 : Corporate Secretariat & Affairs							
Sub-Programme: Human Resource Management							
Build capability to deliver	Create a high performing work culture	0% achieved	Percentage of total employees' performance appraisals conducted	100% of total employees' performance appraisals conducted	0% of total employees' performance appraisals conducted	-100%	The target was not achieved due to the delay in the conclusion of consultation process with the Union.

Programme 2 : Corporate Secretariat & Affairs Sub-Programme: Human Resource Management							
Strategic Objective	Measurable objective	Actual Achievement 2014/2015	Key Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Build capability to deliver	Improve human capability and capacity	Not targeted	Number of training opportunities created	80 training opportunities created	80 training opportunities created	N/A	N/A
Build capability to deliver	Improve human capability and capacity	Not targeted	Percentage of females appointed at management positions	50% of females appointed in middle management positions	37.5 % of females appointed in middle management positions	-12.5%. The target was not achieved	The target was not achieved two female employees resigned during the year and were not replaced.

Programme 2 : Corporate Secretariat & Affairs Sub-Programme: Marketing and Communication							
Strategic Objective	Measurable objectives	Actual Achievement 2014/2015	Key Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Deliver service offerings that lead to Free State economic growth	Increase brand awareness	91.7% of brand awareness attained	Percentage of brand awareness attained from the survey	65% of brand awareness attained	77% of brand awareness attained	+12%	Marketing strategies implemented during the year resulted in the Corporation overachieving the target.

Programme 2 : Corporate Secretariat & Affairs Sub-Programme: Research & Development							
Strategic Objective	Measurable objectives	Actual Achievement 2014/2015	Key Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Deliver service offerings that lead to Free State economic growth	Deliver service offerings that add value to customers	Not targeted	Number of sector specific business opportunities identified in District Municipalities	3 x sector specific business opportunities identified in three district municipalities	3 sector specific business opportunities identified in three district municipalities	N/A	N/A
		Not targeted	Number of FS Fact Sheet & Districts Fact Sheets	6 x regional fact sheets produced	6 regional fact sheets produced	N/A	N/A
Deliver service offerings that lead to Free State economic growth	Deliver service offerings that add value to customers	Not targeted	Number of Free State Trade Profile Reports produced	1 x Free State trade profile report produced	1 Trade Profile report produced	N/A	N/A

Programme 2 : Corporate Secretariat & Affairs Sub-Programme: Corporate Secretariat and Legal Services							
Strategic Objective	Measurable Objective	Actual Achievement 2014/2015	Key Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Ensure sustainability	Comply with governance imperatives	Not targeted	Number of Dashboard reports on implementation of board resolutions	4 x dashboard reports	4 dashboard reports were submitted	N/A	N/A
		Not targeted	Percentage of legal advice provided within service standards guideline	75% of legal advice provided within service standards	100% of legal advice was provided within the service standard service guideline	+25%	The target was overachieved because improvement in processes within the department.
Ensure sustainability	Comply with governance imperatives	Not targeted	Number of legal reports to Board on cases handled	4 x legal reports to Board	4 legal reports submitted to Board	N/A	N/A

Finance

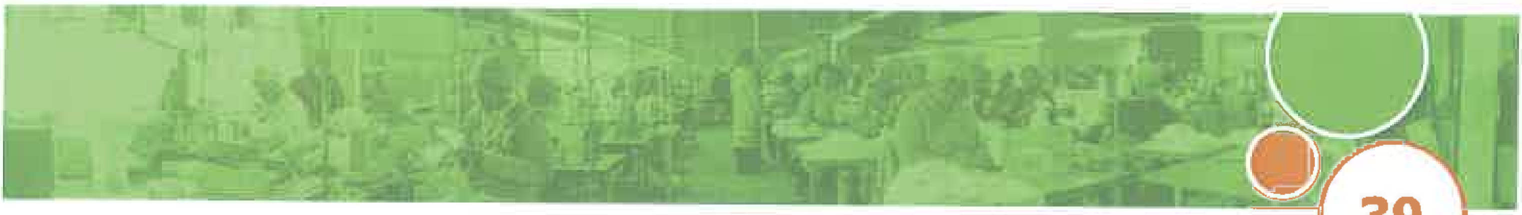
Programme 3: Finance Sub-Programme: Financial Management							
Strategic Objective	**Measurable objectives**	**Actual Achievement 2014/2015**	**Performance Indicator**	**Planned Target 2015/2016**	**Actual Achievement 2015/2016**	**Deviation from planned target to Actual Achievement for 2015/2016**	**Comments on deviation**
Ensure sustainability	Implement prudent financial management practice	R48million loss	Reduction in operating loss	Reduce operating loss to 47 million	Achieved a profit of R83 million	R130 million improvement	The target was overachieved because of cost containment measures implemented and SEZ capital projects grant.
		Not targeted	Percentage of rental collected on current billings	80% of rental collected on current billings	87% of rental was collected on current billings	+7%	Intensive focus on the collection drive.
		Not targeted	Percentage of loans collected on current billings	65% of loans is collected on current billings	70% of loans was collected on current billings	+5%	Intensive focus on the collection drive

Programme 3: Finance Sub-Programme: Financial Management							
Strategic Objective	**Measurable objective**	**Actual Achievement 2014/2015**	**Key Performance Indicator**	**Planned Target 2015/2016**	**Actual Achievement 2015/2016**	**Deviation from planned target to Actual Achievement for 2015/2016**	**Comments on deviation**
Ensure sustainability	Implement prudent financial management practice	Not targeted	Achieve an unqualified audit opinion	Unqualified audit opinion for the year ending 31 March 2015	Unqualified audit opinion with matters of emphasis	N/A	N/A
Sub Programme: Supply Chain Management							
Ensure sustainability	Increase the number of black participants in the FDC procurement spend	Not targeted	Percentage achievement of BBBEE procurement targets	To ensure total measured procurement spend is 75% to Black participants	64% of procurement was spent on black participants.	-11%	A MAP SEZ project was awarded to none-PDI supplier.

Programme 3: Finance Sub-Programme: Financial Management							
Strategic Objective	Measurable objective	Actual Achievement 2014/2015	Key Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Ensure sustainability	Increase the number of black participants in the FDC procurement spend	Not targeted	Implement prudent financial management practice	100% of suppliers paid within 30-day period from receipt of invoice	Target not achieved.		Cash flow constraints resulted in us having to delay payment to certain suppliers in order to meet priority expenses such as salaries and municipal utility accounts. All suppliers were however paid within reasonable period.

Economic development

Programme 4: Economic Development Sub-Programme: Property Facilities & Management							
Strategic Objective	Measurable objectives	Actual Achievement 2014/2015	Key Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Ensure sustainability	Increase revenue base	Not targeted	Percentage increase on Property occupancy rate	10% increase in property occupancy rate	8% increased on occupancy Rate year on year	-2%	The occupancy is based on the need and affordability to SMMEs. We encourage occupancy but it depends on the need.



Programme 4: Economic Development Sub-Programme: Property Facilities & Management							
Strategic Objective	**Measurable objectives**	**Actual Achievement 2014/2015**	**Key Performance Indicator**	**Planned Target 2015/2016**	**Actual Achievement 2015/2016**	**Deviation from planned target to Actual Achievement for 2015/2016**	**Comments on deviation**
SEZ Project							
Deliver service offerings that lead to Free State economic growth	Implement service offerings that meet customer expectations	Not targeted	Number of MAP SEZ reports submitted	4 x MAP SEZ reports submitted	4 MAP SEZ reports submitted	N/A	N/A

Programme 4: Economic Development Sub-Programme: District Operations							
Strategic Objective	**Measurable objectives**	**Actual Achievement 2014/2015**	**Key Performance Indicator**	**Planned Target 2015/2016**	**Actual Achievement 2015/2016**	**Deviation from planned target to Actual Achievement for 2015/2016**	**Comments on deviation**
Deliver service offerings that lead to Free State economic growth	Deliver service offerings that add value to customers	124 of loans budget was approved to SMMEs and Cooperatives	Percentage of loans' budget approved to SMMEs and Cooperatives	100% of loans budget approved to SMMEs and Cooperatives	50% of loans budget was approved to SMMEs and Cooperatives	-50 %. Target underachieved.	The Corporation is funding the loans from its own generated cash. This hampered the rate of approval due to working capital management.
		44.99% of approved loans were disbursed	Percentage disbursement of approved loans	70% of approved loans disbursed	88.6% of approved loans were disbursed	+19%. Target overachieved	Extra funds allocated due to positive collection from the Property Portfolio
Deliver service offerings that lead to Free State	Deliver service offerings that add value to customers	57% of existing operational FDC SMMEs portfolio customers received BDS services	Percentage of existing operational FDC SMMEs portfolio customers receiving BDS services	100% of existing operational FDC SMMEs portfolio customers receiving BDS services	Target not achieved		Some of the clients were reluctant to receive FDC for BDS purpose despite FDC's insistence.

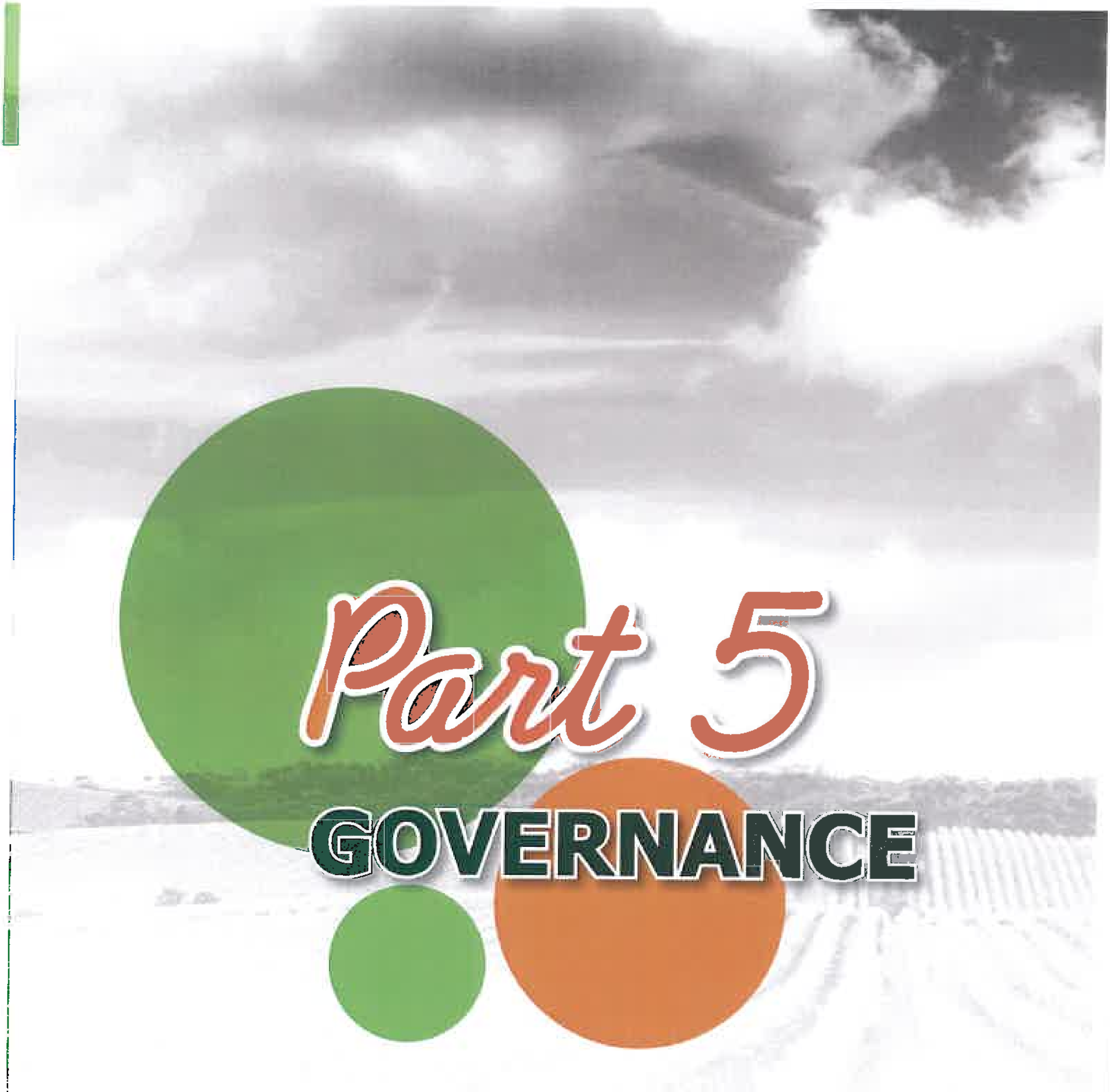
Programme 4: Economic Development Sub-Programme: District Operations							
Strategic Objective	**Measurable objective**	**Actual Achievement 2014/2015**	**Performance Indicator**	**Planned Target 2015/2016**	**Actual Achievement 2015/2016**	**Deviation from planned target to Actual Achievement for 2015/2016**	**Comments on deviation**
Deliver service offerings that lead to Free State economic growth	Deliver service offerings that add value to customers	93.7% of existing operational FDC Cooperatives received BDS services	Percentage of existing operational FDC Cooperatives portfolio customers receiving BDS services	100% of existing operational FDC cooperatives receiving BDS services	Target not achieved		Some of the clients were reluctant to receive FDC for BDS purpose despite FDC's insistence.
Ensure sustainability	Invest in profitable properties and business ventures	100% of identified non- operating joint ventures/ subsidiaries /associates portfolio disinvested from	Percentage of existing non- operating joint ventures / subsidiaries / associates portfolio disinvested from	100% of identified non- operating joint ventures/ subsidiaries /associates portfolio disinvested from	Disinvested from 100% of identified non-operating joint ventures/ subsidiaries/ associated portfolio	N/A	N/A

Programme 4: Economic Development Sub-Programme: Trade & Investment							
Strategic Objective	Measurable Objective	Actual Achievement 2014/2015	Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Deliver service offerings that lead to Free State economic growth	Deliver service offerings that add value to customers	32 FS exporters were promoted	Number of Free State exporters promoted	30 x Free State exporters promoted	182 Free State exporters promoted	+152	The target over was overachieved because of intense craft promotion activities.
		Not targeted	Number of export awareness and readiness workshops facilitated / participated	3 x export awareness and readiness workshops facilitated / participated	3 export awareness and readiness workshops facilitated / participated in.	N/A	N/A

Programme 4: Economic Development Sub-Programme: Trade & Investment							
Strategic Objective	Measurable Objective	Actual Achievement 2014/2015	Performance Indicator	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comments on deviation
Deliver service offerings that lead to Free State economic growth	Promote the Free State as preferred business destination	Not targeted	Percentage of investment enquiry projects registered	10 x investments projects registered	9 (9 out of 10 (90%) of investment enquiry were registered.	(-10%)-1.	There were delays in investment registration from the potential investors as they considered clauses such as the non-disclosure agreement. However, by year-end we secured 17 investors with signed letters of intent awaiting final registration.
	Deliver service offerings that add value to customers	Not targeted	Number of registered investment projects signed off by the investor and FDC	1 x investment projects signed off by the investor and FDC	No investment projects were signed off by the investor and FDC	Target not achieved	The one project we expected to realise during this year is the bio-ethanol fuel refinery planned for Bothaville but this was once again delayed due to internal re-prioritisation by the Department of Energy. The other project we also expected to materialise viz. the aluminium galvanising plant planned for Botshabelo was delayed due to challenges with the environmental impact assessment it had to conduct. This has now been approved and the project is expected to kick-off in the new financial year.
Build mutually beneficial relations with stakeholders	Enhance stakeholder management	3 Investment policy advocacy workshops were conducted in Fezile Dabi, Xhariep and Lejweleputswa	Number of investment policy advocacy workshops conducted	5 x investment policy advocacy workshops conducted	5 investment policy advocacy workshops were conducted	N/A	N/A

Part 5

GOVERNANCE



5.1 CORPORATE GOVERNANCE

Introduction

The FDC's mandate amongst others is to facilitate the economic growth of the Free State Province through the financial and non-financial support of small medium micro enterprise and co-operatives, Trade and Investment promotion and facilitation in order to encourage direct investment into the province and exports out of the province and country.

The Board is committed to sound governance in line with principles of King III. These governance principles and the duties of the chairman, board members and committees are clearly documented in the board and committees charters.

Responsibility and Accountability

The powers of the FDC Board are outlined under section 4A of the FDC Act. The FDC Board is mandated to achieve all main objects for which the FDC is established.

The board also provides leadership and strategic oversight, and oversees the internal control environment sustaining value to the Corporation's Shareholder and stakeholders. The board ensures adherence to principles of good governance and accountability as espoused in King III and its board charter. All members of the board are individually and collectively aware of their responsibilities to the group's stakeholders, and each director brings experience, independence and judgement. The board ensures regular review of its performance and core governance.

During the year under review, the FDC complied with all applicable legislation, policies and procedures except when it comes to a full compliance with the PFMA, particularly with regard to supply chain management processes. However, the Board had noted a lot of improvements from the previous financial year and impressed upon management that further measures and controls should be put in place to ensure a clean audit in the following year.

The board is working on ensuring that even at the level of the FDC's subsidiaries there are proper governance structures in place in order to ensure compliance and efficiency at all levels. However, during this period under review, the FDC executives and board committees assisted the board in managing, controlling and playing an oversight role over subsidiaries.

Appointment and Retirement of Directors

The Shareholder appoints the chairman, non-executive directors and the group CEO whereas the executive directors are appointed by the board. The term of office for the non-executive directors is a period of three years which may be renewable with another two years whereas the one for the group CEO is five years. The board is subject to an annual review by the Shareholder and the Shareholder provides feed back to the board on its performance from time to time and at the annual general meeting (AGM). Retiring non-executive directors are eligible for re-appointment and their retirement is replaced to ensure continuity. The board comprises 100% historically disadvantaged South Africans and 43% female members. Details of all board members can be found on page 15.

Formalization of director appointment and remuneration

The non-executive directors have their appointments formalised through a letter of appointment from the Shareholder. The appointment letter indicates the non-executive directors' term of office, as well as information pertaining to their remuneration. Remuneration for non-executive directors is based on the shareholder remuneration guidelines, approved by the Shareholder representative, and confirmed at the AGM. FDC pays non-executives a fee based on their attendance of meetings. The executives have contracts of employment with the company and are subject to FDC's conditions of service. Details on the remuneration of executive and non-executive directors are presented in note 40 of the financial statements.

Managing conflict of interest

The board has put in place a code of conduct for directors and staff to ensure effective management of conflicts of interest. Conflicts are declared annually by the individual directors in a register which is presented at the AGM for consideration. At each meeting directors declare their interests on any agenda item to prevent personal interests of a director taking precedence over those of the company. Board members who have personal interests in a matter under discussion recuse themselves from the meeting. A similar practice applies to all employees of the group.

Board Meetings

The board has four scheduled meetings and two special meetings annually plus the AGM. All documents that are submitted to the board for discussions are meticulously prepared by the executives, taking into account matters arising from previous board meetings, ensuring completeness and other relevant matters for the board's consideration. Non-executive directors have unfettered access to the executive team and any other employees of the group to seek explanations and clarifications on any matters prior to or following a board meeting. This facilitates the board's discussions and assists it in reaching speedy but informed decisions.

Members of the EMC attend the board meetings as and when required, to report to the board on their respective operational areas. The following table depicts the meetings of the board and the attendance of each member:

Board and committees meeting attendance

Name	Date of appointment	Board	Board Audit and Risk Committee	Board Investment and Finance Committee	Board Information Technology and Infrastructure Committee	Board Human Resources, Remuneration and Ethics Committee	Joint BARPC / BIFC Meeting	Joint Board / BARPC Meeting	IDZ
Ms HB Matseke	04 July 2012	06						03	01
Ms ND Mochochoko	04 July 2012	02	01	01			01		01
Mr. V Maharaj	04 July 2012	05		04		02	03	01	02
Mr. MPB Chuene	20 October 2014	06		04			03	02	02

Name	Date of appointment	Board	Board Audit and Risk Committee	Board Investment and Finance Committee	Board Information Technology and Infrastructure Committee	Board Human Resources, Remuneration and Ethics Committee	Joint BARPC / BIFC Meeting	Joint Board / BARPC Meeting	IDZ
Ms HN Mkhungo	20 October 2014	06			04	04	03	01	
Mr. LI Phungo	20 October 2014	06			04	04		02	
Ms TN Sandlana	20 October 2014	06	10	02	03	N/A	02	02	01

Company Secretary

The group company secretary is responsible for developing systems and processes that enable the board to discharge specific functions efficiently and effectively. She is responsible for advising the board on corporate governance issues, setting the annual plan for the board in conjunction with the chairman and monitoring compliance with the PFMA and other relevant legislation, as well as keeping the board updated on new relevant legislation. All directors have access to her services and guidance.

In addition to that, the group company secretary advises the board members individually and collectively of their responsibilities as captured in the FDC Act and the charters. These terms of reference are reviewed annually to ensure they remain in line with relevant regulations, corporation's requirements, and business climate in line with best practice in corporate governance

Board Committees

The board has established and delegated specific roles and responsibilities to its committees, namely, the Group Audit, Risk and Performance committee, the Human Resource, Remuneration and Ethics committee, Information Technology and Infrastructure committee and the Group Investment and Finance committee. All standing committees are chaired by independent non-executive directors.

Each committee's role, responsibilities, and membership are in accordance with their terms of reference as approved by the board.

Board committees have scheduled meetings at minimum four times a year. Executives are regular attendees at the board and committee meetings in line with their roles and responsibilities. The minutes of the committee meetings are included in the board meeting pack for information to keep the board abreast of the activities of the committees. Significant matters discussed at these committee meetings are recommended and debated by the board prior to the board approving such matters.

Audit and Risk Committee

Membership of the Audit, Risk and Performance committee, including its chairman, comprises only independent non-executive directors, and the executives are standing invitees to the committee meetings. All members of the committee have the considerable financial and risk management experience necessary to oversee and guide the board. These include the audit and risk functions, the governance of risk, and IT risk.

The committee's terms of reference are reviewed and updated annually for relevant new legislation and best practice. The terms of reference include the committee's mandate, which is to ensure the integrity of financial reporting, the adequacy of governance, soundness of the internal control environment and the robustness of risk management processes. The roles and responsibilities of the committee are detailed in the report of the audit and risk committee on page 59 to 60 and include the following:

- Reviewing the annual report, including financial statements and considers reports of the auditors on the financial statements;
- Reviewing risk registers, paying attention to risks, mitigation actions, and overall risk management.
- Reviewing the effectiveness of the company's internal controls;
- Considering matters emanating from the company's ethics hotline, planned management actions and the results of enquiries;
- Agreeing the scope of the auditors' work and their fees;
- Monitoring the performance of the internal audit function
- Considering the combined assurance model, assessing levels of assurance that is provided by auditors, regulators, management and other assurance providers;
- Considering treasury controls and related risk management processes; and
- IT governance.

