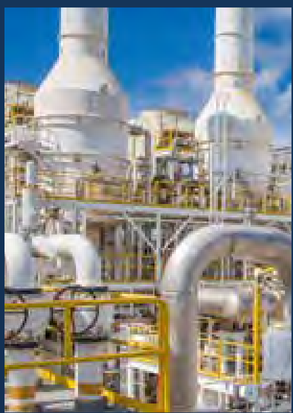
INTEGRATED REPORT 2019

ESTABLISHED IN 2001

ECIC

EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LTD

YOUR EXPORT RISK PARTNER



CONTENTS

ACRONYMS AND ABBREVIATIONS

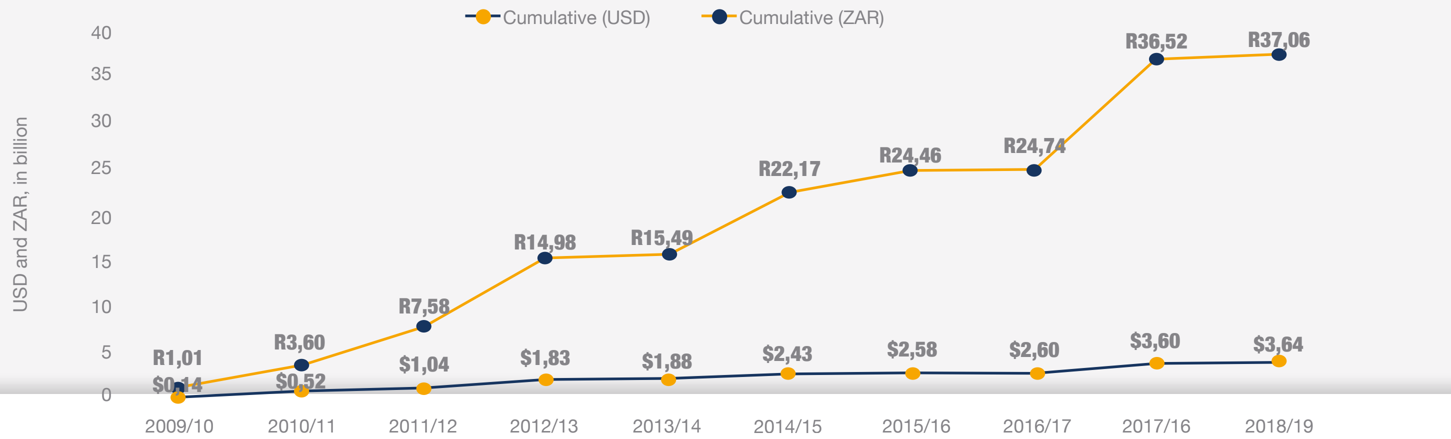
4IR	4th Industrial Revolution
AfCFTA	African Continental Free Trade Agreement / Area
Afreximbank	African Export-Import Bank
ALM	Asset-Liability Matching
AVID	African Investment and Integrated Desk
B-BBEE	Broad-based Black Economic Empowerment
Berne Union	International Union of Credit and Investment Insurers
BRICS	Countries of Brazil, Russia, India, China and South Africa
CA(SA)	Chartered Accountant (South Africa)
CEO	Chief Executive Officer
COSO	Committee of Sponsoring Organisations
CRR	Concentration Risk Reserve
DFI	Development Financial Institutions
DIRCO	Department of International Relations and Cooperation
ECA	Export Credit Agency
ECIC	Export Credit Insurance Corporation of South Africa SOC Ltd
EMDE	Emerging Market and Developing Economy
EXIM	Export-Import
FOMC	Federal Open Market Committee
FSB	Financial Services Board
FSCA	Financial Sector Conduct Authority
Government	The Government of the Republic of South Africa
IBNR	Incurred but Not Yet Reported
ICT	Information and Communications Technology
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IMU	Interest Make-up
<IR> Framework	International Integrated Reporting Framework
IPS	Investment Policy Statement
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
OECD	Organisation for Economic Cooperation and Development
PA	Prudential Authority
PAA	Public Audit Act of South Africa, 25 of 2004
PCE	Personal Consumption Expenditure
PFMA	Public Finance Management Act, 1 of 1999
RCSA	Risk and Control Self-Assessments
SAA	Strategic Asset Allocation
SATIPP	South Africa-Africa Trade and Investment Promotion Programme
SCR	Solvency Capital Required
SMME	Small, Medium and Micro Enterprise
SO	Strategic Objective
SOE	State-Owned Entity
the dti	Department of Trade and Industry
UPP	Unearned Premium Provision
URP	Unexpired Risk Provision
USA	United States of America

AT A GLANCE

Financial assets	R7 billion
Total insured value	R30 billion
Afreximbank investment	R644 million
Regulatory Solvency Ratio	266%
Gross written premiums	R154 million
Underwriting profit	R623 million
Targets achieved	100%
Total equity	R5 billion

Value of ECIC supported projects

Nominal value of loan and investment amounts supported by ECIC (2009-19)

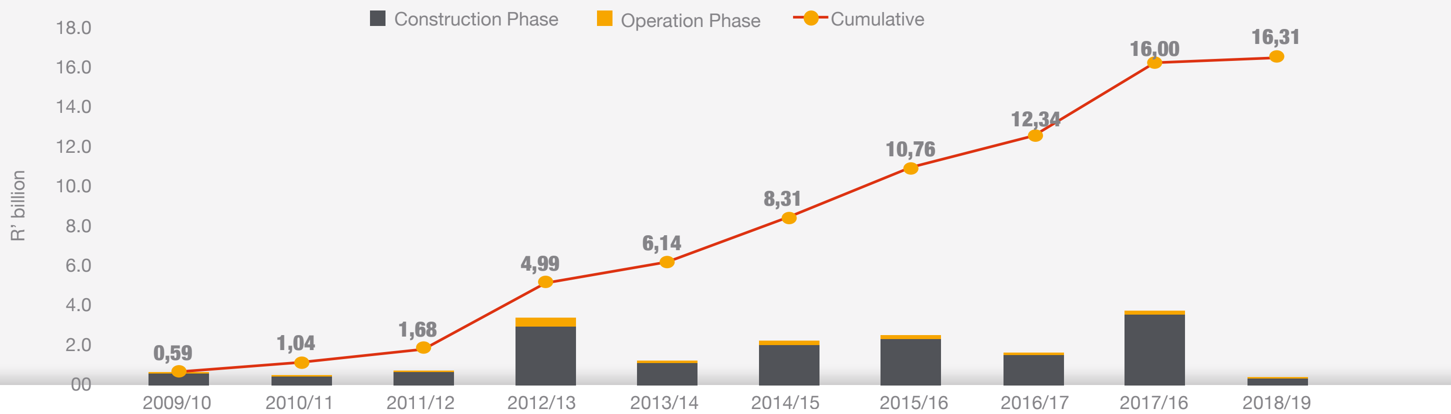


Over the last 10 financial years, the Corporation has grown considerably supporting almost 60 export-led and investment related projects across the African continent and other emerging economies. This accumulated to approximately US$3.64 billion (R37 billion) worth of loans supported.

Exchange rate (USD/ZAR) conversion as at end of each financial year (March)

Value added to SA economy

Impact on South African GDP (2009 - 2019)