The committee chairman meets regularly with the external auditors, the group's internal auditor, and the GCFO to consider the audit plans, the scope and status of the audits and progress on resolving significant issues.

The committee holds at least four meetings in any particular year. The committee has an annual work plan to ensure that all relevant matters are covered by the agendas of the meetings planned for the year as laid out in its terms of reference.

The invitees to committee meetings include all executives, internal and external auditors, the group risk and compliance manager, and other managers responsible for the company's operations when necessary. The audit and risk committee also meets with the internal and external auditors without the presence of management to enhance independence.

The audit and risk committee is also responsible for monitoring the combined assurance model detailing significant business processes, line management monitoring, internal audit and external assurances. This model is used to assess the appropriateness of assurance over risk/controls provided to the board. Discussions regarding the extent to which the various assurance providers rely on each other's work or where overlaps are unavoidable, take place continuously. FDC is in the process of strengthening some of the more critical management assurance processes to ensure they are effective and value-adding. The committee fulfilled its responsibilities as set out in this report.

Executive Management Committee

The EMC is chaired by the GCEO and includes all members of Executives as detailed on page 24. The responsibilities of the committee include overseeing the day-to-day management of the group's affairs, executing the decisions of the board, strategy development, review of the group's values, safety performance, operation and financial performance. The committee meets on a monthly basis to discuss affairs of the Corporation.

Internal Control

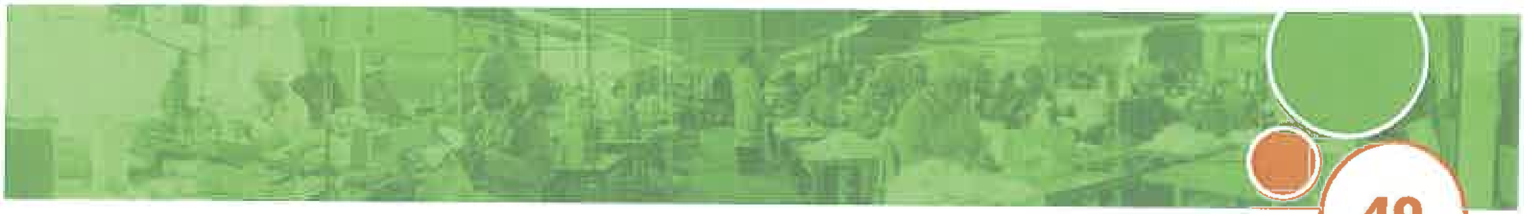
The board oversees the system of internal control within the Corporation, whereas the implementation and functioning of these systems rest with the executive management. The Audit and Risk committee is presented with a formal review of the effectiveness of the group's internal controls on a regular basis. This review is informed by the combined assurance matrix, which identifies significant processes and assurances that are being provided. There are reports from management on specific areas, internal audit, external audit and other independent assurance providers that are tabled from time to time to all relevant sub-committees.

Internal Audit

The function of internal audit is to appraise the adequacy and effectiveness of FDC's systems of internal control. This function has been outsourced to an audit firm. There is an internal audit charter in place that regulates the interaction between the group, management, internal auditors and the board. The charter is tabled annually to the Audit and Risk committee for consideration and approval.

The internal auditors report administratively to the GCEO and have unrestricted access to the chairman of the group audit and risk committee and to the chairman of the board of directors. Given that the internal auditors have unrestricted access to board members and regularly report to the audit and risk committee, the board is confident that the internal auditors have discharged their duties fully in terms of the internal audit charter. The tabled below discloses relevant information on the audit committee members:

Name of member	Qualifications	Date appointed	Date Resigned
Ms. TN Sandlana (Chairperson)	• Diploma In Management • B Comm • Higher Education Diploma • Master of Business Administration • Certificate in Quality Assessment CQA • Certificate in Control Self-Assessment	19 September 2014	N/A
Ms S Ntanjana	• B PROC • LLB	19 September 2014	N/A
Mrs. N. Mochochoko	• Certified Internal Auditor (I,II) • B.Compt Honours • Certificate of Theory in Accounting • B. Com • B.Com Honours	04 October 2012	30 October 2015
Mr. M. Ntshiea	• B Com (Accounting)	1 March 2011	N/A



Remuneration of board members

Board members are remunerated in line with guidelines approved by the Shareholder. The details of remuneration per board member are disclosed on note 40 of the annual financial statements.

Compliance with laws and regulations

FDC has a compliance framework to provide guidelines to compliance with mandatory legislation and regulations affecting it. FDC also makes use of the internal audit and external audit function, Treasury and other regulatory and assurance providers to assure compliance with laws and regulations.

Fraud and corruption

The FDC has zero tolerant to fraud and corruption. This is emphasised in the FDC's corporate plan that was submitted to the executive authority and provincial treasury. To deter and manage fraud, FDC's anti-fraud and corruption policy was approved by the Board and a fraud hotline is also in place to enable whistle blowers to report fraud and corruption without fear of being victimised. The hotline has been placed in all visible places for all employees to see and utilise should an incident of corruption take place.

5.2 HUMAN RESOURCES

FDC's workforce is the cornerstone of the business and as such, people management is viewed as the key to business success. The attraction, development, retention and performance of a competent and motivated workforce are critical to achieving the strategic objectives of the group. FDC operates in the high regulated environment and majority of FDC workforce comprises of highly qualified technical people. Below is the statistical representation of FDC workforce in various categories.

Training Costs

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as % of Personnel Cost (R'000)	No. of Employees Trained	Average Training Cost per Employee
Entire Entity	*60 679 895	975 539	1.6 %	95	10 269

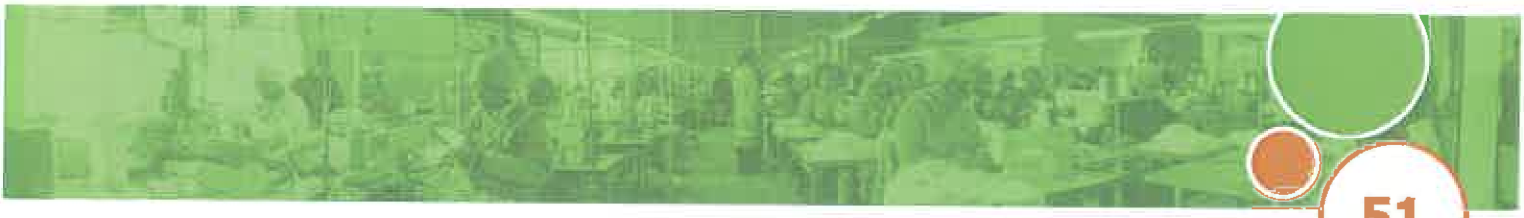
*Excluding non-executive directors remuneration and post retirement medical benefits

Employment and Vacancies

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	1	0	0	1
Senior Management	3	1	0	4
Professional qualified	17	2	3	16
Skilled	29	3	3	29
Semi-skilled	27	0	2	25
Unskilled	20	0	0	20
Contract Employees	10	0	3	7
TOTAL	107	6	11	102

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Resignation	3	30%
Expiry of contract	5	50%
Other (VSP)	2	20%
TOTAL	10	100%



5.3 STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2016

I, Ikhraam Osman, Chief Executive Officer of the Free State Development Corporation (FDC), am responsible for the preparation of the FDC performance information and for the judgements made in this information.

As the Chief Executive Officer, I am responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

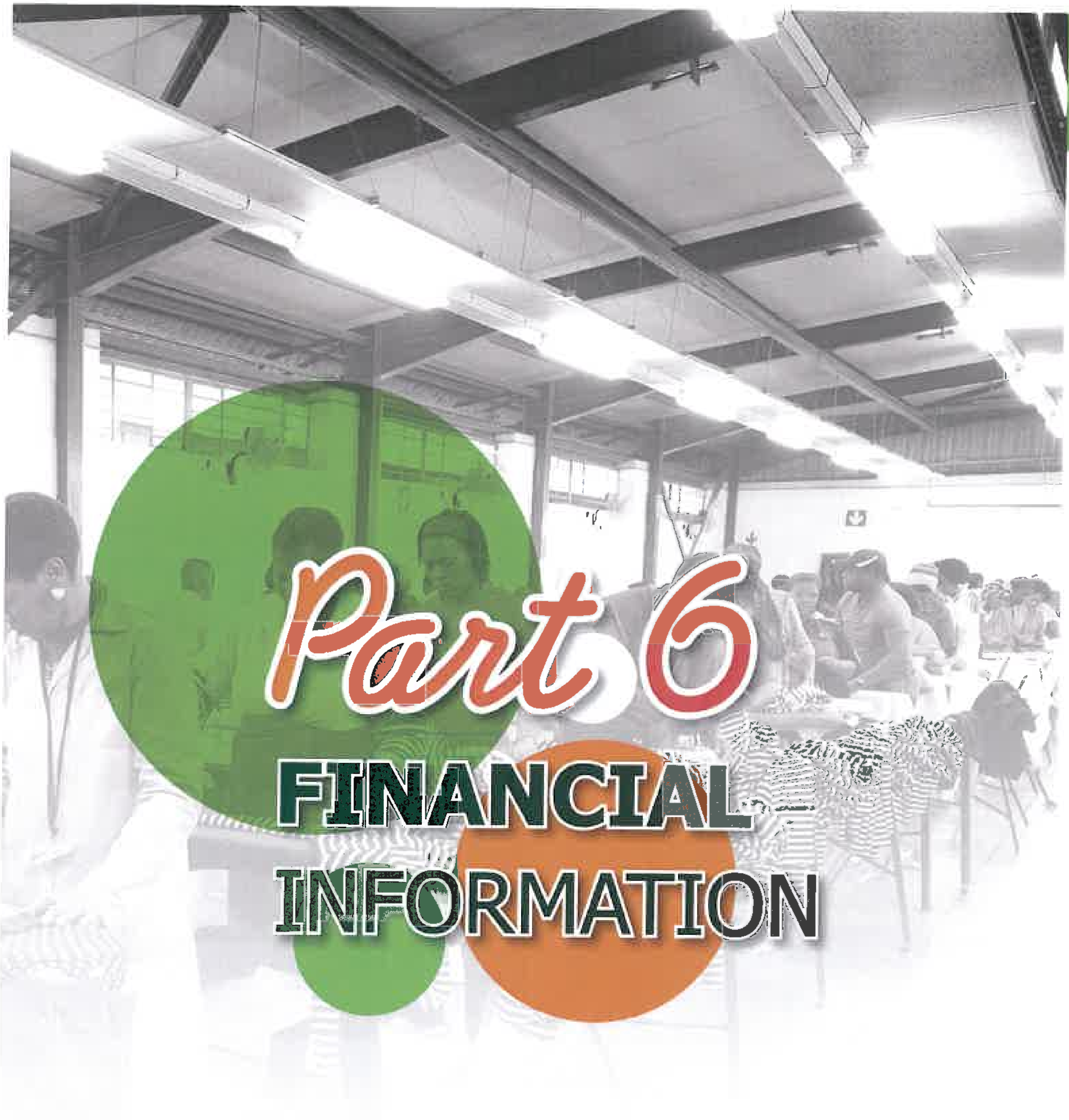
In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the FDC for the financial year ended 31 March 2016.

The FDC performance information for the year ended 31 March 2016 has been examined by external auditors and their report is presented on pages 54 to 58.

The performance information of the FDC set out on pages 30 to page 42 of the Annual Report was approved by the Board at its meeting on 29 May 2016.

Mr I OSMAN
CHIEF EXECUTIVE OFFICER

Ms HB MATSEKE
CHAIRPERSON



Part 6

FINANCIAL INFORMATION

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Board's Responsibilities and Approval

The board members are required in terms of the Free State Development Corporation Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice (SA GAAP) The external auditors are engaged to express an independent opinion on these consolidated financial statements.

The consolidated financial statements are prepared in accordance with SA GAAP and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The board members acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the board members to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The board members have reviewed the group's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future and therefore the consolidated financial statements have been prepared on the going concern basis.

The external auditors are responsible for independently auditing and reporting on the group's consolidated financial statements. The consolidated financial statements have been examined by the group's external auditors and their report is presented on pages 54 to 58.

The consolidated financial statements set out on pages 53 to 141, which have been prepared on the going concern basis, were approved by the board on 27 May 2016 and were signed on its behalf by:

Mr I Osman
Chief Executive Officer

Report of the auditor-general to the Free State Provincial Legislature on the Free State Development Corporation

Report on the consolidated and separate financial statements

Introduction

1. I have audited the consolidated and separate financial statements of the Free State Development Corporation and its subsidiaries set out on pages 53 to 141, which comprise the consolidated and separate statement of financial position as at 31 March 2016, 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 and separate financial statements

2. The board of directors, which constitutes 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 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 the 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 Free State Development Corporation and its subsidiaries as at 31 March 2016 and their financial performance and cash flows for the year then ended, in accordance with the SA Statements of GAAP and the requirements of the PFMA.

Emphasis of matters

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

Material losses and impairments

8. As disclosed in note 8 to the financial statements, cumulative material impairments on other loans receivable to the amount of R264 479 672 (2015: R266 544 481 and 2014: R267 590 026) were incurred with regard to the separate financial statements and R249 893 039 (2015: R250 977 048; 2014: R219 481 994) with regard to the consolidated financial statements as a result of irrecoverable loans.
9. As disclosed in note 12 to the financial statements, material losses to the amount of R39 124 042 were incurred as a result of a write-off of irrecoverable loans at subsidiaries.
10. As disclosed in note 13 to the financial statements, cumulative material impairments on trade and other receivables to the amount of R113 821 287 (2015: R110 020 433 and 2014: R93 281 335) were incurred with regard to the consolidated and separate financial statements as a result of irrecoverable debts.

Report on other legal and regulatory requirements

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, 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

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the corporation for the year ended 31 March 2016:

- Objective: Implement prudent financial management practice, on pages 37 to 38
- Objective: Increase revenue base, on page 38
- Objective: Invest in profitable properties and business ventures, on page 40
- Objective: Increase the number of black participants in the FDC procurement spends, on page 37
- Objective: Deliver service offerings that add value to customers, on pages 39 to 41
- Objective: Implement service offerings that meet customer expectations, on page 39
- Objective: Promote the Free State as a preferred business destination, on page 42.

13. 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).
14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and

complete.

15. The material findings in respect of the selected objectives are as follows:

Objective: Implement prudent financial management practice

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

Objective: Increase revenue base

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

Objective: Invest in profitable properties and business ventures

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

Objective: Increase the number of black participants in the FDC procurement spends

Reliability of reported performance information

19. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the source information provided.

Objective: Deliver service offerings that add value to customers

Reliability of reported performance information

20. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. For 33% of important indicators, the reported achievements against planned targets were not reliable because I was unable to obtain sufficient appropriate audit evidence for these targets.

Objective: Implement service offering that meet customer expectations

21. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

Objective: Promote the Free State as a preferred business destination

22. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

Additional matters

23. I draw attention to the following matters. My conclusion is not modified in respect of these matters:

Achievement of planned targets

24. Refer to the annual performance report on pages 30 to 42 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraphs 12 to 22 of this report.

Adjustment of material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information of the implement prudent financial management practice, increase revenue base and deliver service offerings that add value to customers programmes. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

COMPLIANCE WITH LEGISLATION

26. I performed procedures to obtain evidence that the corporation had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

27. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(a) of the PFMA. Material misstatements of conditional grants that were incorrectly classified under revenue and certain significant amounts that were not disclosed per their nature, as identified by the auditors in the submitted financial statement, were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

28. Goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.
29. Construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB), in contravention of section 18(1) of the CIDB Act, 2000 (Act No. 38 of 2000).

Expenditure management

30. Effective steps were not taken to prevent irregular expenditure of R1 352 977, as disclosed in note 46 of the AFS, in contravention of section 51(1)(b)(ii) of the PFMA.

INTERNAL CONTROL

31. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

32. The filling of vacancies with competent finance staff members was not prioritised to ensure that effective internal controls exist. There was a lack of adequate oversight to ensure that matters relating to compliance with legislation and performance information previously reported, were addressed.

Financial and performance management

33. A lack of consequences resulted in staff not being held accountable for their responsibilities with regard to the preparation of performance reporting information. Material errors were detected in the report on the predetermined objectives.

Governance

34. The chief audit executive (CAE) position within the corporation was vacant and both the functions of the CAE and those of internal audit were outsourced only in the second half of the financial year. The uncertainty regarding the position and the fact that the internal audit responsibilities were only addressed in the second half of the year impeded the overall effectiveness of internal audit.

Auditor - General

Bloemfontein

31 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Board, Audit and Risk Committee Report

The audit committee hereby presents the report for the financial year ended 31 March 2016 in accordance with the Treasury Regulations and the Public Finance Management Act.

Audit committee's Responsibility

The audit committee reports that it has complied with its responsibilities arising from section 51(1(a) of the PFMA and section 3.1.13; section 27.1.7; and section 27.1.6 to 27.1.13 of Treasury Regulations.

Section 51 (1) (a) of the PFMA states that:

The accounting authority must ensure that the public entity has and maintains:

- Effective, efficient and transparent systems of financial and risk management and internal controls;
- A system of internal audit under the control and direction of an audit committee complying with and operating in
- accordance with regulations and instructions prescribed in terms of sections 76 and 77;
- An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective; and
- A system for properly evaluating all major capital projects prior to a financial decision on the project.

The audit committee reports that it has performed its duties as delegated by the Board and has a majority of independent non-executive directors who are financially literate as recommended by King 3.

The committee met four times during the financial year, evaluated its performance, and addressed matters of conflict of interest within the Corporation. The committee has conducted its affairs in accordance with its terms of reference and has discharged its responsibilities as contained therein. The committee's chairman attended the annual general meeting during the year.

Appointment and oversight of the external auditors

The committee maintains a professional relationship with the external auditors and coordinates activities between external and internal auditors.

We have reviewed the engagement letter and agreed on the terms, the fee, the nature and scope of the audit function, and are satisfied that the auditors have conducted the audit in accordance with the agreed terms. We are satisfied with the auditors' independence and objectivity.

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- Irregular expenditure
- Material impairments

Monitoring the company's compliance with legislative, regulatory, contractual and other Obligations

We have continued to monitor that management complies with legislative, regulatory and other contractual obligations.

Appointment of internal auditors, and review of internal controls

The committee approved the internal audit plan for the year. We are satisfied with the cooperation between the internal and external auditors and that the combined assurance addresses all significant risks facing FDC.

All internal audits were completed independent of management and the reports were presented directly to the Audit Committee for review, together with management's responses.

We have reviewed the findings of the internal audit work, which was based on the risk assessments conducted in the organisation and have noted all weaknesses reported in internal controls. Areas of concern have been raised with management and are monitored for improvements.

Board, Audit and Risk Committee Report

Monitoring the definition of risks and the adequacy and efficacy of risk management processes

The committee is aware of, and has monitored, the risks that affect the organisation. The ongoing internal audit process provides the audit committee with the assurance that all major issues regarding the appropriateness and effectiveness of internal controls are reported.

Monitoring of Pre - determined Objective were monitored, assured and achieved

Quarterly, the committee, satisfied itself that performance was measured against the predetermined objects. On a contiously basis the committee ensure that the entity complied with the Frameworks and Circulars issued by National Frameworks.

Examination and review of the financial statements and accompanying reports

During the year the committee examined and reviewed the quarterly reports on the operational and financial performance of the corporation. The committee has reviewed the annual consolidated financial statements for the year ended 31 March 2016.

The committee confirms that the annual consolidated financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP). All provisions and contingencies have been reviewed and disclosed. The external auditors' management letter has been reviewed and the audit committee has satisfied itself with management's responses.

The audit committee concurs and accepts the independent external auditors' conclusion on the annual consolidated financial statements, and is of the opinion that the audited annual consolidated financial statements should be accepted and read together with the report of the independent external auditors.

Chairperson - Audit committee
29 July 2016
Ms TN Sandlana

Report of the Board

The board members of the Free State Development Corporation (FDC) take pleasure in submitting the consolidated financial statements for the year ended 31 March 2016.

1. Constitution

The FDC is a Provincial Development Agency constituted in terms of the Free State Development Corporation Act of 1995 (as amended) effective from 15 September 1995.

2. Main business and operations

The objectives of FDC are:

- the promotion and development of small, medium and micro enterprises;
- to assist Free State based small, medium and micro enterprises with funding by advancing loans;
- to assist Free State based small, medium and micro enterprises in financial distress;
- to initiate economic empowerment projects that would benefit the Free State;
- to promote investment in and trade with the Province and to identify, analyse, publicise and market investment and trade opportunities in the provincial economy, in such manner and by such means as the board of directors may from time to time deem appropriate; and
- to undertake, at the request of the responsible Member or other stakeholders or agencies, activities for which the necessary resources can be raised and which, in the opinion of the board of directors, will contribute to the strengthening of the provincial economy.

The operating results and state of affairs of the FDC and its subsidiaries and associates are fully set in the attached consolidated financial statements and in our opinion do not require any further comment.

3. Directors

The MEC of the Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA) appoints directors of the Board in terms of section 5 (2) of the Free State Development Corporation Act, and the following persons were on the Board during the year under review:

Name	Office	Designation
Osman I	Chief Executive Officer	Executive
Maharaj V	Acting Chief Executive Officer of MAP SEZ	Executive
Matseke HB (Mayeza)	Chairperson	Non-executive
Chuene MPB	Member	Non-executive
Mkhungo HN	Member	Non-executive
Mochochoko N	Member	Non-executive
Phungo LI	Member	Non-executive
Sandlana TN	Member	Non-executive

4. Directors' interests in contracts

During the year under review, the board members or officers of the FDC had no interest in any contracts.

5. Secretary

Mr D Nkaiseng resigned as secretary of the Corporation on 31 December 2015 and Ms S Motloung was appointed in his stead on 1 January 2016.

6. Remuneration of directors and senior management

Refer to note 40.