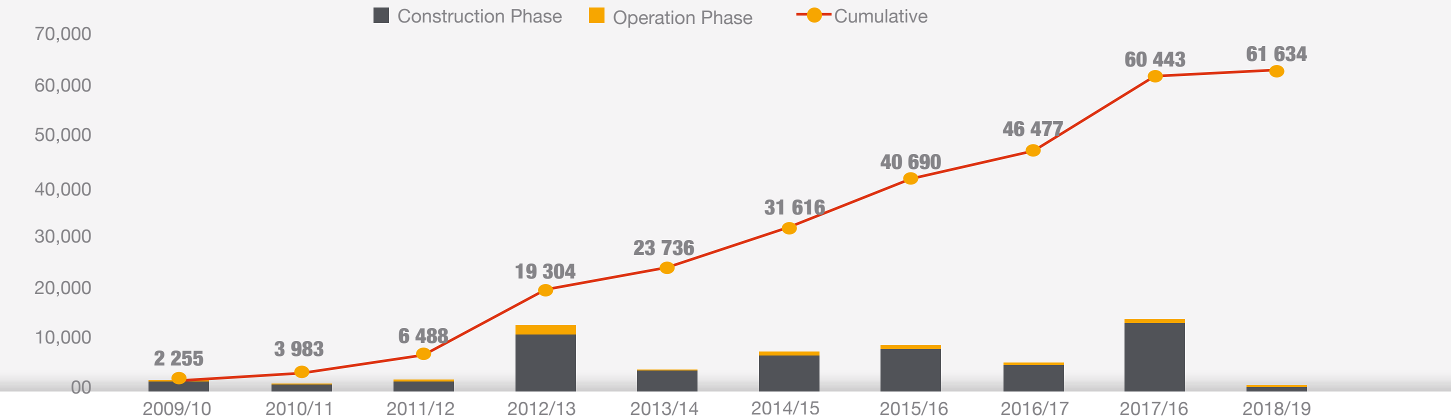


R 16.3 billion is estimated to have been added to the South African GDP

Results presented consider the Direct, Indirect and Induced impacts of the Corporation's contribution

Employment impact in South Africa

Impact of ECIC on Employment (2009 - 2019)



The Corporation's involvement has been instrumental in facilitating the generation and sustainability of an estimated 61 000 job opportunities in South Africa as a result of insured export transactions, over the past 10 years.

Results presented consider the Direct, Indirect and Induced impacts of the Corporation's contribution

Mr Ebrahim Patel

FOREWORD BY THE **MINISTER OF TRADE AND INDUSTRY**

It is my pleasure to present the annual report of the Export Credit Insurance Corporation (ECIC) for the 2018/19 financial year. The results contained in this report coincide with the beginning of the 6th administration of the democratic South Africa.

The focus of the new administration is to boost economic growth and enable deeper levels of economic inclusion and transformation.

A new Department of Trade, Industry and Competition has been established, through a merger of **the dti** and Economic Development Department, which will drive the implementation of a more focused, high-impact industrial strategy.

Over the next five years, the focus will be on practical actions and improved governance, to pull our economy onto the higher growth levels we require to create decent work and entrepreneurial opportunities for many more South Africans, particularly young people. There are no quick fixes if we want to build this high-growth, high-employment, high-inclusion economy.

Using the resources and mandate of the trade, industry and competition portfolio, we will support efforts to unleash private investment and energise the state to boost economic growth and inclusion. This is an essential part of building confidence and the platform for job-creation.

ECIC in carrying out its mandate, will have a critical role to play in this new industrial strategy.

As priorities for the new Administration we have outlined six focus areas in the trade, industry and competition portfolio, within which the Corporation falls:

First, to support improved industrial performance, dynamism and competitiveness of local companies.

These include developing Master Plans in priority sectors to help create conducive conditions for industries to grow, improve their industrial capacities and sophistication, focus more on export orientation and reclaim domestic market space lost to imports.

The Master Plans will be action-oriented, developed and carried out in partnership with business and labour and implemented in stages, so that we can move expeditiously.

Second, to improve the levels of fixed investment in the economy

Over the five year period from 2018/19, Government set a target of R1.4 trillion in new investment in the economy. The vast bulk of this must come from the private sector.

The state's role will be to enable higher levels of fixed investment (both domestic and foreign), through addressing infrastructure and skills gaps; and by partnering with the private sector through a range of incentives and financial packages.

Third, to expand markets for our products and facilitate entry to those markets.

The single biggest initiative is the African Continental Free Trade Area (AfCFTA) which will connect 1.2 billion people into a single bloc where local products will be traded between countries, with minimal tariffs. These agreements lay the basis for increased intra-African trade and can cement the continent's position as the next growth frontier.

The implementation phase was launched on 7 July 2019, at a Special African Union Summit meeting in Niger, with the intention to come into effect on 1 July 2020.

The Agreement will fundamentally change and reshape the South African economy. Already, exports to other African countries support about 250 000 South African jobs and it is the fastest-growing market for our manufactured exports.

Fourth, to promote economic inclusion.

This means opening up and changing our market structure, to bring more young people, women and Black Industrialists into the economy.