Report of the Board

7. Interests in subsidiaries and associates

The financial report in respect of the interests of the FDC in its subsidiaries and associates, listed below, is set out in the consolidated financial statements of the FDC:

Name of subsidiary or associate	Percentage holding	Audit opinion
Canton Trading 123 (Pty) Ltd t/a Jomago Health **	49 %	Liquidated (No audit opinion)
Classic Number Trading 45 (Pty) Ltd **	49 %	Liquidated (No audit opinion)
Confram Harrismith Properties (Pty) Ltd **	100 %	Liquidated (No audit opinion)
Copper Moon Trading 429 (Pty) Ltd **	55 %	Liquidated (No audit opinion)
Cross Point Trading 23 (Pty) Ltd **	25 %	Under liquidation (No audit opinion)
Golden Pond Trading 663 (Pty) Ltd **	49 %	Liquidated (No audit opinion)
Highland Furniture Factory (Pty) Ltd ** (Dormant since Oct 2015)	100 %	Unqualified
Mafube Risk and Insurance Brokers (Pty) Ltd *	24.50 %	Unqualified
Orofino Africa Jewellery Manufacturers (Pty) Ltd **	49 %	Liquidated (No audit opinion)
Phiritona Plastics (Pty) Ltd **	38 %	Unqualified
Rumar Manufacturing (Pty) Ltd **	30 %	Liquidated (No audit opinion)
Satinsky 167 (Pty) Ltd **	26 %	Liquidated (No audit opinion)
Scopefull 21 (Pty) Ltd **	50 %	Transferred (No audit opinion)
Synthpro Holdings (Pty) Ltd **	33 %	Liquidated (No audit opinion)
Twin Cities Trading 129 (Pty) Ltd **	30 %	Surrendered to FDC (No audit opinion)
Welkom Diamond Cutting Works (Pty) Ltd**	- %	Restructured (No audit opinion)
Qwa Qwa Datnis (Pty) Ltd *	18 %	Unqualified
Ligia Paper Industries (Pty) Ltd *	10 %	Inactive (No audit opinion)
Free State Agri SOC RF **	100 %	Inactive (No audit opinion)
Free State Investments SOC RF **	100 %	Inactive (No audit opinion)
Free State Publishers SOC RF **	100 %	Inactive (No audit opinion)
Maluti-A-Phofung IDZ SOC RF **	100 %	Inactive (No audit opinion)

* Associated companies

** Subsidiaries companies.

Details of the Corporation's investment in subsidiaries and associates are set out in notes 6 & 7.

8. Events after the reporting period

The board members are not aware of any material event which occurred after the reporting date and up to the date of this report that require adjustment to or disclosure in the consolidated financial statements.

9. Going concern

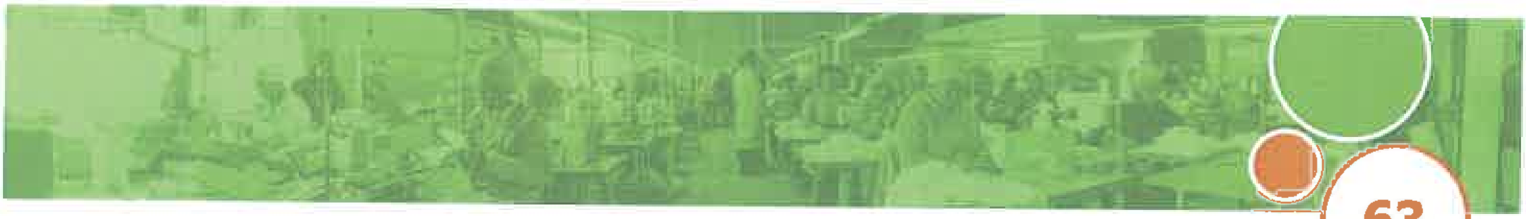
The board members believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated financial statements have been prepared on a going concern basis. The board members have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The board members are not aware of any new material changes that may adversely impact the group. The board members are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

10. Auditors

The Auditor-General is the external auditor of the Free State Development Corporation in terms of the FDC Act.

11. Relations with stakeholders

There are no events recorded that have occurred with stakeholders that could materially affect the reported results and financial position of FDC.



FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Financial Position

		Group			Corporation		
Figures in Rand	Note(s)	2016	2015	2014	2016	2015	2014
Assets							
Non-Current Assets							
Investment property	3	660 746 520	640 238 345	611 961 572	660 746 520	640 238 345	611 961 572
Property, plant and equipment	4	67 819 199	44 543 483	17 434 497	66 261 159	42 972 662	15 759 302
Intangible assets	5	843 539	971 132	1 216 571	843 539	971 132	1 216 571
Investments in subsidiaries	6	-	-	-	100	100	99
Investments in associates	7	670 181	1 242 743	859 330	49 000	49 001	49 001
Loans receivable	8	33 750 406	46 119 571	53 915 793	33 750 406	46 172 408	57 108 096
Operating lease asset	9	2 984 708	2 380 171	459 044	2 984 708	2 380 171	459 044
Other investments	10	54 250	54 250	54 250	54 250	54 250	54 250
		766 868 803	735 549 695	685 901 057	764 689 682	732 838 069	686 607 935
Current Assets							
Inventories	11	3 342 126	3 260 547	413 049	3 054 425	3 054 425	165 101
Loans receivable	8	64 847 707	73 014 391	81 584 358	64 847 707	73 014 390	78 444 891
Operating lease asset	9	595 725	252 818	244 398	595 725	252 818	244 398
Trade and other receivables	13	62 490 483	40 870 499	37 445 982	62 490 483	40 274 030	36 795 507
Other investments	10	8 387 178	8 387 178	5 953 139	8 387 178	8 387 178	5 953 139
Cash and cash equivalents	14	51 349 483	31 625 835	94 287 123	51 137 027	31 553 730	93 969 199
		191 012 702	157 411 268	219 928 049	190 512 545	156 536 571	215 572 235
Non-current assets held for sale	15	13 975 700	-	-	13 975 700	-	-
Total Assets		971 857 205	892 960 963	905 829 106	969 177 927	889 374 640	902 180 170
Equity and Liabilities							
Equity							
Equity Attributable to Equity Holders of Parent							
Reserves	16&34	4 598 117	3 069 031	867 579	4 907 382	3 378 296	1 176 844
Retained income		742 243 556	656 070 167	673 020 694	735 378 208	653 712 868	667 892 340
		746 841 673	659 139 198	673 888 273	740 285 590	657 091 164	669 069 184
Non-controlling interest		(5 839 066)	(1 795 545)	(2 415 116)	-	-	-
		741 002 607	657 343 653	671 473 157	740 285 590	657 091 164	669 069 184
Liabilities							
Non-Current Liabilities							
Other financial liabilities	17	783 802	1 496 014	1 508 557	742 047	1 445 302	1 457 845
Operating lease liability	9	-	224	-	-	224	-
Retirement benefit obligation	18	38 213 000	42 498 000	41 629 000	38 213 000	42 498 000	41 629 000
Deferred income	19	141 484	168 300	176 967	141 484	168 300	176 967
Long service award provisions	20	675 319	699 013	699 013	675 319	699 013	699 013
		39 813 605	44 861 551	44 013 537	39 771 850	44 810 839	43 962 825
Current Liabilities							
Other financial liabilities	17	3 763 288	3 738 819	3 399 217	3 763 288	3 477 667	3 399 217
Operating lease liability	9	8 776	8 328	-	8 776	8 328	-
Trade and other payables	21	187 244 407	186 986 501	186 907 628	185 323 901	183 964 531	185 713 377
Deferred income	19	24 522	22 111	35 567	24 522	22 111	35 567
		191 040 993	190 755 759	190 342 412	189 120 487	187 472 637	189 148 161
Total Liabilities		230 854 598	235 617 310	234 355 949	228 892 337	232 283 476	233 110 986
Total Equity and Liabilities		971 857 205	892 960 963	905 829 106	969 177 927	889 374 640	902 180 170

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Comprehensive Income

		Group		Corporation	
Figures in Rand	Note(s)	2016	2015	2016	2015
Continuing operations					
Revenue	22	192 354 874	192 946 117	191 038 260	189 006 537
Cost of sales	23	(122 480 574)	(139 042 607)	(119 711 008)	(133 628 377)
Gross profit		**69 874 300**	**53 903 510**	**71 327 252**	**55 378 160**
Other income	24	102 395 858	49 014 705	100 893 691	48 788 137
Operating expenses	27	(52 527 602)	(67 347 119)	(58 245 353)	(66 944 590)
Administrative expenses	25	(7 862 410)	(8 553 307)	(7 788 522)	(8 436 143)
Employee related costs	26	(69 713 095)	(65 929 041)	(69 338 352)	(65 433 101)
Operating profit (loss)	27	**42 167 051**	**(38 911 252)**	**36 848 716**	**(36 647 537)**
Investment revenue	28	1 548 448	323 904	2 532 750	323 595
Fair value gains	29	34 483 875	29 856 772	34 483 875	29 856 772
Income (loss) from equity accounted investments	7	345 591	383 412	-	-
Finance costs	30	(1 392 911)	(1 924 752)	(995 218)	(1 644 302)
Profit (loss) from continuing operations		**77 152 054**	**(10 271 916)**	**72 870 123**	**(8 111 472)**
Discontinued operations					
Loss with derecognition of subsidiaries	31	-	(812 280)	-	-
Profit (loss) for the year		**77 152 054**	**(11 084 196)**	**72 870 123**	**(8 111 472)**
Other comprehensive income:					
Actuarial gains / (losses) on defined benefit plans	33	8 795 217	(6 068 000)	8 795 217	(6 068 000)
Gains and losses on property revaluation	16	1 529 086	-	1 529 086	-
Other comprehensive income (loss) for the year net of taxation	33	**10 324 303**	**(6 068 000)**	**10 324 303**	**(6 068 000)**
Total comprehensive income (loss)		**87 476 357**	**(17 152 196)**	**83 194 426**	**(14 179 472)**
Attributable to:					
Owners of the parent:					
Profit (loss) for the year from continuing operations		77 378 171	(10 070 247)	72 870 123	(8 111 472)
Profit (loss) for the year from discontinuing operations		-	(812 280)	-	-
Profit (loss) for the year attributable to owners of the parent		**77 378 171**	**(10 882 527)**	**72 870 123**	**(8 111 472)**
Non-controlling interest:					
Profit (loss) for the year from continuing operations		(226 117)	(201 669)	-	-
Profit (loss) for the year from discontinuing operations		-	-	-	-
Loss for the year attributable to non-controlling interest		**(226 117)**	**(201 669)**	**-**	**-**
Total comprehensive income (loss) attributable to:					
Owners of the parent		87 702 474	(16 950 527)	83 194 426	(14 179 472)
Non-controlling interest		(226 117)	(201 669)	-	-
		87 476 357	**(17 152 196)**	**83 194 426**	**(14 179 472)**
Profit (loss) attributable to :					
Owners of the parent		77 378 171	(10 882 527)	72 870 123	(8 111 472)
Non-controlling interest		(226 117)	(201 669)	-	-
		77 152 054	**(11 084 196)**	**72 870 123**	**(8 111 472)**

Statement of Changes in Equity

Figures in Rand	Revaluation reserve	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Group							
Balance at 01 April 2014	**1 176 844**	**(309 265)**	**867 579**	**673 020 694**	**673 888 273**	**(2 415 116)**	**671 473 157**
Loss for the year as restated	-	-	-	(10 882 527)	(10 882 527)	(201 669)	(11 084 196)
Other comprehensive income	-	-	-	(6 068 000)	(6 068 000)	-	(6 068 000)
Total comprehensive Loss for the year	**-**	**-**	**-**	**(16 950 527)**	**(16 950 527)**	**(201 669)**	**(17 152 196)**
Revaluation of property	2 201 452	-	2 201 452	-	2 201 452	-	2 201 452
Disposal of interest in subsidiary	-	-	-	-	-	821 240	821 240
Total contributions by and distributions to owners of company recognised directly in equity	**2 201 452**	**-**	**2 201 452**	**-**	**2 201 452**	**821 240**	**3 022 692**
Opening balance as previously reported	3 378 296	(309 265)	3 069 031	649 519 787	652 588 818	(1 795 545)	650 793 273
Adjustments							
Prior year adjustments	-	-	-	6 550 380	6 550 380	-	6 550 380
Balance at 01 April 2015 as restated	**3 378 296**	**(309 265)**	**3 069 031**	**656 070 167**	**659 139 198**	**(1 795 545)**	**657 343 653**
Profit for the year	-	-	-	77 378 171	77 378 171	(226 117)	77 152 054
Other comprehensive income	-	-	-	10 324 304	10 324 304	-	10 324 304
Total comprehensive income for the year	**-**	**-**	**-**	**87 702 475**	**87 702 475**	**(226 117)**	**87 476 358**
Prior period error	-	-	-	-	-	(3 817 404)	(3 817 404)
Revaluation of property	1 529 086	-	1 529 086	(1 529 086)	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	**1 529 086**	**-**	**1 529 086**	**(1 529 086)**	**-**	**(3 817 404)**	**(3 817 404)**
Balance at 31 March 2016	**4 907 382**	**(309 265)**	**4 598 117**	**742 243 556**	**746 841 673**	**(5 839 066)**	**741 002 607**
Note(s)	16&33	34		33&38			

Statement of Changes in Equity

Figures in Rand	Revaluation reserve	Total reserves	Retained income	Total attributable to equity holders of the group / company	Total equity
Corporation					
Balance at 01 April 2014	**1 176 844**	**1 176 844**	**667 892 340**	**669 069 184**	**669 069 184**
Loss for the year as restated	-	-	(8 111 472)	(8 111 472)	(8 111 472)
Other comprehensive income	-	-	(6 068 000)	(6 068 000)	(6 068 000)
Total comprehensive Loss for the year	**-**	**-**	**(14 179 472)**	**(14 179 472)**	**(14 179 472)**
Revaluation reserve	2 201 452	2 201 452	-	2 201 452	2 201 452
Total contributions by and distributions to owners of company recognised directly in equity	**2 201 452**	**2 201 452**	**-**	**2 201 452**	**2 201 452**
Opening balance as previously reported	3 378 296	3 378 296	647 203 072	650 581 368	650 581 368
Adjustments					
Prior year adjustments	-	-	6 509 796	6 509 796	6 509 796
Balance at 01 April 2015 as restated	**3 378 296**	**3 378 296**	**653 712 868**	**657 091 164**	**657 091 164**
Profit for the year	-	-	72 870 123	72 870 123	72 870 123
Other comprehensive income	-	-	10 324 303	10 324 303	10 324 303
Total comprehensive income for the year	**-**	**-**	**83 194 426**	**83 194 426**	**83 194 426**
Revaluation reserve	1 529 086	1 529 086	(1 529 086)	-	-
Total contributions by and distributions to owners of company recognised directly in equity	**1 529 086**	**1 529 086**	**(1 529 086)**	**-**	**-**
Balance at 31 March 2016	**4 907 382**	**4 907 382**	**735 378 208**	**740 285 590**	**740 285 590**
Note(s)	16&33		33&38		

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Cash Flows

		Group		Corporation	
Figures in Rand	Note(s)	2016	2015	2016	2015
Cash flows from operating activities					
Cash (used in) generated from operations	35	23 089 344	(51 127 102)	21 244 051	(50 916 411)
Interest income		1 455 323	203 028	1 455 322	202 719
Dividends received		93 125	120 876	1 077 428	120 876
Finance costs		(1 392 911)	(1 924 752)	(995 218)	(1 644 302)
Net cash flow from / (utilised in) operating activities		**23 244 881**	**(52 727 950)**	**22 781 583**	**(52 237 118)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(23 328 372)	(26 412 514)	(23 328 372)	(26 397 697)
Retirement of property, plant and equipment	4	-	(1 319 095)	-	(1 317 773)
Sale of investment property	3	-	1 580 000	-	1 580 000
Purchase of other intangible assets	5	(40 967)	(487 520)	(40 967)	(487 520)
Net movement on loans		20 535 849	16 366 189	20 588 685	16 366 189
Net cash from investing activities		**(2 833 490)**	**(10 272 940)**	**(2 780 654)**	**(10 256 801)**
Cash flows from financing activities					
Repayment of other financial liabilities		(687 743)	339 602	(417 632)	78 450
Net cash from financing activities		**(687 743)**	**339 602**	**(417 632)**	**78 450**
Total cash movement for the year		**19 723 648**	**(62 661 288)**	**19 583 297**	**(62 415 469)**
Cash at the beginning of the year		31 625 835	94 287 123	31 553 730	93 969 199
Total cash at end of the year	14	**51 349 483**	**31 625 835**	**51 137 027**	**31 553 730**

Accounting Policies

1. Presentation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP). The consolidated financial statements have been prepared on the historical cost basis, except for investment properties, land and buildings classified as property, plant and equipment, that have been measured at fair value and incorporate the principal accounting policies set out below. The Group's consolidated financial statements are presented in South African Rands, which is also the group's functional currency. All figures are rounded off to the nearest Rand.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Corporation and all entities, including special purpose entities, which are controlled by the Corporation.

Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of *IFRS 3 Business combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with *IFRS 5 Non-current assets held-for-sale and discontinued operations*, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

Accounting Policies

1.1 Consolidation (continued)

On acquisition, the group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments previously recognised to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Investment in associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with *IFRS 5 Non-current assets held-for-sale and discontinued operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the group's share of net assets of the associate, less any impairment losses.

Losses in an associate in excess of the group's interest in that associate are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the associate.

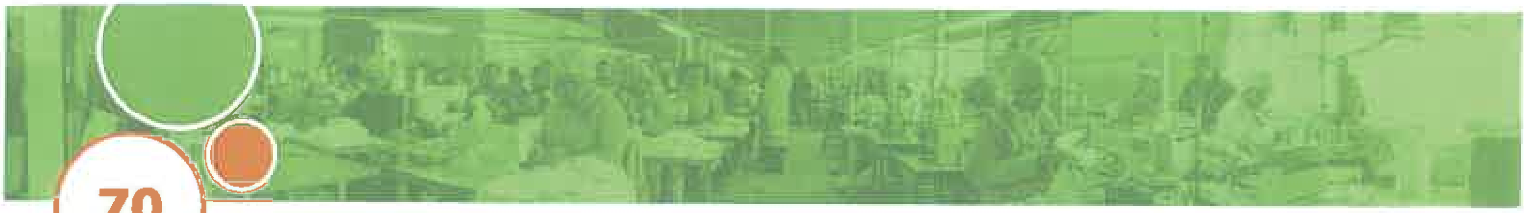
Any goodwill on acquisition of an associate is included in the carrying amount of the investment; however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein.

When the group reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may result in differences that are material to the consolidated financial statements. Significant judgements include:



Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables and loans and receivables

The group assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The group uses judgment to determine the appropriate amount to be provided for based on past experience and the debtors credit record.

Available-for-sale financial assets

The group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Other financial assets

The group assesses its other financial assets for impairment at the end of each reporting period. Impairment is only recognised up until the fair value of any securities held by the group. Fair value of securities is determined annually by external valuers/directors. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the Corporation uses alternative valuation methods.

Allowance for slow moving, damaged and obsolete stock

The group makes an allowance for slow moving, damaged and obsolete stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provision for bad debts

Provision for bad debts is recognised based on the movement for significance of value in relation to the installment and whether a pattern of regularity in payments has been made.

Long service award provision

The provision for the long service award is recognised based on the number of employees and the average past service years.

Please refer to note 1.15 provisions and contingencies for recognition and measurement criteria.

Classification of leases

The group uses the guidance in IAS 17 to classify leases as either operating leases or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Property, plant and equipment

A professional valuator is engaged every five years to determine the market values relating to Property. For the remaining four financial periods, fair value will be assessed by management with the relevant income, expenses and capitalisation rates obtained from a professional valuator. When the fair value of a revalued asset differs materially from its carrying amount, a professional valuation is obtained.

Investment property

Fair value is determined annually by external valuers/directors. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the Corporation uses alternative valuation methods.

The following methods were deemed the most applicable to the investment properties:
- Direct Comparable Sales
- Capitalisation of Income Approach
- Depreciated Replacement Value Approach

Retirement benefit obligation

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact the carrying amount of the medical obligations. Additional information is disclosed in note 18.

1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Directly attributable transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises. Investment properties are held for long-term rental yields or for capital appreciation and are not occupied by the group. Investment properties are treated as long term investments and are carried at fair value representing open market value. Fair value is determined annually by external valuers/directors. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the Corporation uses alternative valuation methods.

The following methods were deemed the most applicable to the investment properties:
- Direct Comparable Sales
- Capitalisation of Income Approach
- Depreciated Replacement Value Approach

A professional valuator shall be engaged every five years to determine the market values. For the remaining four financial periods, fair value will be assessed by management with the relevant income, expenses and capitalisation rates obtained from a professional valuator. When the fair value of a revalued asset differs materially from its carrying amount, a professional valuation is obtained.

If the fair value cannot be reliably determined on a continuous basis, the investment property is to be measured using the cost model.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and cost of the item can be reliably measured. The carrying amount of the replaced part is de-recognised. All repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Property

Property is carried at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the end of the reporting period.

Owner-occupied properties, whose fair value can be measured reliably, are carried at a revalued amount, being its fair value at date of the revaluation less accumulated depreciation and impairment. A professional valuator shall be engaged every five years to determine the market values. For the remaining four financial periods, fair value will be assessed by management with the relevant income, expenses and capitalisation rates obtained from a professional valuator.

When the fair value of a revalued asset differs materially from its carrying amount, a professional valuation will be obtained. If an item of property is revalued, the entire class of property to which that asset belongs is revalued.

If a property's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Accounting Policies

1.4 Property, plant and equipment (continued)

If a property's carrying amount is decreased as a result of a revaluation or impairment the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in equity (comprehensive income) to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on re-measurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised and presented in the revaluation reserve in equity. Any loss is recognised in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

Upon disposal, any revaluation reserve relating to the particular asset being disposed, is transferred to retained earnings.

Plant and equipment

Plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Furniture and fixtures, machinery and equipment, motor vehicles and computer hardware are stated at historical cost less accumulated depreciation and impairment losses. These assets are depreciated, on a straight line basis to their expected residual values, over the estimated useful lives of the assets concerned.

The assets expected residual values and estimated useful lives are reviewed, and adjusted if appropriate, on an annual basis.

Change in the estimated useful life are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and cost of the item can be reliably measured. The carrying amount of any replaced part is de-recognised. All repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The useful lives of items of plant and equipment have been assessed as follows:

Item	Average useful life
Owner-occupied properties	20 years
Furniture and fixtures, machinery and equipment	15 years
Motor vehicles	4 to 9 years
Computer hardware	1 to 10 years
Plant	15 to 25 years

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Land is not depreciated and as such will have an indefinite useful life.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in profit or loss.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	1 to 7 years

1.6 Investments in subsidiaries

In the Corporation's separate consolidated financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

1.7 Investments in associates

An investment in an associate is carried at cost less any accumulated impairment.