To enhance the growth of black industrialists, we will combine the efforts of the Department and its agencies into a seamless and coordinated programme. Over the next 5 years, we will support an additional 400 Black Industrialists' projects with financial support of R40 billion, through identifying sustainable businesses and promoting both industrialists, new enterprise formation and worker involvement in the enterprises, using a combination of private and public sector resources.

Fifth, to promote more equitable spatial and industrial development.

A pillar of our industrial policy is to develop new investment clusters through special economic zones, revitalisation of industrial sites and support for business and digital hubs.

Sixth, to improve the capability of the state.

This means being more responsive to the needs of South Africa's entrepreneurs, moving faster in making decisions and carrying out functions, coordinating better between departments and agencies and creating a business-encouraging environment in which more investment and more job creation can take place.

Part of a smart state is partnering with domestic businesses to invest more in innovation and R&D, as new techniques, new products and new distribution platforms can move South Africa up the value-chain and enhance job creation.

All public entities will have to work with a greater sense of urgency to support government in achieving its ambitions for the new administration. This is what has been called the spirit of *khawuleza*, and it must define our approach both within Government and public entities to addressing the structures in the economy which impede growth, economic inclusion and job creation.

I would like to thank the Chairperson, Dheven Dharmalingam, and Chief Executive Officer, Kutoane Kutoane, and his team for their work in the past year.

Ebrahim Patel
Minister of Trade and Industry

Letseng diamond mining complex, Lesotho

BUSINESS PERSPECTIVE

ABOUT THIS REPORT

The third ECIC integrated report concerns the operations of the Corporation for the period 1 April 2018 to 31 March 2019 and sets out how the strategy, governance, performance and prospects of South Africa's Export Credit Insurance Corporation (ECIC) create value over time. The scope and boundary of the report has not changed materially from that of the previous financial year.

The preparation of the contents was guided by reporting on the Corporation's purpose and core business, its usefulness to stakeholders and the imperatives of aligning the contents with best practices in credible, integrated reporting.

The Corporation's organisational activities are described in terms of two fundamental <IR> Framework concepts, namely organisational value creation over time and organisational resources and relationships and report activities against the four applicable <IR> Framework capitals, namely financial, intellectual, human and social.

The following Acts and guidelines are important to the nature of the Corporation's business, the sector in which the Corporation operates and the emerging best practices associated with integrated reporting:

- Financial Advisory and Intermediary Services Act, 37 of 2002
- Insurance Act, 18 of 2017
- Export Credit and Foreign Investment Insurance Act, 78 of 1957 (as amended)
- Public Finance Management Act, 1 of 1999
- Companies Act, 71 of 2008
- King IV Report on Corporate Governance for South Africa (2016)
- Broad-Based Black Economic Empowerment (B-BBEE) Act, 53 of 2003 (as amended by 46 of 2013)
- National Development Plan 2030.

Responsibility and assurance

The Board, as the Accounting Authority, acknowledges its responsibility for the accuracy of this report and applied its collective expertise to this end. In the opinion of the Board, the report addresses all strategic and material issues and presents an integrated and accurate view of the Corporation's performance during the year under review.

This assurance is based on effective internal processes and precludes the necessity to conduct third party assurance over any information in the report.

The Board believes that the report provides the Corporation's shareholder, the South African government, and key stakeholders with an accurate summary of the Corporation's financial and sustainability performance and a balanced appraisal of the material issues that affected its business value during the 2018/19 financial period.

The Board approved the report on **30 July 2019** and submitted it to the shareholder representative, the Department of Trade and Industry (**the dti**) and related entities, including National Treasury, the Auditor-General of South Africa and Parliament.

Letseng diamond mining complex, Lesotho

OUR BUSINESS

General information

Registered name	Export Credit Insurance Corporation of South Africa SOC Ltd
Registration number	ECIC is a registered Financial Services Provider: FSP No. 30656
Founded	2 July 2001
Enabling act	Export Credit and Foreign Investments Insurance Act, 78 of 1957 (as amended)
Shareholder	South African government, represented by **the dti**
Registered address	Block C7 & C8 Eco Origins Office Park, 349 Witch Hazel Avenue, Highveld Ext 79, Centurion 0157, South Africa
Postal address	PO Box 7075, Centurion 0046, South Africa
Telephone	+27 (0)12 471 3800
Email	info@ecic.co.za
Website	www.ecic.co.za
External auditor	SNG Grant Thornton, 20 Morris Street East, Woodmead, Sandton 2191, Johannesburg, South Africa
Banking details	First National Bank, Fehrsen Street, Steven House, Brooklyn 0181, Pretoria, South Africa
Company Secretary	Charles Kgoale
Contact person for this report	Warren Koen, Manager: Office of the Chief Executive Officer +27 (0)12 471 3800 wkoen@ecic.co.za
Reporting period	1 April 2018 to 31 March 2019
Reporting cycle	Annually
Date of last report	2018

Liqhobong diamond mine, Lesotho

WHO WE ARE

OUR PROFILE

ECIC provides risk mitigation solutions for South African exporters who offer goods and services into the international market. The Corporation's particular focus is on emerging markets in Africa and outside the continent that are considered too risky for conventional insurers.

The Corporation's goal – as mandated by the South African government as the sole shareholder and aligned with South Africa's national imperatives – is to make South African exporters attractive to international buyers to stimulate economic growth through foreign income and contribute to job creation and global competitiveness.

The Corporation's export credit and investment insurance solutions are founded in best practice risk management principles and intercede as a catalyst for private investments where commercial lenders are unwilling or unable to accept long-term risks.

The Corporation's insurance products facilitate international trade and protect all parties involved in cross-border projects, from financing institutions to foreign buyers and exporters. Single projects are often linked to multiple ECIC policies that cover both commercial and political risk. Respectively, such risks relate to buyers who, for whatever reason, do not honour contractually-agreed payments and projects that fail due to the actions of host governments.

The Corporation's footprint in Africa and substantial appetite for insuring against political risk despite political volatility and underwriting large, long-term projects with flexible terms and conditions that suit project-specific needs and cash-flow profiles, give us a competitive advantage.

Boosting intra-Africa trade and building an integrated African market by leveraging on a market of over 1 billion people with a GDP of over US$3.3 trillion, is a key priority for South Africa. Given escalating trade protectionism in key export markets around the world, regional integration arrangements offer South Africa an opportunity to expand into new markets.

- Dr Rob Davies, Former Minister of Trade and Industry, Budget Vote Address in the National Assembly on 15 May 2018

WHAT WE DO

OUR BUSINESS MODEL

The Corporation's business model is framed within the context of its legislated, strategic and operating environment and the relationship between the inputs, outputs and outcomes of its business activities.

Our legislative and strategic operating environment

As a self-sustaining, limited liability and registered financial services provider (FSP 30656) and Schedule 3B entity under the Public Finance Management Act (PFMA), 1 of 1999 (as amended), the Corporation operates within and complies with the requirements of South Africa's legislative framework for corporate entities.

The Corporation regulated by the Financial Sector Conduct Authority and Prudential Authority, respectively, and subject to legislation that applies to state-owned entities (SOEs).

The business operations are governed by the Export Credit and Foreign Investments Insurance Act, 78 of 1957 (ECIC founding act), the PFMA as augmented by Treasury Regulations (to ensure transparency, accountability and the sound management of revenue, expenditure, assets and liabilities in SOEs) and the Companies Act, 71 of 2008, that came into effect in 2011.

The Corporation maintains all the governance structures and arrangements required by this act. The Corporation remains up-to-date on emerging legislation, standards and regulations that may affect its operations materially. During the past financial year, the Corporation did not receive requests for information in terms of the Promotion of Access to Information Act, 2 of 2000.

The non-binding guidelines

The Corporation is an active participant in the Berne Union (International Union of Credit and Investment Insurers), an international non-profit association and community for global export credit and investment insurers, and the Prague Club Committee within the Berne Union, an information-exchange network for new and maturing export credit and investment insurers.

The Berne Union is guided by principles of ethical conduct that favour sustainability, sound business practice, environmental responsibility, transparency and cooperation.

The political and economic environments of target economies

The Corporation's internal research department uses an internal country rating method to assess in-country risk. The Corporation tracks country ratings through international credit agencies and liaises closely with the Department of International Relations and Cooperation (DIRCO) about political environments in countries where ECIC carries, or plans to carry, risk.