1.8 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Loans and receivables
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Accounting Policies

1.8 Financial instruments (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities (or a part of a financial liability) are derecognised when it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

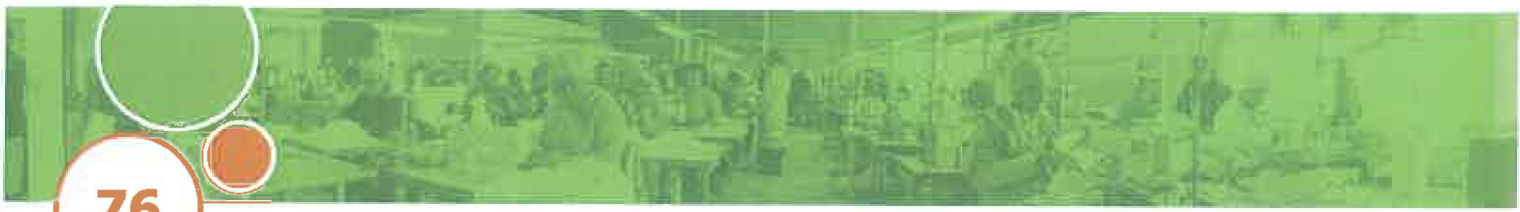
Impairment losses are recognised in profit or loss.

Impairment is only recognised up until the fair value of any securities held by the group.

Fair value of securities is determined annually by external valuers/directors. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the Corporation uses alternative valuation methods.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.



Accounting Policies

1.8 Financial Instruments (continued)

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade payables are classified as financial liabilities measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalent comprise of cash on hand, deposits held on call with banks and collateral investments, net of bank overdrafts. Cash and cash equivalents are classified as receivables originated by the enterprise and are measured at amortised cost.

Cash and cash equivalents are classified as loans and receivables.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the effective interest rate method.

Bank overdraft and borrowings are classified as financial liabilities measured at amortised cost.

Accounting Policies

1.8 Financial Instruments (continued)

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.9 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.9 Tax (continued)

Tax expenses

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

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

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

The Corporation (Holding company) is exempt from taxation in terms of section 10(1) (cA) (I) of the Income Tax Act.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee

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

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

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Inventory includes properties that were repossessed and will be sold to recover losses on impaired debtors. These properties were held as security for loans granted.

Accounting Policies

1.11 Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

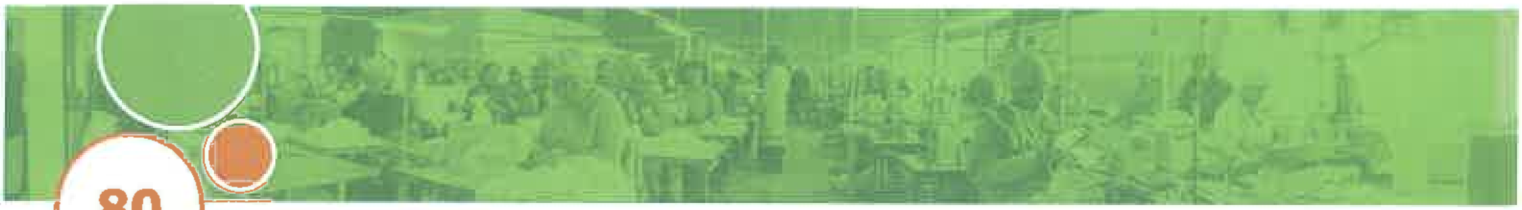
Impairment on goodwill is never reversed.

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.13 Share capital and equity

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



Accounting Policies

1.14 Employee benefits

Short-term employee benefits

The Corporation recognises a liability and an expense for bonuses, based on the approved policy. The Corporation recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Defined contribution plans - Pension and Benefit Fund contributions

The Parent has a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity / fund. The Parent has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Corporation pays contributions to privately administered pension insurance plans on a contractual basis. The Corporation has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans - Post retirement medical obligation

The Parent provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement. The expected costs of these benefits are accrued over the period of employment. The liability recognised in respect of the post-retirement healthcare benefit is the present value of the defined benefit obligation at the financial year end date. 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 using the fixed real medical inflation method in discounting the estimated future cash outflows by considering the yield on government bonds.

Actuarial gains and losses are recognised in the year in which they arise in other comprehensive income.

1.15 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as finance cost.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;

1.15 Provisions and contingencies (continued)

  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.16 Government grants

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred liability at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant.

Grants that compensate the Corporation for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Grants that compensate the Corporation for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

When the group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments. When loans or similar assistance are provided by government or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and proceeds received.

1.17 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

The group uses the percentage-of-completion method to determine the stage of completion of transactions involving the rendering of services.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Accounting Policies

1.17 Revenue (continued)

Interest is recognised in profit or loss, using the effective interest rate method.

Dividends are recognised in profit or loss, when the group's right to receive payment has been established.

1.18 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases 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 as an expense in the period in which they are incurred.

1.20 Bad debts written off

Bad debts are written off, directly against the debtors' account, after a comprehensive collection process, all legal steps have been taken and it is considered that the Corporation will be unable to recover the debt. The collection processes include debtor visits, consultations with debtors, rework of debtors' business plans and the rescheduling of debts. If debtors cannot pay after the collection process they will be handed over to the legal department for the legal collection of debts. Bad debts are written off after the legal process has been exhausted and recognised as an expense in profit or loss. Subsequent recoveries of amounts previously written off are credited against other income in profit or loss.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to any applicable legislation, or is in contravention of the group's supply chain management policy. Irregular expenditure is accounted for as expenditure, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and when it will be recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.23 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

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

Assets and liabilities classified as held for sale are for distribution are presented separately as current items in the statement of financial position.

Notes to the Consolidated Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

No standards or interpretations relevant to the group became effective for the current financial year.

2.2 Standards and Interpretations early adopted

The group has not early adopted any standards and interpretations.

2.3 Standards and interpretations not yet effective

The group has historically applied Statements of GAAP (Generally Accepted Accounting Practice) as issued by the Accounting Standards Board (ASB). The Statements of GAAP were withdrawn by the ASB from 1 December 2012.

For those Government Business Enterprises that apply Statements of GAAP, the ASB agreed that, as an interim measure, these entities should continue to apply Statements of GAAP (as issued at 1 April 2012) until the ASB has undertaken more extensive research to identify the most appropriate reporting framework.

Statements of GAAP are drawn from International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), Interpretations issued by the International Financial Reporting Interpretations Committee (IFRICs and SICs). Directive 5, as issued by the ASB, outlines which of these pronouncements constituted the Statements of GAAP (called the "GAAP Reporting Framework") at 1 April 2012.

The Statements of GAAP as at 1 April 2012 comprise the IFRSs, IASs, IFRICs and SICs, and any amendments thereto, issued by the International Accounting Standards Board (IASB) or the IFRIC up until May 2011.

At year-end the ASB has not yet identified the most appropriate reporting framework and therefore there are no "standards and interpretations not yet effective".

Since the statements of GAAP in 2012, the Board has been deliberating on what the most appropriate reporting framework should be for entities that applied statements of GAAP.

During this time; the Board agreed as an interim measure that Government Business Enterprises should retain the status quo regarding the reporting framework applied in preparing their consolidated financial statements. (Therefore continue applying statements of GAAP).

Directive 12, the selection of an Appropriate Reporting Framework by Public Entities issued in July 2015 sets out the criteria to be applied in determining whether IFRS could be applied. FDC meets the criteria as set out in this Directive.

This Directive is effective for financial year commencing on or after 1 April 2018.

Notes to the Consolidated Financial Statements

3. Investment property

Group

	2016			2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	660 746 520	-	660 746 520	640 238 345	-	640 238 345	611 961 572	-	611 961 572

Corporation

	2016			2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	660 746 520	-	660 746 520	640 238 345	-	640 238 345	611 961 572	-	611 961 572

Reconciliation of investment property - Group - 2016

	Opening balance	Classified as held for sale	Fair value adjustments	Total
Investment property	640 238 345	(7 471 700)	27 979 875	660 746 520

Reconciliation of investment property - Group - 2015

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	611 961 572	(1 580 000)	29 856 773	640 238 345

Reconciliation of investment property - Group - 2014

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	583 635 530	(835 000)	29 161 042	611 961 572

Notes to the Consolidated Financial Statements

3. Investment property (continued)

Reconciliation of investment property - Corporation- 2016

	Opening balance	Classified as held for sale	Fair value adjustments	Total
Investment property	640 238 345	(7 471 700)	27 979 875	660 746 520

Reconciliation of investment property - Corporation - 2015

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	611 961 572	(1 580 000)	29 856 773	640 238 345

Reconciliation of investment property - Corporation - 2014

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	583 635 530	(835 000)	29 161 042	611 961 572

Pledged as security

No investment property is pledged as security.

Permission - To - Occupy (PTOs)

Commercial and residential PTO properties of R 8 468 000 (2015: R 8 326 000), (2014: R 8 162 000) are included in the fair value amount of the investment property in the consolidated financial statements.

FDC is in the possession of 28 Permissions To Occupy Certificates given as security. These PTO's were not valued by the Professional Valuer during the previous financial year or revalued for the current financial year for reasons below:

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

3. Investment property (continued)

Permission To Occupy was issued by a communal tribal authority on state land within the former Homelands (in South Africa). PTO's provided the bearer with a recognised right of occupation and utilisation of an identified portion of land but the land remained the ownership of the state. PTO's are not recognised for purposes of security by financial institutions. This situation is responsible for low levels of investment by the private sector in such areas. All land holders share the same obligations, including payment of tribal levies and observance of traditional practises. Exclusive rights to residential stands or arable plot cannot be sold and can only be exchanged with the approval of the headman or chief. Anyone wishing to leave the area may sell any remaining structures to a new occupant, but the new occupant must have the stand allocated to them by the Tribal Authority before taking occupation.

- Permission to occupy is a right of personal nature allowing the user either use or occupation rights over a certain rural surveyed piece of land. Therefore it is not registerable in a Deeds Registry.
- PTO's are not eligible for registration in a Deeds Registry as they are by nature classified as mere personal rights whereas only real rights and limited real rights can be registered in a Deeds Registry.
- PTO tenure is not an economically viable form of land holdership as it is not acceptable as real security or collateral by any financial institution i.e. (it cannot secure a debt or one cannot take a home loan or mortgage against it).
- The tenure rights of the PTO lapses when its holder dies and as such cannot be inherited in a deceased estate of the holder.

A PTO is a less formal tenure right that merely evidences a user right and such is only a personal right. It is not proof of title of ownership in land and therefore cannot be classed as a Title Deed to Land.

Properties let in terms of Notarial deed of lease

Included in Investment Properties are the following properties which the Corporation has let in terms of Notarial Deed of Lease:
- Reahola Shopping Centre, Botshabelo, Erf 139 & 161.
- Setsing Shopping Centre, Phuthaditjhaba, farm 1922/19 &20.

The fair values of these properties are as follows:

Reahola Shopping Centre, Erf 139 & 161	19 749 600	18 990 000	18 100 000	19 749 600	18 990 000	18 100 000
Setsing Shopping Centre, Phuthaditjhaba, farm 1922/19 & 20	38 584 000	37 100 000	35 400 000	38 584 000	37 100 000	35 400 000
	58 333 600	56 090 000	53 500 000	58 333 600	56 090 000	53 500 000

Details of all investment properties

Fair value

Commercial/Industrial properties	607 972 640	590 417 345	563 974 072	607 972 640	590 417 345	563 974 072
Residential properties	52 773 880	49 821 000	47 987 500	52 773 880	49 821 000	47 987 500
	660 746 520	640 238 345	611 961 572	660 746 520	640 238 345	611 961 572

Notes to the Consolidated Financial Statements

3. Investment property (continued)

A register containing the detail information regarding the properties is available at the FDC's head offices, situated at 33 Kellner Street, Bloemfontein.

Properties included in the Investment Property asset register but not registered in the name of the FDC or its predecessors

FDC has started and is currently in the process of reviewing the property asset register. This process should be completed in the 2017 financial year. During this process it was discovered that for 39 properties included in the Investment property asset register, FDC or one of its predecessors, does not appear as the registered owner in the records of the Registry of Deeds.

Where it can be established that the FDC is the rightful owner of such a property, the property will be transferred into the name of the FDC. Where no such proof exists, the property will be removed from the Investment Property asset register. This will affect the value of Investment property as disclosed in the consolidated financial statements.

The value of investment properties not registered in the name of FDC is indicated below:

	2016	2015	2014
Commercial and Industrial			
Fair value	6 256 640	13 869 000	13 314 000
Residential			
Fair value	13 975 700	2 519 000	1 745 000
Total	**20 232 340**	**16 388 000**	**15 059 000**

Details of valuation

The effective date of the Fair Value Valuation was March 2016. Revaluations were performed by an independent valuer, Mr Zack van der Merwe registered as a Professional Valuer, (Certificate no. 4973), with the SACPVP (South African Council of Professional valuers profession), of Equity Valuers. Mr van der Merwe is not connected to the group and has recent experience in the location and categories of the investment property being valued. The group's complete last revaluation was performed on May 2016 by independent valuators.

For the current year the properties in the portfolio have been valued based on a desktop valuation using methods prescribed by SACPVP as well as the SAIV (South African Institute of Valuers). The basis for the desktop valuation was the full inspection as performed in the prior year. The valuations are therefore subject to the properties being in the same condition as at that time. A full valuation was last done in the 2014 financial year. The 2016 valuations have been adjusted based on changes in the current year's market conditions, location of the properties and our professional judgement on the factors affecting specific properties.

The methods are in accordance with Generally Accepted Accounting Practice (GAAP) as well as the Public Finance Management Act No 1 of 1999 (PFMA) as amended and Treasury Regulations promulgated.

The following methods were deemed the most applicable to the investment properties:

- Highest and Best Use
- Basic Valuation methods
- Statistical Inference - Market Data Approach
- Direct Comparison

The full valuation report, with assumptions and methods used, is available at the offices of the Corporation at 33 Kellner Street, Bloemfontein.

The valuers determined the market value of the investment property of the Corporation for the statement of financial position purposes on the effective date of 31 March 2016.

The following section explains the approach and methodology of the project:
- the process of updating immovable investment property valuations; and
- data management, handling of spatial data.

Notes to the Consolidated Financial Statements

3. Investment property (continued)

Approach Immovable assets

Highest and Best Use

Fundamental to the concept of value is the theory of highest and best use.

Land has no value until there is a use for it; the amount of the value however depends on the character of the intended use. The owner of real property typically desires to reap the greatest possible return from the property and will select a use to achieve this objective. Since change is ever present, the existing use of land may no longer conform to what had become its highest and best use; and the highest and best use of the improved property may differ from the highest and best use of the site if vacant.

"Highest and best use" is an appraisal concept denoting the probable use on which an estimate of market value is based. Since different possible uses tend to have different market values, the selection of a probable, or "highest and best use" is necessary for a reliable estimate of market value. A reliable prediction of "highest and best use" allows an appraiser to employ valuation techniques, market data and assumptions relevant to the selected highest and best use. A market value estimate based on anything but probable use, gave an indication of what price would actually be paid, if the property were sold as on the date of valuation.

"Highest and best use" is defined as:

"The most probable use of a property which is physically possible, appropriately justified, legally permissible and financially feasible at the time of the appraisal and which results in the highest value of the property being valued."

The criteria considered in selecting the "highest and best use" at the time of the appraisals were:

- Physically possible. The site must possess adequate size, shape and soil conditions to support the proposed use.
- Legally permissible. The proposed use of the property must conform to all zoning and use restrictions for the site.
- Appropriately justified. A use that is not legally permissible or physically possible cannot be considered as highest and best use. A use that is both legally permissible and physically possible may never require an explanation justifying why that use is reasonably probable.
- Financially feasible. The proposed use must be capable of providing a net return to the property FDC group should the property be sold.

Basic Valuation Methods

Value is not intrinsic to a property object and is not equated with cost or production. Market value is the result of the interaction of people in the market situation, in a similar situation we can only expect people to act in a similar fashion. The basic imperfection of the appraisal process lies in the fact that we do not have reliable records of how all types of people react in all types of market situations.

There are two basic analytical methods available for the purpose of value prediction which have been used. The choice between these two analytical processes depends on the kind and quality of the information that the appraiser is able to uncover and assemble.

When sufficient and reliable market information on past market behaviour were available, various statistical methods were employed for processing data to derive a prediction of future price behaviour under given conditions and for measuring the reliability of the prediction. These methods were grouped under the label of statistical inference, i.e. the use of mathematics for drawing inferences for the future from measured records of past behaviour.

Statistical Inference – Market Data Approach

The market data approach involved direct comparisons of the property being valued to similar properties that have sold in the same or in a similar market in order to derive at a market value indication for the property being appraised.

Notes to the Consolidated Financial Statements

3. Investment property (continued)

Carefully verified and analysed market data was used as meaningful evidence of value where it represented typical actions and reactions of buyers, sellers, users and investors. The market data approach was based on the principle of substitution. The approach implies that a prudent person will not pay more to buy a property than it will cost to buy a comparable substitute property. The price a typical purchaser will pay is usually the result of an extensive shopping process in which available alternatives are compared. The property purchased typically represents the best available balance between the buyer's specifications and the purchase price.

Direct Comparison

The factors considered in direct sales comparisons are sometimes referred to as elements of comparison. The valuers' objective was to interpret from sales of similar properties to the probable market value of the property being appraised. A comprehensive market file, augmented by current research, provided a variety of market information as a basis for the comparison process. Since no two properties are identical in all respects, the attributes of the potentially comparable sale properties were reconciled with those of the property being appraised.

In making comparisons, the appraiser identified similarities and dissimilarities. The most dependable conclusions are based on comparisons of the most similar factors and conditions. The valuer considered the extent of the dissimilarities and estimates the amounts these add to or subtract from the known price of the sold property in order to obtain an adjusted figure reflecting the probable sale price of the property being valued.

Elements of comparison used include:

- **Time:**
  The length of time for which specific sale comparisons may be useful varies with the character of the market, the rate and extent of market change and the type of property.
- **Physical Characteristics:**
  Similar properties may differ regarding to site qualities- frontage, size of land, soil type, topography
  Improvements although comparable may differ not only in size of improvements but also in quality of amendments and finishing.
- **Location:**
  Similar properties might sell for more in one neighbourhood than in another, sales data used for comparison is most meaningful when confined to the neighbourhood of the property being appraised.
- **Institutional Attributes:**
  Legal and management scheme influences on use application of the property.
- **Present use of the Property**
- **Highest and best use of property.**

Methodology

In determining the market value for the subject property, a number of wide ranging factors had to be considered. This includes factors that range from international and national market conditions, trade agreements, legislation, exchange rates, labour aspects and the various factors that might influence the market value of the subject property.

It is a known fact that land is becoming scarcer and land near established areas are more popular for reasons such as easier access to municipal services, established infrastructures etc. Cognisance of the current economy under pressure and onerous rezoning process, service installation by municipalities and problematic electricity supply must also be reviewed.

Market Analysts from both ABSA and FNB predict more of the same; the same stability, the same low growth rates. The relatively low nominal house price growth of the past two years is forecast to continue in 2016/17. In view of current trends in and prospects for the major economic and household finance-related factors, as well as recent trends in house price growth, continued single-digit nominal price growth is forecast for 2016.

According to Rode & Associates Property Consultants the prognosis of the property market in specific the commercial market remains weak. Much to the relief of non –residential property owners frustrated in recent years by rising vacancy rates, poorly performing market rentals and explosive operating costs, capitalization rates have at least been able to hold their own.

Notes to the Consolidated Financial Statements

3. Investment property (continued)

Lightstone a provider of comprehensive data, analytics and systems on property indicated that economic conditions for 2016 should remain similar to that of 2015 even though GDP forecasts for 2016 might be slightly subdued. Since it is expected that economic conditions will remain constant in 2016 it is expected that house price inflation will not increase and remain relatively stable.

Property transfers report from 1 March 2015 to 1 March 2016 confirming no significant change in the property market.

Method of valuation

The valuation of property requires the use of a wide variety of mathematical techniques ranging from simple arithmetic through algebraic formulas to the statistical techniques of multiple regression analysis. The following formed part of the process:

- Market information comparison with data contained in the property register;
- Analysing of market data and adjusting of regression models; and
- Comparison of market value estimates with market indicators; adjustments made.