OUR INPUTS

Capitals

Human	Financial	Intellectual	Social & relationship

Value creation

Workforce	Finance	Reputation & brand	Partnerships
The workforce consists of 84 full-time employees (2018: 85).	The initial R1.5 billion seed capital increased to R5 billion in 2019 (2018: R4 billion). The sum insured value increased to R30 billion (2018: R26.7 billion).	Expertise in underwriting political risk in Africa creates client solutions that are unique and complementary to the private sector.	Partners include local and foreign governments, financial institutions, export councils and their members and multilateral institutions.

Strategic themes

Strategic partnerships	Grow the business	Operational excellence
Build and leverage a strategic public and private, local and international partnership network to advance business reach.	Increase market presence, customer-focused solutions and customer base and expedite the approval process and competitive pricing to facilitate high-value exports and cross-border investments to fulfil mandate. Assist the government and country to pursue investment-led export promotion that contributes towards NDP export targets.	Use effective and efficient modern integrated systems and processes to improve turnaround times and support new products. Invest in human capital, build knowledge and skills and embed a culture of professionalism, innovation and team work to enhance capacity and excellence.

Strategic objectives

Improve knowledge and skills
Develop a competent and competitive workforce to deliver the business strategy and achieve objectives.
Improve strategic partnerships and stakeholder relations
Collaborate with and leverage strategic local and international, public and private sector partner networks to increase business reach.
Improve business processes
Improve business processes to promote efficiencies in the delivery of services and products cost effectively.
Improve communication
Create awareness and understanding of mandate, role, products, services, impact.

Improve business development and customer management
Proactively attract business from new and existing customers to increase exports and cross-border investments.
Increase capital base
Increase capital base to support sustainable business growth to fulfil mandate of facilitating export trade and cross-border investments.
Increase stakeholder/customer satisfaction
Achieve desired levels of stakeholder and customer satisfaction.

OUR OUTPUTS

Brands, products, services

FINANCIAL INSTITUTION PRODUCTS

Buyer's credit cover	Performance bond insurance cover	Lines of credit cover
Protects financial institutions from losses due to non-payment by foreign buyers because of events of political and commercial risk.	Provides comprehensive political and risk cover for performance bonds issued to export goods/services by South African exporters up to 90% of performance bond value.	Provides comprehensive political and commercial risk cover to enable South African financial institutions to co-finance or on-lend transactions below US$20 million with foreign banks.


New Liberty Gold Mine, Liberia

EXPORTER PRODUCTS

Exporter's insurance cover	Supplier credit insurance cover	Small and medium transactions cover	Insurance cover for Working Capital and Advance Payment Guarantee
Covers losses suffered by South African exporters due to: • Buyers who cancel contracts before exporters deliver goods or services. • Political events in buyers' countries that prevent the delivery of work or products for six months.	Covers losses suffered by South African exporters who offer credit terms to foreign buyers and are not repaid due to political or commercial risk events.	Provides comprehensive political and commercial risk cover for South African exporters and financial institutions engaging in transactions below US$20 million. Prospective applicants must meet pre-approved underwriting criteria.	Provides cover for working capital loans extended to South African exporters, as well as insurance for advance payment guarantees issued to foreign capital goods buyers of up to 90% of guarantee amount against non-performance by South African exporters, including insolvency.

Lease of equipment cover	Return of plant cover
Provides financial institutions/leasing companies and exporters with political and commercial risk cover for equipment on operational or financial lease outside South Africa.	Cover designed for contractors for post-project return of plant and machinery to South Africa to a book value of up to 90% for damages or inability to ship from host country due to defined political risk events.

INVESTOR PRODUCTS

Investment insurance cover
Provides political risk insurance to South African companies who invest in equity or shareholder loans in foreign entities.

New Liberty Gold Mine, Liberia

OUTCOMES

Developmental outcomes

The Corporation's products and services support the local procurement and industrial growth imperatives of the National Development Plan (NDP) to stimulate jobs and economic well-being. This includes projects to develop regional or continental industries or infrastructure.

Market outcomes

The Board constantly assesses product diversification, deal origination and access to new markets to ensure sustained business growth and mitigate the effect of strong emerging markets on the Corporation's financial viability and ability to support local export-related economic growth.

Social and natural environment outcomes

The Corporation adheres to responsible lending principles and the Equator Principles that govern conserving the natural environment and not exploiting local populations. The Board and Finance, Investment and Insurance Committee review the Corporation's environmental and societal impact.