Amounts recognised in profit and loss for the year

Figures in Rand	Group			Corporation		
	2016	2015	2014	2016	2015	2014
Rental income from investment property	76 345 419	81 445 536	73 037 875	76 324 419	81 319 536	72 917 989
Direct operating expenses from rental generating property	(46 666 562)	(48 420 102)	(60 735 169)	(46 666 562)	(48 420 102)	(60 735 169)
Fair value adjustment	34 483 875	29 856 772	29 161 042	34 483 875	29 856 772	29 161 042
	64 162 732	62 882 206	41 463 748	64 141 732	62 756 206	41 343 862

Notes to the Consolidated Financial Statements

4. Property, plant and equipment

Group

	2016			2015			2014		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Buildings	20 793 635	(5 148 367)	15 645 268	19 264 550	(4 096 453)	15 168 097	17 063 098	(3 288 314)	13 774 784
Plant and machinery	851 868	(85 963)	765 905	850 000	(43 437)	806 563	850 000	(932)	849 068
Furniture and fixtures	8 372 142	(6 088 635)	2 283 507	7 660 531	(5 795 648)	1 864 883	8 344 637	(6 286 782)	2 057 855
Motor vehicles	1 737 891	(1 538 040)	199 851	1 687 720	(1 518 369)	169 351	1 932 245	(1 718 265)	213 980
Computer hardware	3 896 130	(3 312 843)	583 287	3 629 711	(3 073 664)	556 047	3 694 747	(3 155 937)	538 810
Assets under construction	48 341 381	-	48 341 381	25 978 542	-	25 978 542	-	-	-
Total	**83 993 047**	**(16 173 848)**	**67 819 199**	**59 071 054**	**(14 527 571)**	**44 543 483**	**31 884 727**	**(14 450 230)**	**17 434 497**

Company

	2016			2015			2014		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Buildings	19 825 265	(4 806 970)	15 018 295	18 296 180	(3 756 180)	14 540 000	16 094 728	(2 949 212)	13 145 516
Plant and machinery	851 868	(85 963)	765 905	850 000	(43 437)	806 563	850 000	(932)	849 068
Furniture and fixtures	4 592 396	(3 039 331)	1 553 065	3 898 822	(2 812 290)	1 086 532	3 919 421	(2 718 408)	1 201 013
Motor vehicles	938 985	(938 985)	-	938 985	(934 006)	4 979	1 183 510	(1 158 614)	24 896
Computer hardware	3 843 602	(3 261 089)	582 513	3 573 511	(3 017 465)	556 046	3 638 547	(3 099 738)	538 809
Assets under construction	48 341 381	-	48 341 381	25 978 542	-	25 978 542	-	-	-
Total	**78 393 497**	**(12 132 338)**	**66 261 159**	**53 536 040**	**(10 563 378)**	**42 972 662**	**25 686 206**	**(9 926 904)**	**15 759 302**

Notes to the Consolidated Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Revaluations	Prior year adjustments	Depreciation	Total
Buildings	15 168 097	-	1 529 086	-	(1 051 915)	15 645 268
Plant and machinery	806 563	1 868	-	-	(42 526)	765 905
Furniture and fixtures, machinery and equipment	1 864 883	693 574	-	18 036	(292 986)	2 283 507
Motor vehicles	169 351	-	-	50 171	(19 671)	199 851
Computer hardware	556 047	270 091	-	773	(243 624)	583 287
Assets under construction	25 978 542	22 362 839	-	-	-	48 341 381
	44 543 483	**23 328 372**	**1 529 086**	**68 980**	**(1 650 722)**	**67 819 199**

Reconciliation of property, plant and equipment - Group - 2015

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Buildings	13 774 784	-	-	2 201 452	(808 139)	15 168 097
Plant and machinery	849 068	33 933	-	-	(76 438)	806 563
Furniture and fixtures, machinery and equipment	2 057 855	113 884	-	-	(306 856)	1 864 883
Motor vehicles	213 980	-	(6 348)	-	(38 281)	169 351
Computer hardware	538 810	286 155	-	-	(268 918)	556 047
Assets under construction	-	25 978 542	-	-	-	25 978 542
	17 434 497	**26 412 514**	**(6 348)**	**2 201 452**	**(1 498 632)**	**44 543 483**

Notes to the Consolidated Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2014

	Opening balance	Additions	Disposals	Prior year adjustment	Depreciation	Theft	Deregistered	Total
Buildings	15 080 739	-	(500 000)	-	(805 955)	-	-	13 774 784
Plant and machinery	-	850 000	-	-	(932)	-	-	849 068
Furniture and fixtures, machinery and equipment	2 965 859	177 448	(107 544)	57 773	(498 842)	(536 839)	-	2 057 855
Motor vehicles	281 341	31 745	-	25 396	(124 502)	-	-	213 980
Computer hardware	815 396	49 554	(22 914)	-	(290 898)	(773)	(11 555)	538 810
	19 143 335	**1 108 747**	**(630 458)**	**83 169**	**(1 721 129)**	**(537 612)**	**(11 555)**	**17 434 497**

Reconciliation of property, plant and equipment - Corporation - 2016

	Opening balance	Additions	Revaluations	Depreciation	Total
Buildings	14 540 000	-	1 529 086	(1 050 791)	15 018 295
Plant and machinery	806 563	1 868	-	(42 526)	765 905
Furniture and fixtures, machinery and equipment	1 086 532	693 574	-	(227 041)	1 553 065
Motor vehicles	4 979	-	-	(4 979)	-
Computer hardware	556 046	270 091	-	(243 624)	582 513
Assets under construction	25 978 542	22 362 839	-	-	48 341 381
	42 972 662	**23 328 372**	**1 529 086**	**(1 568 961)**	**66 261 159**

Notes to the Consolidated Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Corporation - 2015

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Buildings	13 145 516	-	-	2 201 452	(806 968)	14 540 000
Plant and machinery	849 068	-	-	-	(42 505)	806 563
Furniture and fixtures, machinery and equipment	1 201 013	113 884	-	-	(228 365)	1 086 532
Motor vehicles	24 896	-	-	-	(19 917)	4 979
Computer hardware	538 809	305 271	(7 670)	-	(280 364)	556 046
Assets under construction	-	25 978 542	-	-	-	25 978 542
	15 759 302	**26 397 697**	**(7 670)**	**2 201 452**	**(1 378 119)**	**42 972 662**

Reconciliation of property, plant and equipment - Corporation - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	13 950 252	-	-	(804 736)	13 145 516
Plant and machinery	-	850 000	-	(932)	849 068
Furniture and fixtures, machinery and equipment	1 510 387	177 448	(61 150)	(425 672)	1 201 013
Motor vehicles	50 874	-	-	(25 978)	24 896
Computer hardware	803 067	49 554	(22 914)	(290 898)	538 809
	16 314 580	**1 077 002**	**(84 064)**	**(1 548 216)**	**15 759 302**

Impairment losses are included in operating expenses in the statement of profit or loss and other comprehensive income.

Pledged as security

No assets are pledged as security.

There are no restrictions on the distribution of the revaluation reserve to the equity holders of the group.

Notes to the Consolidated Financial Statements

4. Property, plant and equipment (continued)

Revaluations

Refer to note 3 investment property for the details of the valuators and asssumptions used.

The carrying value of the revalued assets under the cost model would have been R 17 063 098.

Other information

Included in the above figures are assets with an initial cost price of R 6 139 543 (2015: R5 625 568), (2014: R 3 520 765) which are fully depreciated and are still in use.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Corporation.

Assets under construction relates to SEZ fencing and infrastructural developments.

5. Intangible assets

Group	2016			2015			2014		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	5 658 040	(4 814 501)	843 539	5 617 073	(4 645 941)	971 132	5 129 553	(3 912 982)	1 216 571

Corporation	2016			2015			2014		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	5 658 040	(4 814 501)	843 539	5 617 073	(4 645 941)	971 132	5 129 553	(3 912 982)	1 216 571

Notes to the Consolidated Financial Statements

5. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	971 132	40 967	(168 560)	843 539

Reconciliation of intangible assets - Group - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	1 216 571	487 520	(732 959)	971 132

Reconciliation of intangible assets - Group - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 520 999	392 106	(696 534)	1 216 571

Reconciliation of intangible assets - Corporation - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	971 132	40 967	(168 560)	843 539

Reconciliation of intangible assets - Corporation - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	1 216 571	487 520	(732 959)	971 132

Notes to the Consolidated Financial Statements

5. Intangible assets (continued)

Reconciliation of intangible assets - Corporation - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	1 520 999	392 106	(696 534)	1 216 571

Amortisation is included in operating expenditure in the statement of profit or loss and other comprehensive income.

Other information

Included in the above figures are intangible assets with an initial cost price of R 1 879 708 (2015: R 1 879 708), (2014: R 443 052) which are fully depreciated and are still in use.

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

6. Investments in subsidiaries

Name of company	Date acquired	Status of subsidiaries	Date liquidated / deregistered
Canton Trading 123 (Pty) Ltd *	April 2008	Liquidated	23 August 2012
Classic Number Trading 45 (Pty) Ltd *	March 2007	Liquidated	10 June 2010
Confram Harrismith Properties (Pty) Ltd *	October 1996	Deregistered	
Copper Moon Trading (Pty) Ltd *	February 2007	Liquidated	18 February 2011
Cross Point Trading 23 (Pty) Ltd	March 2007	Pending liquidation	
Golden Pond Trading 663 (Pty) Ltd *	April 2008	Liquidated	23 August 2012
Highland Furniture Factory (Pty) Ltd	January 2002	Operational	
Orofino Africa Jewellery Manufacturing (Pty) Ltd *	October 2007	Deregistered	
Phiritona Plastics (Pty) Ltd	October 2007	Operational (dormant)	
Rumar Manufacturing (Pty) Ltd	February 2007	Liquidated	26 August 2010
Satinsky 167 (Pty) Ltd	October 2007	Liquidated	1 December 2010
Scopefull 21 (Pty) Ltd	August 2000	Transferred	
Synthpro Holdings (Pty) Ltd	July 2007	Liquidated	11 March 2011
Twins Cities Trading 129 (Pty) Ltd	March 2007	Surrendered	
Welkom Diamond Cutting Works (Pty) Ltd	July 2007	Restructured	29 May 2011
Free State Agri SOC RF **	February 2015	Not yet operational	
Free State Investments SOC RF **	February 2015	Not yet operational	
Free State Publishers SOC RF **	February 2015	Not yet operational	
Maluti-A-Phofung IDZ SOC RF **	February 2015	Not yet operational	

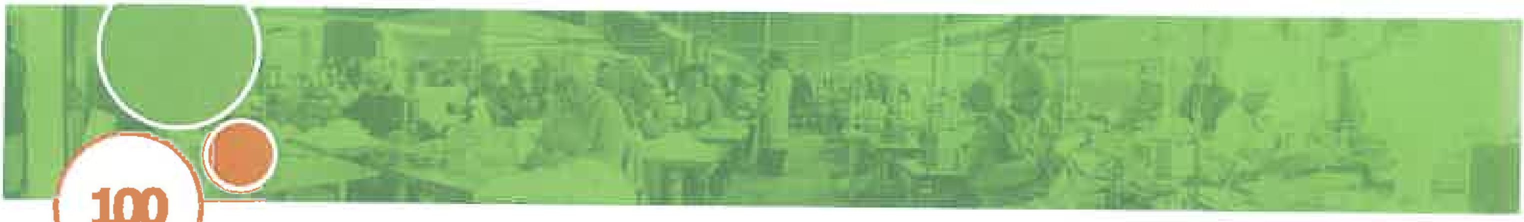
	Carrying amount 2016	Carrying amount 2015	Carrying amount 2014
Canton Trading 123 (Pty) Ltd	49	49	49
Classic Number Trading 45 (Pty) Ltd	40	40	40
Confram Harrismith Properties (Pty) Ltd	520 000	520 000	520 000
Copper Moon Trading (Pty) Ltd	51	51	51
Cross Point Trading 23 (Pty) Ltd	25	25	25
Golden Pond Trading 663 (Pty) Ltd	49	49	49
Highland Furniture Factory (Pty) Ltd	100	100	100
Orofino Africa Jewellery Manufacturing (Pty) Ltd	49	49	49
Phiritona Plastics (Pty) Ltd	380	380	380
Rumar Manufacturing (Pty) Ltd	300	300	300
Satinsky 167 (Pty) Ltd	26	26	26
Synthpro Holdings (Pty) Ltd	33	33	33
Twin Cities Trading 129 (Pty) Ltd	30	30	30
Classic Number Trading 45 (Pty) Ltd	2 992 200	2 992 200	2 992 200
Twin Cities Trading 129 (Pty) Ltd	520 000	520 000	520 000
	4 033 332	4 033 332	4 033 332
Impairment of investment in subsidiaries	(4 033 232)	(4 033 232)	(4 033 233)
	100	**100**	**99**

The carrying amounts of subsidiaries are shown net of impairment losses. Investments in subsidiaries are impaired due to liquidation, deregistration or due to the fact that the subsidiaries are not operational.

* For the liquidated and deregistered companies, the Board approval for the write-off of the investment is still pending.

** These entities have no impact on the current year figures.

The mission and mandate of the FDC (parent entity) is to provide financial and business development services that result in the establishment of sustainable SMMEs for economic growth and development in the Free State Province.



FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

6. Investments in subsidiaries (continued)

Based on the above, the parent entity acquired an equity interest in various SMMEs which are generally start-up companies and disburse shareholder loans (unsecured and interest-free) as well as business loans (secured and bears interest) to them.

Interest in subsidiaries

Reporting period, voting power and percentage shareholding:

Name of company	Year end	% voting power 2016	% voting power 2015	% holding 2016	% holding 2015
Canton Trading 123 (Pty) Ltd	March	49	49	49	49
Classic Number Trading 45 (Pty) Ltd	March	40	40	40	40
Confram Harrismith Properties (Pty) Ltd	March	100	100	100	100
Copper Moon Trading (Pty) Ltd	March	55	55	55	55
Cross Point Trading 23 (Pty) Ltd	February	25	25	25	25
Golden Pond Trading 663 (Pty) Ltd	March	49	49	49	49
Highland Furniture Factory (Pty) Ltd	March	100	100	100	100
Orofino Africa Jewellery Manufacturing (Pty) Ltd	March	49	49	49	49
Phiritona Plastics (Pty) Ltd	February	38	38	38	38
Rumar Manufacturing (Pty) Ltd	March	30	30	30	30
Satinsky 167 (Pty) Ltd	February	26	26	26	26
Scopefull 21 (Pty) Ltd	February	50	50	50	50
Synthpro Holdings (Pty) Ltd	February	33	33	33	33
Twin Cities Trading 129 (Pty) Ltd	March	30	30	30	30
Free State Agri SOC RF	March	100	100	100	100
Free State Investments SOC RF	March	100	100	100	100
Free State Publishers SOC RF	March	100	100	100	100
Maluti-A-Phofung IDZ SOC RF	March	100	100	100	100

Subsidiaries with less than 50% voting powers held

Although the Corporation holds less than 50% of the voting powers in the entities listed previously, the investment is considered a subsidiary because of additional voting powers granted to the Corporation as a result of its loan to the investee.

Restrictions relating to subsidiaries

Up until such time as the commercial loan and all interest thereon, as well as the shareholder's loan have been repaid to the parent entity, no dividends will be declared to shareholders.

Reporting period

The management accounts for the entities with year ends that are different to the Corporation were obtained. The effect of transactions that occurred between the entities year end date and the Corporation's year end date were assessed at a group level. The impact was found to be insignificant. Minor adjustments were processed to eliminate intergroup transactions and balances during the consolidation process.

Subsidiaries for which control was lost during the year due to liquidation / deregistration

The gain (loss) has been included in comprehensive income.

Canton Trading 123 (Pty) Ltd	-	-	2 070 356	-	-	-
Golden Pond Trading 663 (Pty) Ltd	-	-	667 936	-	-	-
	-	-	2 738 292	-	-	-

Notes to the Consolidated Financial Statements

7. Investments in associates

Group

Name of company	Listed / Unlisted	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015	Carrying amount 2014
Mafube Risk and Insurance Consultants (Pty) Ltd	Unlisted	24.50 %	24.50 %	-	-	-
Cost				49 000	49 000	49 000
Accumulated profits				1 259 893	810 331	808 348
Income (loss) from equity accounted investments				345 591	383 412	648 662
Less: Dividends paid				(984 303)	-	(646 680)
				670 181	1 242 743	859 330

Corporation

Name of company	Listed / Unlisted	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015	Carrying amount 2014
Mafube Risk and Insurance Consultants (Pty) Ltd	Unlisted	24.50 %	24.50 %	49 000	49 001	49 001
				49 000	49 001	49 001

The carrying amount of Mafube Risk and Insurance Consultants (Pty) Ltd approximates its fair value.

The carrying amounts of associates are shown net of impairment losses.

7. Investments in associates (continued)

Summary of financial information of associates

	2016 R	2015 R	2014 R
Total assets	6 286 019	11 499 287	9 433 107
Total liabilities	4 319 351	6 592 640	5 945 533
Revenue	3 877 623	4 507 527	3 272 776
Profit / (loss)	1 410 577	1 963 495	2 647 598

Mafube Risk and Insurance Consultants (Pty) Ltd

Nature of the business:	Insurance and employee broker
Year end:	31 December
Country of incorporation:	South Africa
Group shareholding:	24.50%

Associates with different reporting dates

The management accounts of Mafube Risk and Insurance were obtained for the period that differs to the year of the group. The transactions that occurred during this period were assessed and found to be insignificant to the group. The management accounts were however consolidated to a period ending 31st of March 2016.

FREE STATE DEVELOPMENT CORPORATION GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014
8. Loans receivable						
Business loans Business loans are secured by installment sale agreements, special and general notarial bonds, key man insurance and comprehensive insurance. These loans are repayable over a maximum period of 5 years and the interest is equal to the prime lending rate.	170 959 278	171 088 636	164 366 576	184 579 362	204 548 938	212 527 444
Housing loans The Corporation holds collateral in the form of first bonds over the properties of the clients. These loans have a maximum repayment period of 20 years and the interest is equal to the prime lending rate.	63 522 184	64 890 891	71 678 058	63 522 184	64 890 891	71 678 058
Personnel loans See terms and conditions below.	9 941 174	14 144 967	18 133 223	9 941 174	14 144 967	18 133 223
Other loans Consists of various loans.	-	-	20 853	-	-	20 853
Bridging loans These are short term loans secured by installment sale agreements, special and general notarial bonds, key man insurance and comprehensive insurance. Interest is charged at the prime lending rate and repayment is over the length of the project ranging from 1 month to 1 year.	104 068 516	119 986 516	100 783 435	105 035 065	102 146 483	100 783 435
	348 491 152	370 111 010	354 982 145	363 077 785	385 731 279	403 143 013
Total impairment	(249 893 039)	(250 977 048)	(219 481 994)	(264 479 672)	(266 544 481)	(267 590 026)
	98 598 113	119 133 962	135 500 151	98 598 113	119 186 798	135 552 987
Non-current assets						
Loans and receivables	33 750 406	46 119 571	53 915 793	33 750 406	46 172 408	57 108 096
Current assets						
Loans and receivables	64 847 707	73 014 391	81 584 358	64 847 707	73 014 390	78 444 891
	98 598 113	119 133 962	135 500 151	98 598 113	119 186 798	135 552 987

Notes to the Consolidated Financial Statements

8. Loans receivable (continued)

Personnel loans

At 31 March 2016, included in personnel loans are loans to former-employees to the amount of R 4 087 072 (2015: R 4 087 072), (2014: R 5 384 048).

Personnel loans consist of housing, motor vehicle, computer and personal loans.

The housing loans are secured by a first mortgage bond over the properties and are repayable over a maximum period of 30 years at the South African Revenue Services official rate.

Motor vehicle loans are secured by installment sales agreements, and are repayable over a maximum period of 5 years. For computers and personal loans the security is the net salary of the employee and is repayable over a maximum period of 2 years. All personnel loans carry interest at the South African Revenue Services official rate.

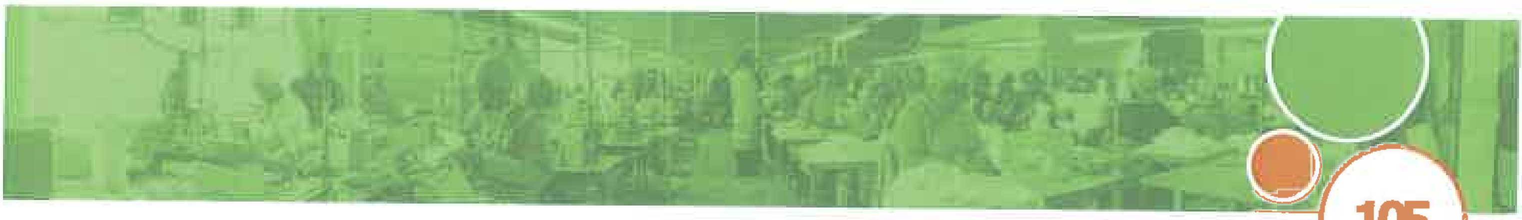
Bursary and dependent study loans are secured by the net salary of the employee, repayable within 12 months and carry interest at the South African Revenue Services official rate. Study bursaries are expensed and recognised as loans if employees fail their studies.

Loans and receivables past due

	Group 2016			
Loans past due, but not impaired	**31-60 days**	**61-90 days**	**91-120 days**	**120+**
Bridging loans	7 001	271	148	6 221 155
Home loans	529 349	618	275 784	15 454 696
Business loans	453 616	248	186 323	34 615 597
Staff loans	58 516	62	15 625	293 695
	1 048 482	**1 199**	**477 880**	**56 585 143**

	Corporation 2016			
Loans past due, but not impaired	**31 - 60 days**	**61 - 90 days**	**91 -120 days**	**120 +**
Bridging loans	7 001	271	148	6 221 155
Home loans	529 349	618	275 784	15 454 696
Business loans	453 616	248	186 323	34 615 597
Staff loans	58 516	62	15 625	293 695
	1 048 482	**1 199**	**477 880**	**56 585 143**

	Group 2015			
Loans past due, but not impaired	**31-60 days**	**61-90 days**	**91-120 days**	**120+**
Bridging loans	411 341	59 142	50 392	6 990 298
Home loans	(410 782)	83 589	6 841	21 275 441
Business loans	527 840	391 442	267 768	24 114 771
Staff loans	2 208	154 892	(2 607)	526 137
	530 607	**689 065**	**322 394**	**52 906 647**



Notes to the Consolidated Financial Statements

8. Loans receivable (continued)

	Corporation 2015			
Loans past due, but not impaired	**31-60 days**	**61-90 days**	**91-120 days**	**120+**
Bridging loans	411 341	59 142	50 392	6 990 298
Home loans	(410 782)	83 589	6 841	21 275 441
Business loans	527 840	391 442	267 768	24 167 606
Staff loans	2 208	154 892	(2 607)	526 137
	530 607	**689 065**	**322 394**	**52 959 482**

	Group 2014			
Loans past due, but not impaired	**31-60 days**	**61-90 days**	**91-120 days**	**120+**
Bridging loans	182 827	121 697	112 891	7 062 369
Home loans	630 023	290 328	355 829	21 574 746
Business loans	1 100 327	557 729	389 130	27 342 215
Staff loans	50 026	19 857	18 038	480 979
	1 963 203	**989 611**	**875 888**	**56 460 309**

	Corporation 2014			
Loans past due, but not impaired	**31-60 days**	**61-90 days**	**91-120 days**	**120+**
Bridging loans	182 827	121 697	112 891	7 062 369
Home loans	630 023	290 328	355 829	21 574 746
Business loans	1 100 327	557 729	389 130	27 342 215
Staff loans	50 026	19 857	18 038	480 979
	1 963 203	**989 611**	**875 888**	**56 460 309**

Loans were individually assessed to evaluate the movement on the loan. Movement was evaluated based on the significance of the value of the movement in relation to the installment and whether there was a pattern of regularity in payments made.

Loans were not impaired, beneath the fair value of the securities provided to the loan.

The carrying amount reported in the statement of financial position for other financial assets approximate fair value.

Valuations - Collateral of immovable securities over other financial assets

The valuation of immovable securities over other financial assets was performed by an independent valuer, Ms. E Roos, a Professional valuer, in accordance with the provisions of the Property Valuers Profession Act. The market valuations for the immovable securities of FDC were determined based on valuation methods, principles and techniques approved by the South African Council for the Property Valuers Profession (SACPVP).

The valuation of movable securities were performed by an independent valuer, Mr W. Welgemoed, a Movable Asset Register Specialist. The market valuations for movable securities of FDC were determined based on valuation methods, principles and techniques accepted as best practice and in compliance with the Generally Recognised Accounting Practices and the International Financial Reporting Standards.

The valuators determined the fair value of the securities for statement of financial position purposes on the following effective dates: 31 March 2016, 2015 and 2014. The effective date of the valuation was March 2016.

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

8. Loans receivable (continued)

Reconciliation of impairment on loans receivable

	Provision for bad debt housing loan	Personnell loans impairment	Provision for bad debts loans	Total
Opening balance	(28 723 684)	(3 492 724)	(234 328 073)	(266 544 481)
Movement in the year	3 734 465	2 231 460	(3 901 116)	2 064 809
	(24 989 219)	(1 261 264)	(238 229 189)	(264 479 672)

Credit quality of loans and receivables

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Loans and receivables

Credit rating	2016 Group	2016 Corporation
B rating	30 350 573	30 350 473
C rating	33 809 248	33 809 248
Below C rating	284 331 331	298 918 064
	348 491 152	363 077 785

Definition of risk ratings:

B rating – Good behaviour, minor risk.

C rating – Fair trade risk

Below C rating – Poor trade risk

It is the company's mandate to engage with BEE and SMME companies to improve their productivity, and therefore an element of poor trade risk will be present at the corporation.

9. Operating lease asset (liability)

	Group 2016	Group 2015	Group 2014	Corporation 2016	Corporation 2015	Corporation 2014
Non-current assets	2 984 708	2 380 171	459 044	2 984 708	2 380 171	459 044
Current assets	595 725	252 818	244 398	595 725	252 818	244 398
Non-current liabilities	-	(224)	-	-	(224)	-
Current liabilities	(8 776)	(8 328)	-	(8 776)	(8 328)	-
	3 571 657	2 624 437	703 442	3 571 657	2 624 437	703 442

Non-current assets

Operating lease asset

In terms of IAS 17 (Leases) par. 50, lease income from operating leases shall be recognised in income on a straight line basis over the lease term. The differences between the contractual payments and the straight lining are recognised as an operating lease asset.

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

9. Operating lease asset (liability) (continued)

Current liability

Operating lease liability

In terms of IAS 17 (Leases) par. 33, lease payments under operating leases shall be recognised as an expense on a straight line basis over the lease term. The differences between the contractual payments and the straight lining are recognised as an operating lease liability.

Refer to note 36 for the minimum lease payments disclosure of the operating lease assets and liabilities.

10. Other investments

	2016	2015	2014	2016	2015	2014
Non-current						
Qwa Qwa Datnis (Pty) Ltd *	54 250	54 250	54 250	54 250	54 250	54 250
Ligia Paper Industries (Pty) Ltd **	-	-	-	-	-	-
Corporate Money Managers Investment ***	8 387 178	8 387 178	5 953 139	8 387 178	8 387 178	5 953 139
	8 441 428	8 441 428	6 007 389	8 441 428	8 441 428	6 007 389

* The Corporation holds 18% of the issued share capital.

** The Corporation holds 10% of the issued share capital

The Corporation, which holds a 10% shareholding, in consultation with the two major shareholders responsible for operating the business, have agreed that due to the poor performance results, the company Ligia Paper Industries (Pty) Ltd (Ligia) should be sold. A unanimous resolution was adopted by the Board of Ligia sanctioning the sale of the business subject to certain terms and conditions. It was envisaged that the shares in Ligia Paper Industries (Pty) Ltd would be sold during the 2009/2010 financial year. This sale did not realise by 31 March 2016. The company ceased trading on 10 January 2012 and its liabilities exceeds its assets.

From a group perspective, the investment in Ligia Paper Industries (Pty) Ltd is deemed to be impaired. No movement in the equity of the investment has been recorded in equity of the group and thus the entire investment has been impaired through profit and loss.

Equity investments are carried at cost.

***Corporate Money Managers Investment

In April 2009 the investment management company (Corporate Money Managers) with which the Corporation had invested encountered liquidity problems. It was subsequently placed under curatorship on 28th of April 2009 and is currently involved in extensive investigations into the affairs of the investment management company, Corporate Money Managers (CMM) and others. Through communication with the liquidators it was determined that the anticipated ultimate recovery on behalf of the investors will in all probability amount to no more than 25% of the capital invested. The investment held with CMM amounts to R 29 388 829. In March 2011 an amount of R 1 381 568 was received from CMM as an interim payment of the outstanding amount. No amount has been received in respect of the capital investment. 50% of the value of R 14 669 415 was impaired in March 2011. During the 2014 financial year, a further R 7 334 707 was impaired. The carrying amount of the investment represents the best estimate of the amount recoverable and approximate fair value as per discussions with the liquidators.

The Curators from Corporate Money Managers confirmed that their best estimate of the recoverable amount is 30 cents in the rand. At the end of the previous financial year, the estimate was also at 30 cents in the rand. The impairment of the investment was therefore not adjusted.

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

10. Other investments (continued)

Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial instrument is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the statement of financial position are as follows:

	2016	2015	2014	2016	2015	2014
Level 3						
Financial assets at fair value through other comprehensive income	8 387 178	8 387 178	5 953 140	8 387 178	8 387 178	5 953 140

The following method and assumption was used to estimate the fair value of the financial asset.

- The estimate of dividend receivable as per curator.

Notes to the Consolidated Financial Statements

10. Other investments (continued)

The group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

Reconciliation of financial assets at fair value through profit or loss measured at level 3

Reconciliation financial assets at fair value through profit or loss measured at level 3 - Group - 2016

	Opening balance	Total
Financial assets at fair value through profit or loss	8 387 178	8 387 178

Reconciliation financial assets at fair value through profit or loss measured at level 3 - Group - 2015

	Opening balance	Gains or losses in profit or loss	Total
Financial assets at fair value through profit or loss	5 953 140	2 434 038	8 387 178

Reconciliation financial assets at fair value through profit or loss measured at level 3 - Group - 2014

	Opening balance	Gains or losses in profit or loss	Total
Financial assets at fair value through profit or loss	13 287 847	(7 334 707)	5 953 140

Reconciliation financial assets at fair value through profit or loss measured at level 3 - Corporation - 2016

	Opening balance	Total
Financial assets at fair value through profit or loss	8 387 178	8 387 178

Reconciliation financial assets at fair value through profit or loss measured at level 3 - Corporation - 2015

	Opening balance	Gains or losses in profit or loss	Total
Financial assets at fair value through profit or loss	5 953 140	2 434 038	8 387 178

Reconciliation financial assets at fair value through profit or loss measured at level 3 - Corporation - 2014

	Opening balance	Impairment recognised in profit or loss	Total
Financial assets at fair value through profit or loss	13 287 847	(7 334 707)	5 953 140

FREE STATE DEVELOPMENT CORPORATION GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

11. Inventories

Raw materials, components	-	-	30 844	-	-	-
Work in progress	155 904	53 925	159 720	-	-	-
Finished goods	131 797	152 197	57 384	-	-	-
Stands held for re-sale	3 054 425	3 054 425	165 101	3 054 425	3 054 425	165 101
	3 342 126	**3 260 547**	**413 049**	**3 054 425**	**3 054 425**	**165 101**
Carrying value of inventories carried at fair value less costs to sell	3 186 222	3 206 622	222 485	3 054 425	3 054 425	165 101

The carrying value of inventories carried at fair value less costs to sell comprises of finished goods and stands held for re-sale.

During the year R 206 122 (2015: R 247 947) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Included in inventory is 2098 properties relating to the Human Settlement Project. Based on agreement with the FDC these properties are to be transferred to the tenants having an agreement with the FDC. If these tenants cannot be traced, then the property will be transferred to the current tenant. Due to outstanding levies FDC is currently unable to transfer the properties to the new owners and subsequently still hold the title deed to the properties. It is however unlikely that the FDC will receive any future economic benefit from the properties or the arrangements.

FREE STATE DEVELOPMENT CORPORATION GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Corporation 2016	2015	2014
12. Loans to subsidiaries			
Shareholders loans			
Canton Trading 123 (Pty) Ltd This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	-	1 832 172	1 832 172
Twin Cities Trading (Pty) Ltd This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	-	302 000	302 000
Synthpro Holdings (Pty) Ltd This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	-	1 500 000	1 500 000
Shareholders Other (Orofino Africa Jewellery) The amount consists of asset advances to Orofino Africa Jewellery Manufacturing (Pty) Ltd. The amount has no fixed terms of repayment and no interest.	-	5 315 905	5 315 905
Classic Number Trading 45 (Pty) Ltd This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	-	1 462 918	1 462 918
Confram Harrismith Properties (Pty) Ltd This loan is long term in nature, bears no interest, is unsecured and has no fixed terms of repayment.	-	11 166 626	11 166 626
Copper Moon Trading 29 (Pty) Ltd This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	-	705 895	705 895
Cross Point Trading 23 (Pty) Ltd This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	737 756	737 756	737 756
Highlands Furniture Factory (Pty) Ltd This loan is long term in nature, bears no interest, is unsecured and has no fixed terms of repayment.	4 299 675	4 299 675	4 299 675

Notes to the Consolidated Financial Statements

	Corporation		
Figures in Rand	2016	2015	2014
12. Loans to subsidiaries (continued)			
Orofino Africa Jewellery Manufacturers (Pty) Ltd This loan is secured by a notarial bond over the movable assets of the company and bears no interest. The loan will not be repayable for a period of two years from October 2007; thereafter the loan is repayable on demand subject to six months written notice to the company.	-	16 371 000	16 371 000
Phiritona Plastics (Pty) Ltd This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	451 163	451 163	451 163
Rumar Manufacturing (Pty) Ltd This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	-	214 286	214 286
Satinsky 167 (Pty) Ltd This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	-	253 240	253 240
	5 488 594	44 612 636	44 612 636
Total impairment	(5 488 594)	(44 612 636)	(44 612 636)
	-	-	-

Loans to subsidiaries impaired

As of 31 March 2016, loans to subsidiaries of R 5 488 594 (2015: R 44 612 636), (2014: R 44 612 636) were impaired and provided for due to the fact that the subsidiaries are not operational anymore.

The carrying amounts of loans to and from subsidiaries are denominated in Rand.

Reconciliation of provision for impairment of loans to subsidiaries

	2016	2015	2014
Opening balance	44 612 636	44 612 636	44 612 636
Amounts written off as uncollectable	(39 124 042)	-	-
	5 488 594	**44 612 636**	**44 612 636**

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

13. Trade and other receivables

Trade receivables	38 260 759	15 537 379	12 562 672	38 260 759	15 022 458	11 912 197
Prepayments	2 171 818	6 234 264	6 183 823	2 171 818	6 234 264	6 183 823
Deposits	382 766	462 483	382 766	382 766	382 766	382 766
VAT receivable	347 884	-	1 502 949	347 884	-	1 502 949
Sundry debtors	4 219 155	906 954	1 890 232	4 219 155	905 123	1 890 232
Creditors with debit balances	2 849 359	17 758	24 399	2 849 359	17 758	24 399
Accrued income	14 258 742	17 711 661	14 899 141	14 258 742	17 711 661	14 899 141
	62 490 483	**40 870 499**	**37 445 982**	**62 490 483**	**40 274 030**	**36 795 507**

Trade receivables is shown net of provision for impairment.

Credit quality of trade and other receivables

The carrying amount reported in the statement of financial position for trade and other receivables approximate fair value due to the short time period between initiation and settlement thereof. The effect of discounting is not material.

Impairment losses can be attributed to the current economic environment which is being characterised by an increase in the defaulting of payments.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

The total trade receivables that are neither past due nor impaired amounted to R7 321 765 (2015: R 2 624 119), (2014: R 6 346 401) for Corporation and Group.

The carrying amount of financial assets represents the maximum credit exposure at the reporting date. The maximum exposure to credit risk at the reporting date was:

Trade receivables

	2016 Group	2016 Corporation
B rating	9 265 748	9 265 748
C rating	5 736 854	5 736 854
Below C rating	23 256 141	23 256-141
	38 260 759	**38 260 759**

Definition of risk ratings:

B rating – Good behaviour, minor risk.

C rating – Fair trade risk

Below C rating – Poor trade risk

It is the company's mandate to engage with BEE and SMME companies to improve their productivity, and therefore an element of poor trade risk will be present at the corporation.

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

13. Trade and other receivables (continued)

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

31 to 60 days	6 719 570	2 308 294	4 614 827	6 719 570	2 308 294	4 614 827
61 to 90 days	4 516 559	583 723	2 460 868	4 516 559	583 723	2 460 868
91 to 120 days	2 781 395	151 449	72 418	2 781 395	151 449	72 418
More than 120 days	14 043 721	38 724	7 508	14 043 721	38 724	7 508
	28 061 245	**3 082 190**	**7 155 621**	**28 061 245**	**3 082 190**	**7 155 621**

Trade and other receivables impaired

As of 31 March 2016, trade and other receivables of R (113 821 287) (2015: R (110 020 433) ; 2014: R (93 281 335)) were impaired and provided for.

The ageing of these loans is as follows:

1 to 30 days	510 048	2 142 366	84 603	510 048	2 142 366	84 603
31 to 60 days	645 105	1 877 496	96 707	645 105	1 877 496	96 707
61 to 90 days	588 786	1 892 203	1 300 083	588 786	1 892 203	1 300 083
91 to 120 days	2 144 820	3 803 030	3 492 053	2 144 820	3 803 030	3 492 053
More than 120 days	109 932 528	100 305 339	88 307 889	109 932 528	100 305 339	88 307 889
	113 821 287	110 020 434	93 281 335	113 821 287	110 020 434	93 281 335

Reconciliation of provision for impairment of trade and other receivables

Opening balance	110 020 433	93 281 335	72 349 093	110 020 433	93 281 335	72 349 093
Provision for impairment	3 800 854	16 739 098	20 932 242	3 800 854	16 739 098	20 932 242
	113 821 287	110 020 433	93 281 335	113 821 287	110 020 433	93 281 335

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The group does not hold any collateral as security.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	27 967	27 000	18 282	27 967	17 000	17 000
Bank balances	50 705 300	13 745 693	69 207 882	50 572 561	13 683 588	68 970 957
Call investments	536 499	17 853 142	24 981 242	536 499	17 853 142	24 981 242
Short term deposits	79 717	-	79 717	-	-	-
	51 349 483	31 625 835	94 287 123	51 137 027	31 553 730	93 969 199

FREE STATE DEVELOPMENT CORPORATION GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

14. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

Public entities bank with major banks with high credit standing. Furthermore, the cash Furthermore, the cash holdings with banks are spread amongst a variety of banks to reduce the concentration of their credit risk exposure. The minimum counterparty credit rating for placing deposits and investing in government bonds is 'A' by Standard & Poor's or its Moody's or Fitch's rating equivalents, while the minimum rating for investments in corporate bonds is 'AA-'. The rating of certain investment securities were below 'A' at year-end due to downgrading of instruments or institutions by the rating agencies and due to the tightening of investment guidelines by the Bank, which resulted in passive breaches on some of the financial assets in the Bank's portfolios.

Included in our cash and cash equivalents are the following third party balances:

Free State Department of Health	-	643 259	6 747 823	-	643 259	6 747 823
Free State Department of Human Settlements	-	6 742 273	51 473 508	-	6 742 273	51 473 508
Department of Trade and Industry	-	-	4 500 000	-	-	4 500 000
Technology Innovation Agency	-	5 000 000	5 000 000	-	5 000 000	5 000 000
Vrede Dairy Farm	3 518 695	3 063 761	-	3 518 695	3 063 761	-
	3 518 695	15 449 293	67 721 331	3 518 695	15 449 293	67 721 331

The carrying amount reported in the statement of financial position for cash and cash equivalents approximate fair value.

15. Non-current assets held for sale

The Corporation has entered into negotiations to sell Investment properties that have been identified as non-performing.

The buyer of the properties has already been identified and the sale is expected to take place during the course of the subsequent financial year.

Assets and liabilities

Non-current assets held for sale						
Investment property	13 975 700	-	-	13 975 700	-	-

16. Revaluation reserve

Opening balance	3 378 296	1 176 844	1 176 844	3 378 296	1 176 844	1 176 844
Revaluation of property plant and equipment	1 529 086	2 201 452	-	1 529 086	2 201 452	-
Closing balance	**4 907 382**	**3 378 296**	**1 176 844**	**4 907 382**	**3 378 296**	**1 176 844**

The revaluation reserve arises on the revaluation of properties. When revalued properties are sold, the portion of the revaluation reserve that relates to that asset is transferred directly to retained earnings.

Items of other comprehensive income included in the revaluation reserve will not be reclassified subsequently to profit or loss.

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014
17. Other financial liabilities						
Held at amortised cost						
Shell South Africa (Pty) Ltd	742 047	742 047	754 590	742 047	742 047	754 590
The Corporation has two agreements with Shell South Africa (Pty) Ltd. Shell advanced loans to the Corporation to erect a service station each in Abolishable and Hothead. These loans are redeemed by means of a monthly fuel rebate per litre, payable in respect of each litre of petrol purchased from Shell for re-sale at these service stations. The service stations are dedicated Shell service stations for which Shell has sole right of use and only Shell products are sold.						
Abolishable service station The agreement will continue for the longer period of 20 years or until 39,280,000 litres of Shell petrol have been purchased for resale on the premises. Effective date: December 1985. FDC is still paying off the loan by means of rebates as per initial agreement.						
Hothead service station The agreement will endure for the longer period of 20 years or until 77,220,000 litres of Shell petrol have been purchased for resale on the premises. Effective date: December 1991. FDC is still paying off the loan by means of rebates as per initial agreement.						
Total South Africa (Pty) Ltd	-	703 255	703 255	-	703 255	703 255
Total advanced an interest free loan to the Corporation to erect a service station in Hothead. The loan is redeemed by means of a monthly credit per litre, payable in respect of each litre of Total diesel purchased from Total for re-sale at the service station. The agreement will endure for the longer period of 20 years or until 161,460,000 litres of Total petrol and Total diesel have been purchased. Effective date: January 1992. FDC is still paying off the loan by means of rebates as per initial agreement.						
Other financial liabilities The balance includes commercial loans granted with credit balances.	3 805 043	3 789 531	3 449 929	3 763 288	3 477 667	3 399 217

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014
17. Other financial liabilities (continued)						
	4 547 090	**5 234 833**	**4 907 774**	**4 505 335**	**4 922 969**	**4 857 062**
Non-current liabilities						
At amortised cost	783 802	1 496 014	1 508 557	742 047	1 445 302	1 457 845
Current liabilities						
At amortised cost	3 763 288	3 738 819	3 399 217	3 763 288	3 477 667	3 399 217
	4 547 090	**5 234 833**	**4 907 774**	**4 505 335**	**4 922 969**	**4 857 062**

The carrying amount reported in the statement of financial position for other financial liabilities approximate fair value.

18. Retirement benefits

Defined benefit plan

The benefit is in terms of current and retired employees of the parent entity (employees of FDC) who are currently members of medical schemes or continue to belong to a medical scheme after retirement. Pensioners include retired employees or their widow(er)s. The liability is in respect of pensioners who continue to belong to a medical scheme after retirement. In respect of these employees, 67% of the medical aid contribution is paid by the group (Corporation) while the pensioners pay the remaining 33%. Actuarial valuation is undertaken every year. Currently there is no funding arrangement in place to meet the liabilities that have occurred to date or that will occur in the future.

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014
17. Other financial liabilities (continued)						
	4 547 090	**5 234 833**	**4 907 774**	**4 505 335**	**4 922 969**	**4 857 062**
Non-current liabilities						
At amortised cost	783 802	1 496 014	1 508 557	742 047	1 445 302	1 457 845
Current liabilities						
At amortised cost	3 763 288	3 738 819	3 399 217	3 763 288	3 477 667	3 399 217
	4 547 090	**5 234 833**	**4 907 774**	**4 505 335**	**4 922 969**	**4 857 062**

The carrying amount reported in the statement of financial position for other financial liabilities approximate fair value.

18. Retirement benefits

Defined benefit plan

The benefit is in terms of current and retired employees of the parent entity (employees of FDC) who are currently members of medical schemes or continue to belong to a medical scheme after retirement. Pensioners include retired employees or their widow(er)s. The liability is in respect of pensioners who continue to belong to a medical scheme after retirement. In respect of these employees, 67% of the medical aid contribution is paid by the group (Corporation) while the pensioners pay the remaining 33%. Actuarial valuation is undertaken every year. Currently there is no funding arrangement in place to meet the liabilities that have occurred to date or that will occur in the future.

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(42 498 000)	(41 629 000)	(35 010 000)	(42 498 000)	(41 629 000)	(35 010 000)
Contributions to actuarial gain / (loss)	8 772 000	(6 068 000)	119 000	8 772 000	(6 068 000)	119 000
Post retirement benefit costs included in employee costs	(4 487 000)	5 199 000	(6 738 000)	(4 487 000)	5 199 000	(6 738 000)
	(38 213 000)	(42 498 000)	(41 629 000)	(38 213 000)	(42 498 000)	(41 629 000)

The fair value of plan liabilities include:

Contributions to actuarial gain / (loss)

Actuarial gains and (losses) arising from changes in financial assumptions	3 320 000	(6 068 000)	258 000	3 320 000	(6 068 000)	258 000
Actuarial gains and (losses) arising from experience adjustments	5 452 000	-	(139 000)	5 452 000	-	(139 000)
	8 772 000	(6 068 000)	119 000	8 772 000	(6 068 000)	119 000

Post retirement benefit costs included in employee costs (note 26)

Current service cost	(2 307 000)	(3 265 000)	(3 975 000)	(2 307 000)	(3 265 000)	(3 975 000)
Interest cost	(3 757 000)	(3 940 000)	(3 435 000)	(3 757 000)	(3 940 000)	(3 435 000)
Benefits paid	1 577 000	6 190 000	672 000	1 577 000	6 190 000	672 000
Curtailment or settlement	-	6 214 000	-	-	6 214 000	-
	(4 487 000)	5 199 000	(6 738 000)	(4 487 000)	5 199 000	(6 738 000)

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

18. Retirement benefits (continued)

Key assumptions used

Assumptions used at last valuation on 31 March 2016.

Discount rates used	10.03 %	8.84 %	9.80 %	10.03 %	8.84 %	9.80 %
Health cost inflation	8.93 %	8.48 %	8.36 %	8.93 %	8.48 %	8.36 %
Expected increase in salaries	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %
General inflation	7.43 %	6.98 %	7.36 %	7.43 %	6.98 %	7.36 %

The discount rate used is based on government bonds (2015: government bonds).

Other assumptions:

Pre-retirement mortality rate: SA85/90: rated down 3 years for female lives.

Post-retirement mortality rate: PA (90): ultimate with a one year age reduction.