ECIC requires Environmental and Social Impact Assessment (ESIA) reports on projects with inherent and significant environmental challenges to determine the potential extent of project impact. ESIA reports are reviewed as part of the Corporation's due diligence, which is a condition in its financing agreements and insurance policy.

Industry-related outcomes

The Corporation is a responsible corporate citizen that provides the requisite skills and financial resources in the industries where the Corporation operates to help develop South Africa (see Corporate Social Investment (CSI) and Enterprise and Supplier Development (ESD) sections on pages 74-75).

Organisational value chain

The Corporation's value-chain is similar to that of a services organisation with a delay between project process and impact. ECIC uses the <IR> Framework capitals to create value or mitigate impact (see Value Creation on pages 18 to 19).

Our supply-chain

The Corporation's centralised supply-chain is led by the Chief Financial Officer. ECIC prioritises Black-owned and Black women-owned SMMEs and emphasise enterprise, supplier and socio-economic development aligned with **the dti** codes.

Estimated payments to suppliers for the 2018/19 financial period amounted to R75 million (2018: R83 million), with a B-BBEE procurement spend of 91% (2018: 94%). The B-BBEE verification assessment for 2018 confirmed compliance with the B-BBEE Act, 53 of 2003 (as amended) as a Level 4, 100% B-BBEE recognised contributor. The 2019 verification is still in progress. The verification certificate will be available online at

https://www.ecic.co.za/About-Us/Management-Governance.

The Corporation's supply-chain consists of an estimated 236 suppliers, mainly fund managers, asset consultants, management consultants, auditors and travel agencies located in South Africa, Africa and cities globally, such as New York and London. Services include human resources, training, marketing, advertising and ICT, while suppliers provide accessories and computers, stationery, cleaning materials, catering, venue hire, office furniture and transportation/ deliveries, office maintenance and security, accounting and tax, enterprise development and donations, general merchandise and printing.

Human capital

The Corporation focuses on entrenching a performance-driven organisational culture with an emphasis on flexibility, excellence and innovative thinking in a quality-rich working environment. The key drivers of the human capital strategy are talent acquisition, equity, retention of scarce and diverse talent, transformation and capacity building and work-engaged employees.

The Corporation recognises and rewards employees appropriately to optimise work satisfaction and provide them with a committed, responsive and supportive leadership and stable and progressive work environment.