The effect of an increase of a 0.5% (2015: 0.5%) point in the medical cost trend rate and the effect of a decrease of one percentage point on the following would be:

	Group / Corporation 2016		Group / Corporation 2015	
	Increase	**Decrease**	**Increase**	**Decrease**
Effect on the aggregate of the service and interest cost cost	(2 165 000)	2 390 000	(3 710 000)	4 245 000
Benefit obligation at end of the year	36 048 000	40 603 000	38 788 000	46 743 000

The expected retirement age for both males and females is 60.

In general resignation rates are age dependent and for the purposes of the valuation age-related resignation rates have been assumed.

It is assumed that active employees would experience the following rates of resignation per annum prior to retirement at the specific ages. The resignation rates between the ages indicated have been smoothed between the rates indicated below:

Age	Rate
20	16%
30	10%
40	6%
50	2%+
55	Nil

It is assumed that 90% of retirees will be married at retirement and that the husband will be 3 years older than the wife.

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

18. Retirement benefits (continued)

The experience adjustments arising on the plan assets for the last six years are as follows:

Year	Closing balance	Experience adjustments
2016	R 38 213 000	R 5 542 000
2015	R 42 498 000	R (6 214 000)
2014	R 41 629 000	R 139 000
2013	R 35 010 000	R 1 378 000
2012	R 26 349 000	R 372 000
2011	R 22 718 000	R 266 000

Retirement benefit obligation

The Corporation and members contribute to a fixed contribution pension fund and an associated employee benefit scheme. It is a self-funded scheme governed by the Pension Fund Act, 1956 and managed by a Board of Trustees. The fund had 88 (2015: 88), (2014: 115) members at year end. The fund was registered on 1 April 1997. At present the total employer contributions, including contributions to associated schemes, are made at 15% of pension funding salaries, while the members contribute 7,55% of pension funding salaries.

The expected contribution to the retirement benefit contribution for the year ending 31 March 2017 is R 3 942 000 (2015: R 6 714 912).

19. Deferred income

Financial service fees are levied when an application for financing is approved. These service fees are amortised over the loan term. Financial service fees are realised in full when the loan is settled.

Non-current	141 484	168 300	176 967	141 484	168 300	176 967
Current	24 522	22 111	35 567	24 522	22 111	35 567
	166 006	**190 411**	**212 534**	**166 006**	**190 411**	**212 534**

20. Long service award provisions

Reconciliation of long service award provisions - Group - 2016

	Opening balance	Utilised during the year	Total
Long service awards	699 013	(23 694)	675 319

Reconciliation of long service award provisions - Group - 2015

	Opening balance	Total
Long service awards	699 013	699 013

Reconciliation of long service award provisions - Group - 2014

	Opening balance	Total
Long service awards	699 013	699 013

FREE STATE DEVELOPMENT CORPORATION GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

20. Long service award provisions (continued)

Reconciliation of provisions - Corporation - 2016

	Opening balance	Utilised during the year	Total
Long service awards	699 013	(23 694)	675 319

Reconciliation of provisions - Corporation - 2015

	Opening balance	Total
Long service awards	699 013	699 013

Reconciliation of provisions - Corporation - 2014

	Opening balance	Total
Long service awards	699 013	699 013

Benefit Structure

The Company has a policy to provide a long service award to employees who have been in the service of the Company for a certain period of time. The awards are cash lump sums that depend on the employees' length of service. Unauthorised absence from work or unpaid leave for at least one month is not regarded as service for purposes of calculating this award.

The assumptions used are based on statistics and market data as at 31 March 2016. We have used the following valuation assumptions:

Discount rate

The discount rate required by IAS19 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the best fit discount rate at 31 March 2016 based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is approximately 5.0 years (2015: 6.0 years). The recommended discount rate is 8.9% (2015: 6%).

Pre-retirement mortality

We have assumed that the pre-retirement mortality will be in line with SA85-90 (Light) table rated down by 3 years for female employees. This is a table reflecting mortality experience in South Africa.

Withdrawal rates

We have provided for rates of withdrawal as follows:

Age	Withdrawal Rate
20	16%
25	12%
30	10%
35	8%
40	6%
45	4%
50	2%
55	Nil

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

20. Long service award provisions (continued)

Assumed Retirement Age

We have assumed employees will retire at age 60.

Methodology

The liabilities are valued using the Projected Unit Credit Method. The liability has been calculated as the accrued service liability. The accrued service liability is calculated by valuing all future leave and payments expected to be made in respect of benefits accrued up to the valuation date. Allowance has been made in these calculations for salary increases and investment returns up to the date that the benefit is received.

21. Trade and other payables

Trade payables	137 340 337	112 361 261	68 373 792	136 533 257	110 878 060	67 950 432
Debtors with credit balances	15 290 818	12 378 551	5 915 970	15 290 818	11 803 668	5 345 237
VAT payable	288 071	969 848	118 057	-	684 277	-
Sundry creditors	7 572 505	6 750 261	6 829 073	7 572 505	6 750 261	6 746 972
Accruals	13 159 219	25 696 620	25 850 911	12 358 654	25 043 095	25 850 911
Vrede Dairy Project	3 518 695	3 063 761	-	3 518 695	3 063 761	-
Deposits received	10 049 972	8 889 950	8 378 521	10 049 972	8 889 950	8 378 521
Other payables	24 790	16 876 249	71 441 304	-	16 851 459	71 441 304
	187 244 407	186 986 501	186 907 628	185 323 901	183 964 531	185 713 377

Accruals consists of travelling claims and water and electricity.

Vrede Dairy Project comprises the cash third party balances amounting to R 3 518 695 as disclosed in note 14.

Deposits received relates to deposits paid by tenants for the renting of property.

Trade payables are non-interest bearing and normally settled within 60 days.

FREE STATE DEVELOPMENT CORPORATION GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group		Corporation	
Figures in Rand	2016	2015	2016	2015

22. Revenue

Sale of inventory	1 295 614	3 813 580	-	-
Utility income	100 866 532	95 239 869	100 866 532	95 239 869
Rental income	76 345 419	81 445 536	76 324 419	81 319 536
Interest on debtors and loans	13 616 585	12 447 132	13 616 585	12 447 132
Broadband income	230 724	-	230 724	-
	192 354 874	**192 946 117**	**191 038 260**	**189 006 537**

23. Cost of sales

Sale of goods				
Cost of goods sold	2 769 566	5 414 230	-	-
Rendering of services				
Service expense	73 044 446	85 208 275	73 044 446	85 208 275
Rental services				
Rental costs	46 666 562	48 420 102	46 666 562	48 420 102
	122 480 574	**139 042 607**	**119 711 008**	**133 628 377**

24. Other income

Administration and legal fees recovered	280 867	1 541 296	280 867	1 541 296
Fees earned	188 309	240 581	188 309	240 580
Bad debt recovered and impairment reversal	1 202 791	109 348	2 791	91 707
Debt recoveries	2 779 368	2 640 448	2 491 667	2 432 378
Insurance claims	-	11 938 694	-	11 938 694
Fuel rebates	-	12 543	-	12 543
Service costs	802 516	2 076 975	788 050	2 076 119
Stock adjustment	-	2 889 324	-	2 889 324
Legal fees recoveries	126 034	-	126 034	-
Government grants	97 015 973	27 565 496	97 015 973	27 565 496
	102 395 858	**49 014 705**	**100 893 691**	**48 788 137**

The Government grant is granted to FDC to focus on the sustainable development of SMMEs. The Chief Executive Officer or Acting Chief Executive Officer of FDC needs to provide the DESTEA annually, at least three months before the start of the financial year, with written assurance as contemplated in section 38 (1)(i) of the Public Finance Management Act,1999. Within 30 days from the effective date of the transfer payment agreement, FDC is expected to provide the department with a corporate plan document. FDC has to provide the department within 15 days following the end of the month with monthly financial reports and submit quarterly financial reports within 30 days following the end of the quarter.

FDC has received a grant from IDC to fund part of the operational costs of the Agency Development and Support Department ("ADS") programme. The programme has been implemented to assist municipal entities and/or Municipalities to fulfil their mandate (the "ADS Programme") on the development and job potential inherent in various municipal areas through, but not limited to, integrated rural development, tourism, infrastructure provision, urban renewal strategies and other initiatives on a sustainable basis. FDC is expected to provide monthly reports on the utilization of the Grant according to the template provided by IDC.

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group		Corporation	
Figures in Rand	2016	2015	2016	2015

FDC also received a grant from the Department of Trade and Industry in order to plan and prepare for the establishment of an Special Economic Zone (SEZ) in the Free State Province (Maluti-A-Phofung) and to develop a suitable business organisation that successfully attracts investors for such a SEZ. In accordance with the grant agreement, FDC has to perform and achieve the set of activities within the time frames and budgets set out in the agreement. FDC is solely accountable for use, for the intended purpose, of the funds granted in accordance with the budget stipulated in the agreement. FDC is also responsible to commence and / or continue to carry out project management including environmental impact assessment, socio economic impact analysis, skills assessment & training model, investment opportunity packaging and facilitation and documenting reports for the Maluti-A-Phofung SEZ business plan proposal and application.

Included in the government grant above is:

Government grants				
DESTEA grant	2 261 530	1 052 063	2 261 530	1 052 063
IDC grant	3 554 357	1 176 855	3 554 357	1 176 855
SEZ grant	91 200 086	25 336 578	91 200 086	25 336 578
Total government grant	**97 015 973**	**27 565 496**	**97 015 973**	**27 565 496**

25. Administrative expenses

Bank charges	145 349	152 198	120 983	116 213
Legal expenses	-	294 460	-	294 460
Consumables	431 272	489 095	431 272	489 095
Entertainment	327 167	259 335	326 153	257 319
Flowers	9 769	10 944	9 769	10 944
Printing and stationery	190 952	325 091	187 277	317 380
Security	1 916 021	1 668 028	1 906 544	1 660 142
Subscriptions	40 278	45 456	40 278	45 456
Telephone and fax	1 847 827	1 716 912	1 813 618	1 667 671
Training	975 539	541 898	975 539	541 898
Cleaning	421 666	341 844	420 519	337 120
Debt collection	484 613	630 773	484 613	630 773
Assessment rates and municipal charges	310 161	325 507	310 161	325 507
Insurance recoveries	102 054	-	102 054	-
Recruitment fees	79 886	971 104	79 886	971 104
Licenses	579 856	780 662	579 856	771 061
	7 862 410	**8 553 307**	**7 788 522**	**8 436 143**

26. Employee related costs

Direct employee costs				
Salaries and wages	35 267 100	47 892 918	35 034 998	47 579 593
Bonuses	2 755 062	2 763 174	2 686 938	2 641 986
Directors fees	12 459 591	5 472 400	12 459 591	5 472 400
Leave provision	868 693	2 591 477	868 693	2 591 477
Non-pensionable allowances	11 507 804	11 895 385	11 507 804	11 895 385
Other employee benefits	690 175	512 687	615 658	451 260
Post-employment benefits - Pension - Defined contribution plan	6 064 000	(5 199 000)	6 064 000	(5 199 000)
Medical aid - company contributions	2 147	-	2 147	-
Long-term benefits - Incentive scheme	98 523	-	98 523	-
	69 713 095	**65 929 041**	**69 338 352**	**65 433 101**

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

Figures in Rand	Group 2016	Group 2015	Corporation 2016	Corporation 2015

27. Operating profit (loss)

Operating profit (loss) for the year is stated after accounting for the following:

Figures in Rand	Group 2016	Group 2015	Corporation 2016	Corporation 2015
Income from subsidiaries				
Dividends	93 125	120 876	1 077 428	120 876
Interest	3 503	-	3 503	-
	96 628	**120 876**	**1 080 931**	**120 876**
Operating lease charges				
Lease rentals on operating lease				
Contractual amounts	1 341 174	1 352 842	1 341 174	1 352 842
Loss on sale of property, plant and equipment	-	1 325 443	-	1 325 443
Net impairment losses*	5 865 662	48 234 152	5 865 662	15 693 553
Depreciation and amortisation	1 819 282	2 207 352	1 737 520	2 111 377
Employee costs	69 713 095	65 929 041	69 338 352	65 433 101
Professional services fees	18 811 553	18 790 582	18 811 553	18 790 582
Insurance	10 401 414	10 467 385	10 401 414	10 467 385
Security services	23 354 496	18 212 239	23 354 496	18 212 239

* The significant variance in operating expenditure is due to the impairment of trade and other receivables, following the valuation of securities. Please refer to note 8 & 13.

28. Investment revenue

Figures in Rand	Group 2016	Group 2015	Corporation 2016	Corporation 2015
Dividend revenue				
Subsidiaries - Local	93 125	120 876	1 077 428	120 876
Interest revenue				
Group companies	3 503	-	3 503	-
Bank	1 451 820	203 028	1 451 819	202 719
	1 455 323	**203 028**	**1 455 322**	**202 719**
Total	**1 548 448**	**323 904**	**2 532 750**	**323 595**

29. Fair value gains

Figures in Rand	Group 2016	Group 2015	Corporation 2016	Corporation 2015
Investment property (Fair value model)	34 483 875	29 856 772	34 483 875	29 856 772

30. Finance costs

Figures in Rand	Group 2016	Group 2015	Corporation 2016	Corporation 2015
Group companies	306 932	261 152	-	-
Bank	993 973	7 898	993 973	7 898
Other interest paid	92 006	1 655 702	1 245	1 636 404
	1 392 911	**1 924 752**	**995 218**	**1 644 302**

31. Discontinued operations

Figures in Rand	Group 2016	Group 2015	Corporation 2016	Corporation 2015
Loss with derecognition of subsidiary	-	(812 280)	-	-

FREE STATE DEVELOPMENT CORPORATION GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group		Corporation	
Figures in Rand	2016	2015	2016	2015

32. Auditors' remuneration

Fees	4 351 538	3 875 054	4 311 538	3 830 054

33. Other comprehensive income

Components of other comprehensive income - Group - 2016

	Gross	Tax	Net
Movements on revaluation			
Gains (losses) on property revaluation	1 529 086	-	1 529 086
Actuarial gains (losses) on defined benefit plans	8 795 217	-	8 795 217
Total	**10 324 303**	**-**	**10 324 303**

Components of other comprehensive income - Group - 2015

	Gross	Tax	Net
Actuarial gains (losses) on defined benefit plans	(6 068 000)	-	(6 068 000)

Components of other comprehensive income - Corporation - 2016

	Gross	Tax	Net
Movements on revaluation			
Gains (losses) on property revaluation	1 529 086	-	1 529 086
Actuarial gains (losses) on defined benefit plans	8 795 217	-	8 795 217
Total	**10 324 303**	**-**	**10 324 303**

Components of other comprehensive income - Corporation - 2015

	Gross	Tax	Net
Actuarial gains (losses) on defined benefit plans	(6 068 000)	-	(6 068 000)

34. Non-distributable reserve

The other non-distributable reserve comprises fair value adjustment on property, plant and equipment recognised during the 2010 financial year.

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group		Corporation	
Figures in Rand	2016	2015	2016	2015

35. Cash generated from (used in) operations

Profit (loss) before taxation	77 152 054	(10 271 916)	72 870 123	(8 111 472)
Adjustments for:				
Depreciation and amortisation	1 819 282	2 207 352	1 737 520	2 111 377
Loss (profit) on sale of assets	-	1 325 444	-	1 325 444
Income (loss) from equity accounted investments	572 563	(383 412)	-	-
Dividends received	(93 125)	(120 876)	(1 077 428)	(120 876)
Interest received	(1 455 323)	(203 028)	(1 455 322)	(202 719)
Finance costs	1 392 911	1 924 752	995 218	1 644 302
Fair value adjustments	(34 483 875)	(29 856 772)	(34 483 875)	(29 856 772)
Net impairment loss / (reversal)	3 800 853	16 772 292	3 800 853	16 738 801
Straight lining of operating leases	(947 220)	(1 920 995)	(947 220)	(1 920 995)
Increase in employee benefits	4 488 000	(5 199 000)	4 488 000	(5 199 000)
Movement in long service award	(1 477)	-	(1 477)	-
Fuel rebate	-	(12 543)	-	(12 543)
Gain on derecognition of non-controlling interest	(3 817 404)	-	-	-
Prior year adjustments to assets (note 4)	(68 980)	-	-	-
Changes in working capital:				
Inventories	(81 579)	(2 847 498)	-	(2 889 324)
Trade and other receivables	(25 420 837)	(20 163 616)	(26 017 306)	(20 217 622)
Other investments	-	(2 434 039)	-	(2 434 039)
Trade and other payables	257 906	78 876	1 359 370	(1 748 850)
Deferred income	(24 405)	(22 123)	(24 405)	(22 123)
	23 089 344	**(51 127 102)**	**21 244 051**	**(50 916 411)**

36. Commitments

Authorised capital expenditure

The following capital projects have been authorised but not yet contracted for:

- Refurbishment of Ratlou Shopping Complex for R 15 248 513 (2015: R 15 248 513).
- Tshiame Project SEZ Roads for R 25 000 000.
- Tshiame Project SEZ Lighting for R 24 000 000.
- Tshiame Project SEZ Professional services towards Capex for R18 856 524.
- The Corporation is involved in constructing the N8 Office Park. The project is estimated to cost R 474 960 000 (2015: R 474 960 000) and will be financed through loans from lending institutions.

Operating leases – as lessee (expense)

Minimum lease payments due				
- within one year	121 464	192 396	121 464	192 396
- in second to fifth year inclusive	-	7 670	-	7 670
	121 464	**200 066**	**121 464**	**200 066**

FREE STATE DEVELOPMENT CORPORATION GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group		Corporation	
Figures in Rand	2016	2015	2016	2015

36. Commitments (continued)

Operating leases – as lessor (income)

Minimum lease payments due				
- within one year	25 671 518	22 209 746	25 671 518	22 209 746
- in second to fifth year inclusive	60 185 308	41 957 152	60 185 308	41 957 152
- later than five years	3 784 239	3 929 394	3 784 239	3 929 394
	89 641 065	**68 096 292**	**89 641 065**	**68 096 292**

The group is under operating lease agreements for properties. These lease agreements have escalations between 8% and 10% per year with the agreement terms varying between 3 – 5 years.

37. Contingencies

The group has contingent liabilities and contingent assets in respect of legal claims arising in the ordinary course of business.

Contingent liabilities

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

Claim by Free State Transformation Consultants against the Corporation

The Free State Transformers (FTC) claims the Department of Human Settlements paid fees to the FDC that were due to them (FTC). A claim was put in against the FDC for marketing and sales of properties in Botshabelo. An amount of R 1 732 500 together with interest thereon at a rate of 15.5% per annum calculated from the day the FDC received the money until the date of full payment. The FDC is opposing the claim and the matter is yet to be resolved.

Claim by MC Moranye against the Corporation

This individual was evicted and claims the house should not have been sold. A claim for damages of R 100 000 for selling the house in execution was lodged against the FDC. The plaintiff argues the selling and the execution was null and void. The FDC reverted to counsel for advice and is opposing the claim. The case is in trial and has been postponed.

Claim by Metsimaholo Local Municipality against the Corporation

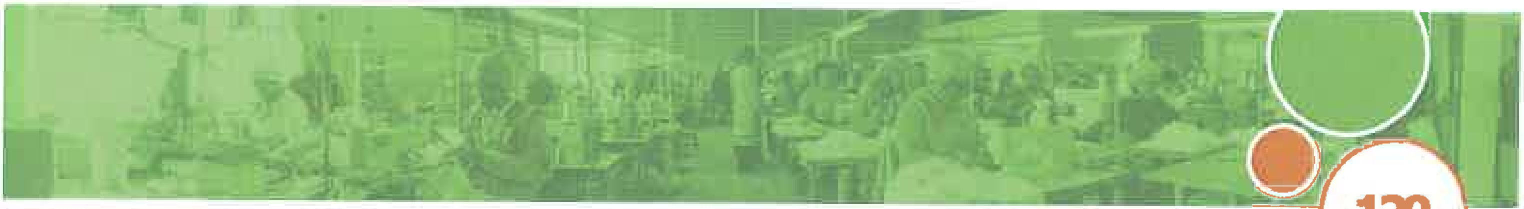
This matter relates to a dispute between the FDC and the Metsimaholo Local Municipality. The municipality claims that the FDC owes outstanding electricity rates and taxes amounting to R 729 918. Judgement in this matter is still pending although the management's legal council is of the opinion that the judgement against the FDC is unlikely.

The Rental Company Trust (TRCT)

Contractor provided a service to the FDC however the FDC was not satisfied with the service and cancelled the contract. The contractor sued the FDC with regards to the contract for an amount of R 438 094. The matter was set for trial on the 17 & 18th of March 2015 and was postponed for a possible settlement between the two parties.

PKX

PKX is a financial services company based in Johannesburg that the FDC was introduced to by the Department of Economic Development and Tourism. PKX was instructed by the Department of Economic Development to get financiers or investors on behalf of the FDC. In terms of the agreement entered into between the FDC, Department of Economic Development and PKX, the Department of Economic Development was supposed to pay disbursements limited to 5% of finances raised. PKX is suing the FDC for services rendered to the amount of R 12 441 164. The matter is set for possible settlement between the Department of Economic Development and Tourism and the contractor.



37. Contingencies (continued)

Dihlabeng Local Municipality

The Dihlabeng Municipality is suing the FDC for the recovery of water, refuse, sanitation and rates. The matter was heard on 5th of March 2015 and judgement was made in favour of the said local municipality to the amount of R 428 785. The FDC is however appealing the judgement.

Claim by former employee

A former employee refused placement in an alternative position during a restructuring process and was subsequently retrenched from the employment of the FDC. The matter is currently at the CCMA. The former employee is claiming reinstatement and R 969 486 being 12 months' salary and compensation. A settlement could not be reached during the conciliation process and the matter has been referred to the Labour Court.

Claim by former employee

The matter relates to a former employee who was dismissed after being found guilty during a disciplinary hearing process. The matter was referred to the CCMA for conciliation but a settlement could not be reached. The claim amount to
R 8 190 742.

Claim by Maziya General Services

The matter relates to a company that was appointed by the FDC to erect a security fence at Special Economic Zone in Harrismith. Maziya General Services is suing the FDC for the services rendered to the amount of R 3 300 000.

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

38. Prior year errors

Misstatements of prior year - Group and Corporation

The aggregate effect of the prior period errors on the consolidated financial statements for the year ended 31 March 2015 is as follows:

Statement of Financial Position

Assets gross adjustment	-	6 550 375	-	-	6 509 796	-
Retained income	-	(6 550 375)	-	-	(6 509 796)	-
	-	-	-	-	-	-

Inventory						
Previously stated	-	330 648	-	-	165 101	-
Adjustment	-	2 929 899	-	-	2 889 324	-
	-	**3 260 547**	-	-	**3 054 425**	-

The adjustments are correction of prior year inventory adjustment incorrectly stated.

Operating lease asset						
Previously stated	-	1 692 691	-	-	1 692 691	-
Adjustment	-	940 298	-	-	940 298	-
	-	**2 632 989**	-	-	**2 632 989**	-

The adjustment relates an omission of operating leases on the prior year schedule.

Trade receivables						
Previously stated	-	36 925 561	-	-	36 329 092	-
Adjustment	-	3 944 938	-	-	3 944 938	-
	-	**40 870 499**	-	-	**40 274 030**	-

The adjustments were made due to the omission of the leases on the prior year schedule.

Loans receivable						
Previously stated	-	119 852 954	-	-	119 905 790	-
Adjustment	-	(718 992)	-	-	(718 992)	-
	-	**119 133 962**	-	-	**119 186 798**	-

The adjustments were made due to the fair value adjustment on the calculation of the present value of loans.

Operating lease liability						
Previously stated	-	-	-	-	-	-
Adjustment	-	(8 552)	-	-	(8 552)	-
	-	**(8 552)**	-	-	**(8 552)**	-

The adjustments were made due to the lease liability omitted in the prior year.

FREE STATE DEVELOPMENT CORPORATION GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

38. Prior year errors (continued)

Trade and other payables						
Previously stated	-	(186 449 292)	-	-	(183 427 313)	-
Adjustment	-	(537 214)	-	-	(537 218)	-
	-	**(186 986 506)**	**-**	**-**	**(183 964 531)**	**-**

The adjustments were made due to accruals omitted in the prior year.

Statement of comprehensive income

Gross adjustment	-	6 550 375	-	-	6 509 796	-

Revenue not recognised						
Previously stated	-	214 363 065	-	-	210 423 485	-
Adjustment	-	6 148 548	-	-	6 148 548	-
	-	**220 511 613**	**-**	**-**	**216 572 033**	**-**

Lease revenue not recognised in prior year.

Cost of sales not recognised						
Previously stated	-	(139 043 473)	-	-	(133 720 041)	-
Adjustment	-	866	-	-	91 664	-
	-	**(139 042 607)**	**-**	**-**	**(133 628 377)**	**-**

Accrued expenditure incorrectly recognised in prior year.

Other income not recorded						
Previously stated	-	18 519 309	-	-	18 333 317	-
Adjustment	-	2 929 898	-	-	2 889 322	-
	-	**21 449 207**	**-**	**-**	**21 222 639**	**-**

Investment interest incorrectly recorded as revenue.

Operating expenses not recognised						
Previously stated	-	(67 336 996)	-	-	(66 934 450)	-
Adjustment	-	(10 123)	-	-	(10 140)	-
	-	**(67 347 119)**	**-**	**-**	**(66 944 590)**	**-**

Accrued expenditure not recorded in prior year.

	Group			Corporation		
Figures in Rand	2016	2015	2014	2016	2015	2014

38. Prior year errors (continued)

Administrative expenses not recognised						
Previously stated	-	(8 453 211)	-	-	(8 336 063)	-
Adjustment	-	(100 096)	-	-	(100 080)	-
	-	**(8 553 307)**	**-**	**-**	**(8 436 143)**	**-**

Accrued expenditure not recorded in prior year.

Employee related costs overstated						
Previously stated	-	(66 019 842)	-	-	(65 433 101)	-
Adjustment	-	90 801	-	-	-	-
	-	**(65 929 041)**	**-**	**-**	**(65 433 101)**	**-**

Employee accruals incorrectly accounted for.

Investment revenue incorrectly recorded						
Previously stated	-	1 724 234	-	-	1 723 925	-
Adjustment	-	(1 400 330)	-	-	(1 400 330)	-
	-	**323 904**	**-**	**-**	**323 595**	**-**

Investment revenue was incorrectly disclosed as net of finance costs and other income.

Finance costs misallocated						
Previously stated	-	(815 563)	-	-	(535 113)	-
Adjustment	-	(1 109 189)	-	-	(1 109 189)	-
	-	**(1 924 752)**	**-**	**-**	**(1 644 302)**	**-**

Finance costs incorrectly disclosed as investment revenue in prior year.

39. Related parties

Relationships	
Holding company	Free State Development Corporation
Subsidiaries	Refer to note 6
Associates	Refer to note 7
Directors	Refer to directors report
Members of key management	Refer to note 40
Government entities with significant influence	Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA) Free State Gambling and Liquor Authority
Newly incorporated subsidiaries	Free State Agri SOC Limited (RF) Free State Investments SOC Limited (RF) Free State Publishers SOC Limited (RF) Maluti-A-Phofung SEZ SOC Limited (RF)

Notes to the Consolidated Financial Statements

Figures in Rand	Group 2016	Group 2015	Corporation 2016	Corporation 2015

39. Related parties (continued)

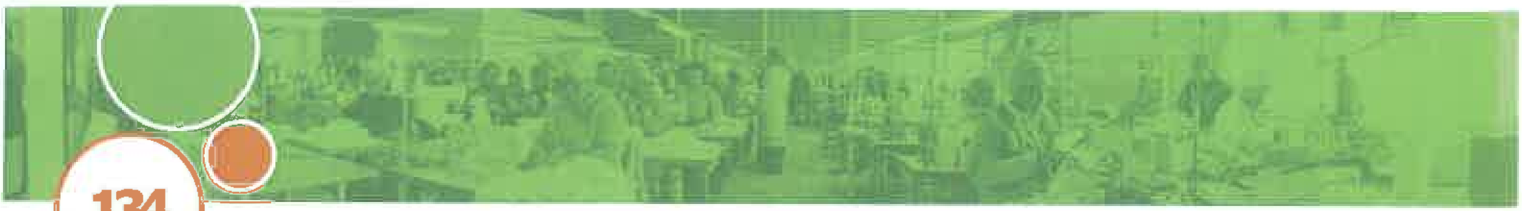
FDC is a schedule 3D Provincial Government Business Enterprise in terms of the Public Finance Management Act, Act 1 of 1999 as amended by Act 29 of 1999, therefore falls within the provincial sphere of government. As a consequence, FDC has a number of related parties, being entities that fall within the provincial sphere of the MEC of DESTEA. Amounts due from/to these entities are subject to the same terms and contributions as normal trade receivables and trade payables. Unless specifically disclosed, these transactions are concluded at arm's length and the group is able to transact with any entity.

Related party balances

Loan accounts - Owing (to) by related parties	Loan amount 2016	Provision for impairment/ write offs 2016	Net balance 2016	Loan amount 2015	Provision for impairment 2015	Net balance 2015
Canton Trading 123 (Pty) Ltd	4 151 068	(4 151 068)	-	4 151 068	(4 151 068)	-
Classic Number Trading 45 (Pty) Ltd	5 970 023	(5 970 023)	-	5 970 023	(5 970 023)	-
Confram Harrismith Properties (Pty) Ltd	11 166 626	(11 166 626)	-	11 166 626	(11 166 626)	-
Copper Moon Trading (Pty) Ltd	2 193 210	(2 193 210)	-	2 193 210	(2 193 210)	-
Cross Point Trading 23 (Pty) Ltd	4 813 114	(4 813 114)	-	4 813 114	(4 813 114)	-
Golden Pond Trading 663 (Pty) Ltd	1 405 833	(1 405 833)	-	1 405 833	(1 405 833)	-
Highland Furniture Factory (Pty) Ltd	9 197 747	(9 197 747)	-	9 197 747	(9 197 747)	-
Orofino Africa Jewellery Manufacturing (Pty) Ltd	21 686 905	(21 686 905)	-	21 686 905	(21 686 905)	-
Phiritona Plastics (Pty) Ltd	4 757 507	(4 757 507)	-	4 757 507	(4 757 507)	-
Rumar Manufacturing (Pty) Ltd	3 668 892	(3 668 892)	-	3 668 892	(3 668 892)	-
Satinsky 167 (Pty) Ltd	1 300 941	(1 300 941)	-	1 300 941	(1 300 941)	-
Synthpro Holdings (Pty) Ltd	6 238 141	(6 238 141)	-	6 238 141	(6 238 141)	-
Twin Cities Trading 129 (Pty) Ltd	1 466 238	(1 466 238)	-	1 466 238	(1 466 238)	-
Welkom Diamond Cutting Works (Pty) Ltd	1 458 318	(1 458 318)	-	1 458 318	(1 458 318)	-
	79 474 563	**(79 474 563)**	**-**	**79 474 563**	**(79 474 563)**	**-**

Related party transactions

	Group 2016	Group 2015	Corporation 2016	Corporation 2015
Insurance expense				
Mafube Risk and Insurance Brokers (Pty) Ltd	6 575 144	10 467 385	6 575 144	10 467 385
Rent received from related parties				
Free State Gambling and Liquor Authority	1 758 516	849 091	1 758 516	849 091
Grant received				
DESTEA	2 261 530	1 052 063	2 261 530	1 052 063



Notes to the Consolidated Financial Statements

40. Directors' and prescribed officer's emoluments

Key management personnel

2016

	Emoluments	Allowances	Corporation Contributions	Total
Finger KF	659 977	417 536	126 497	1 204 010
Moahloli KLK	2 814	338	-	3 152
Motloung SJ	220 822	31 969	20 432	273 223
Tlhomelang KF	660 636	384 179	172 494	1 217 309
	1 544 249	**834 022**	**319 423**	**2 697 694**

2015

	Emoluments	Allowances	Corporation Contributions	Total
Finger KF	1 089 601	-	-	1 089 601
Kgokotli MK	250 884	73 617	43 113	367 614
Maseko PT	260 000	-	-	260 000
Moahloli KLK	117 057	24 018	15 961	157 036
Mokone MJ	13 358	-	-	13 358
Ntsane KE	8 906	-	-	8 906
Sikaundi VC	660 785	-	-	660 785
Smit DJ	1 315 268	243 176	172 933	1 731 377
Tlhomelang KF	678 870	217 342	166 152	1 062 364
Welman LA	1 139 180	176 906	83 755	1 399 841
	5 533 909	**735 059**	**481 914**	**6 750 882**

Non-executive

2016

	Directors' fees	Travel Claims	Corporation Contributions	Total
Chuene MBP	472 601	59 027	1 221	532 849
Matseke HB (Mayeza)	611 251	158 868	1 041	771 160
Mkhungo HN	252 000	3 975	924	256 899
Mochochoko N	158 000	26 058	595	184 653
Ntanjana SP*	152 000	24 514	1 032	177 546
Ntshiea ME*	152 000	51 487	1 094	204 581
Phungo LJ	346 000	77 580	1 172	424 752
Sandlana TN	404 500	10 834	1 426	416 760
	2 548 352	**412 343**	**8 505**	**2 969 200**

Notes to the Consolidated Financial Statements

40. Directors' and prescribed officer's emoluments (continued)

2015

	Directors' fees	Travel claims	Corporation Contributions	Total
Chuene MBP	41 923	21 688	-	63 611
Maharaj V	75 500	84 044	621	160 165
Matseke HB (Mayeza)	242 000	88 661	423	331 084
Mkhungo HN	42 191	1 766	-	43 957
Mochochoko N	42 100	13 804	259	56 163
Mohlahlo ME*	3 500	-	-	3 500
Ntanjana SP*	30 882	-	-	30 882
Ntshiea ME*	23 500	13 667	70	37 237
Phitsane TB	15 300	2 000	153	17 453
Phungo LI	49 822	29 667	-	79 489
Sandlana TN	83 300	6 929	-	90 229
Van Wyk JH*	7 000	-	70	7 070
	657 018	**262 226**	**1 596**	**920 840**

Executive

2016

	Emoluments	Corporation Contributions	Other	Total
Osman I	1 119 709	270 309	771 678	2 161 696
Maharaj V	1 661 538	1 785	349 903	2 013 226
Moyo S	1 112 235	182 772	658 852	1 953 859
Nkaiseng DSR	981 150	148 957	617 003	1 747 110
Shaba G	978 624	200 058	435 818	1 614 500
	5 853 256	**803 881**	**2 833 254**	**9 490 391**

2015

	Emoluments	Corporation Contributions	Other	Total
Osman I	1 712 417	242 905	-	1 955 322
Maharaj V	831 561	-	23 821	855 382
Moyo S	263 563	69 473	57 947	390 983
Nkaiseng DSR	919 543	121 755	308 575	1 349 873
	3 727 084	**434 133**	**390 343**	**4 551 560**

* Members of the Board Auditors and Risk Committee.

41. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2016

	Loans and receivables	Non-financial assets	Total
Investments in associates	670 181	-	670 181
Loans receivable	98 598 113	-	98 598 113
Trade and other receivables	59 588 015	2 902 468	62 490 483
Cash and cash equivalents	51 349 483	-	51 349 483
Operating lease asset	-	3 580 433	3 580 433
Inventories	-	3 342 126	3 342 126
	210 205 792	**9 825 027**	**220 030 819**

Group - 2015

	Loans and receivables	Non-financial assets	Total
Investments in associates	1 242 743	-	1 242 743
Loans receivable	119 133 962	-	119 133 962
Trade and other receivables	34 253 469	6 617 030	40 870 499
Cash and cash equivalents	31 625 835	-	31 625 835
Operating lease asset	-	2 632 989	2 632 989
Inventories	-	3 260 547	3 260 547
	186 256 009	**12 510 566**	**198 766 575**

Corporation - 2016

	Loans and receivables	Non-financial assets	Total
Investments in subsidiaries	100	-	100
Investments in associates	49 000	-	49 000
Loans receivable	98 598 113	-	98 598 113
Trade and other receivables	59 588 015	2 902 468	62 490 483
Cash and cash equivalents	51 137 027	-	51 137 027
Operating lease asset	-	3 580 433	3 580 433
Inventories	-	3 054 425	3 054 425
	209 372 255	**9 537 326**	**218 909 581**

Corporation - 2015

	Loans and receivables	Non-financial assets	Total
Investments in subsidiaries	100	-	100
Investments in associates	49 001	-	49 001
Loans receivable	119 186 798	-	119 186 798
Trade and other receivables	33 657 000	6 617 030	40 274 030
Cash and cash equivalents	31 553 730	-	31 553 730
Operating lease asset	-	2 632 989	2 632 989
Inventories	-	3 054 425	3 054 425
	184 446 629	**12 304 444**	**196 751 073**

42. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2016

	Financial liabilities at amortised cost	Non-financial liabilities	Total
Other financial liabilities	4 547 090	-	4 547 090
Finance lease obligation	8 776	-	8 776
Retirement benefit obligation	-	38 213 000	38 213 000
Trade and other payables	186 956 336	288 071	187 244 407
Deferred income	-	166 006	166 006
Long service award provision	-	675 319	675 319
	191 512 202	**39 342 396**	**230 854 598**

Group - 2015

	Financial liabilities at amortised cost	Non-financial liabilities	Total
Other financial liabilities	5 234 833	-	5 234 833
Finance lease obligation	8 552	-	8 552
Retirement benefit obligation	-	42 498 000	42 498 000
Trade and other payables	186 016 653	969 848	186 986 501
Deferred income	-	190 411	190 411
Long service award provision	-	699 013	699 013
	191 260 038	**44 357 272**	**235 617 310**

Corporation - 2016

	Financial liabilities at amortised cost	Non-financial liabilities	Total
Other financial liabilities	4 505 335	-	4 505 335
Finance lease obligation	8 776	-	8 776
Retirement benefit obligation	-	38 213 000	38 213 000
Trade and other payables	185 323 901	-	185 323 901
Deferred income	-	166 006	166 006
Long service award provision	-	675 319	675 319
	189 838 012	**39 054 325**	**228 892 337**

42. Financial liabilities by category (continued)

Corporation - 2015

	Financial liabilities at amortised cost	Non-financial liabilities	Total
Other financial liabilities	4 922 969	-	4 922 969
Finance lease obligation	8 552	-	8 552
Retirement benefit obligation	-	42 498 000	42 498 000
Trade and other payables	183 280 254	684 277	183 964 531
Deferred income	-	190 411	190 411
Long service award provision	-	699 013	699 013
	188 211 775	**44 071 701**	**232 283 476**

43. Risk management

Capital risk management

The group manages its retained earnings, which at year end amounted to R 742 243 556 (2015: R 656 070 167) as capital and there were no changes in either its policies or processes for managing capital, or in what it regards as capital, from the prior period.

The group's objective when managing capital is to safeguard the group's ability to continue as a going concern in order to provide benefits to stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the capital structure, the group receives grants from The Free State Department of Tourism, Environmental and Economic Affairs to invest in SMME development. The Corporation does not pay any dividends and all profits are reinvested in SMME developments.

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

The group monitors its risk to a shortage of funds using projected cash flows from operations. The group's objective is to maintain a balance equal to an average of three months budgeted operating expenses. The group has sufficient unutilised facilities available.

The table below analysis the Corporation's financial liabilities into relevant maturity groupings based on the remaining periods at the reporting date to maturity date. The amounts disclosed in the table are the contractual discounted cash flows.

Group

At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	3 763 288	783 802	-	4 547 090
Trade and other payables	187 244 407	-	-	187 244 407

At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	3 738 819	130 909	1 365 105	5 234 833
Trade and other payables	186 986 501	-	-	186 986 501

FREE STATE DEVELOPMENT CORPORATION GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Consolidated Financial Statements

43. Risk management (continued)

Corporation

At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	3 763 288	742 047	-	4 505 335
Trade and other payables	185 323 901	-	-	185 323 901

At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	3 477 667	130 909	1 314 393	4 922 969
Trade and other payables	183 964 531	-	-	-

Interest rate risk

The group's exposure to risk for changes in market interest rates relate primarily to the group's (Corporation) long term and short term loans granted with floating interest rates. Changes in the interest rate will affect the revenue stream of the group (Corporation), as most of the interest bearing financial assets is linked to the prime interest rate. The group does not make use of interest rate derivatives and therefore 100% of the interest-bearing financial instruments have a variable interest rate.

Interest rate risks are presented by way of sensitivity analysis in accordance with IFRS 7: Financial Instruments: Disclosure. These show the effects of changes in market interest rates on interest repayments, interest income and expenses, other income components and, if applicable shareholder's equity. The time frame, over which the assessment is made, is 12 months due to the next reporting date being 31 March 2017. The analysis is based on the assumption that the prime interest rate has increased / decreased by 2% with all other variables held constant. There were no changes in the assumptions and methods used from the previous period.

The following table illustrates the sensitivity of the group's profit and equity to rate risk if interest rates change with the following percentages:

Figures in Rand	2016	2015	2016	2015
	+2%	**+2%**	**-2%**	**-2%**
Increase / (decrease) in profit for the Group	1 971 962	2 382 679	(1 971 962)	(2 382 679)
Increase / (decrease) in profit for the Corporation	1 971 962	2 383 736	(1 971 962)	(2 383 736)

Credit risk

The credit risk for liquid funds is considered negligible with exception of funds currently invested in Corporate Money Managers, since the counterparties are reputable banks with high quality external credit ratings. With respect to credit risk arising from the other financial assets of the group, which comprises available for sale assets and other receivables, the group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group exposure to credit risk arises from default of the counterparty.

Notes to the Consolidated Financial Statements

	Group		Corporation	
Figures in Rand	2016	2015	2016	2015

43. Risk management (continued)

The group's maximum exposure to credit risk is equal to the cost amount of the financial assets at the reporting date and is summarised below:

Loans and receivables	98 598 113	119 133 962	98 598 113	119 186 798
Other investments	8 441 428	8 441 428	8 441 428	8 441 428
Trade and other receivables	62 490 483	40 870 499	62 490 483	40 274 030
Cash and cash equivalents	51 349 483	31 625 835	51 137 027	31 553 730
	220 879 507	**200 071 724**	**220 667 051**	**199 455 986**

Price risk

The group is not exposed to price risk since no listed securities are held for investment purposes and the financial assets available for sale consists of investments in unquoted shares.

44. Exposure to technical insolvency

The audited consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Corporation is not exposed to technical insolvency through its subsidiaries. It has accounted for the financial risk by an accumulated impairment of total business loans and loans to group companies.

The following subsidiaries are under liquidation / provisional liquidation:

- Canton Trading 123 (Pty) Ltd t/a Jomago Health
- Classic Number Trading 45 (Pty) Ltd
- Confram Harrismith Properties (Pty) Ltd
- Copper Moon Trading (Pty) Ltd
- Golden Pond Trading (Pty) Ltd
- Orofino Africa Jewellery Manufacturers
- Rumar Manufacturing (Pty) Ltd
- Satinsky 167 (Pty) Ltd
- Synthpro Holdings (Pty) Ltd

The group is not exposed to any other significant creditors except as mentioned in the note regarding contingencies.

No indication exists that the FDC cannot meet its obligations, or is unable to pay debts as they become due for payment. FDC's asset base is solid and can meet its obligations when due. The group as well as the Corporation managed to recover from significant losses incurred in the prior year to a profit in the current financial year.

The Corporation will continue to manage its expenses by implementing stringent cost cutting measures aimed at reducing operating costs to acceptable levels, thus moving to increase profits irrespective of the significant impairments recognised. The Corporation will further continue to enhance its credit assessment and debt collection processes in order to reduce impairments going forward.

45. Events after the reporting period

The board members are not aware of any matter or circumstance arising since the end of the financial year.

Notes to the Consolidated Financial Statements

	Group		Corporation	
Figures in Rand	2016	2015	2016	2015

46. Irregular expenditure

Breakdown				
Opening balance	2 448 890	44 674 924	2 448 890	44 674 924
Irregular expenditure for the year	1 352 977	3 362 810	1 352 977	3 362 810
Condoned	(2 448 890)	(45 588 844)	(2 448 890)	(45 588 844)
Irregular expenditure awaiting condonation	**1 352 977**	**2 448 890**	**1 352 977**	**2 448 890**

Irregular expenditure 2016

During 2016 financial year irregular expenditure amounting to R 1 352 977 was identified and is currently under investigation.

47. Fruitless and wasteful expenditure

There was no fruitless and wasteful expenditure incurred during the year (2015: R nil).

48. Comparative figures

Certain comparative figures have been reclassified, where necessary to conform with the changes in presentation in the current year.

We draw specific attention to the following reclassification in the 2015 issued annual financial statements. The details of the reclassifications are indicated below:

Government grants.

The effects of the reclassification are as follows:

Profit or Loss				
Revenue	-	(27 565 496)	-	(27 565 496)
Other income	-	27 565 496	-	27 565 496

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