Letseng diamond mining complex, Lesotho

OUR VALUE CREATION –THE CAPITALS

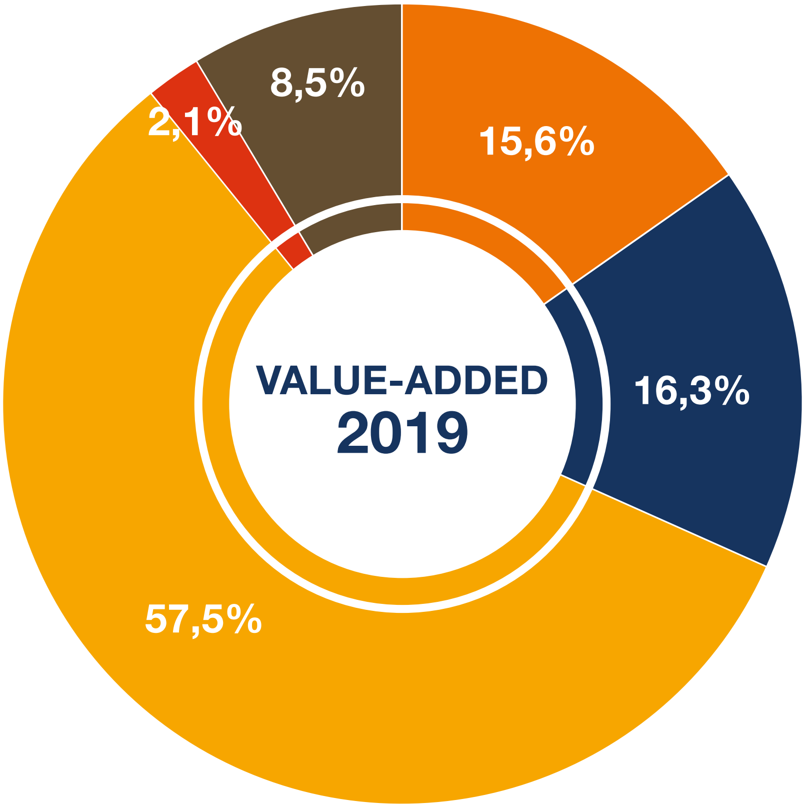
Capitals	Inputs	Business activities	Outputs	Outcomes	Risks	Stakeholders affected	Strategic objective	Key performance indicator
Financial capital	• Retained earnings • Profit for the year	• Capital management • Collect premiums • Pay claims and suppliers • Effective financial management • Preferential procurement • Business development	• Cash flow generated from operations • Pay taxes • Return on investment • Return on equity • Compliant with Insurance Act prudential requirements (Including solvency requirements)	• Self-funded • Financially stable • Contributes to growth, development and transformation of SA exporters • Reduced National Treasury contingent liability • Increased shareholder value	• Uncertain macro-economic outlook • Regulatory/ Legislative changes • Recession in the US • Sovereign credit downgrades • Competition	• Customers • Suppliers • South African Revenue Services • Employees • Board • Regulatory bodies • Shareholder	• Improve capital base	• Increase in equity • Value of projects approved
Human capital	• Competent and competitive workforce • Attractive employee value proposition • Equal opportunity employment • Fair employment practices • Effective recruitment, retention and recognition • Clear performance targets • Safe working environment	• Training and development • Performance management follows a cascading process starting with the Corporate Strategic Plan • Rewards and recognition • Recruitment process • Manage employment equity • Graduate programme • Employee wellness programme • Bursary programme	• Most vacancies filled within specified timelines • Improved knowledge and skills • Lower attrition rate • Engaged workforce	• Strategic business objectives met • Quality-rich and performance-driven organisation-al culture • Talent acquisition • Employment equity • Retention of diverse talent • Transformation and capacity building • Work-engaged employees • Positive impact on skills shortage and job creation	• Insufficient capacity • Insufficiently skilled capacity	• Employees • Board • Industry bodies	• Improve knowledge and skills	• Implementation of training plan

Capitals	Inputs	Business activities	Outputs	Outcomes	Risks	Stakeholders affected	Strategic objective	Key performance indicator
Intellectual capital	• Tacit product knowledge and experience • Political and Economic analysis and research • Product development • Product and service offering	• Employees and knowledge retention • Research new products and additional distribution channels • Fraud prevention and whistle-blowing • Risk management	• Adherence to King IV principle • Satisfactory legal compliance • Improved knowledge of ECIC products and African markets	• Improved customer satisfaction and increased revenue • Financial stability • Loyal employees	• ICT risk • Regulatory/ Legislative changes	• Customers • Employees • Board • Industry bodies • Media	• Improve business processes • Improve business development and customer management	• Implementation of business system plan • Implementation of process improvement plan • Number of research projects to identify new opportunities
Social and relation-ship capital	• Ongoing stakeholder management • Partnering and supporting industry and regulatory bodies • Corporate Social Investment • Communication and marketing • Brand and reputation	• Participation in knowledge sharing initiatives • Brand awareness survey • Initiatives to improve brand visibility • Customer satisfaction survey • Business development • Marketing and communication • Stakeholder engagement • CSI initiatives • Enterprise and supplier development	• Increased brand awareness • Contribution to education and training • Contribution to transformation • Improved knowledge of ECIC products and African markets	• Protection from reputational damage • Brand and social relevance elevated • Improved customer satisfaction and increased revenue • Positive impact on skills shortage and job creation • Relationship with key stakeholders improved • Long-term sustainability • Evolving business model to meet stakeholder needs	• Competition • Damage to reputation/ brand	• Customers • Industry bodies • Regulatory bodies • Media • Shareholder	• Increase strategic partnerships and stakeholder relations • Improve communication • Improve business development and customer management • Increase stakeholder/ customer satisfaction	• Number of knowledge-sharing initiatives • Conduct brand survey • Implementation of marketing and communication campaigns • Number of research projects to identify new opportunities • Conduct customer satisfaction survey

VALUE-ADDED STATEMENT

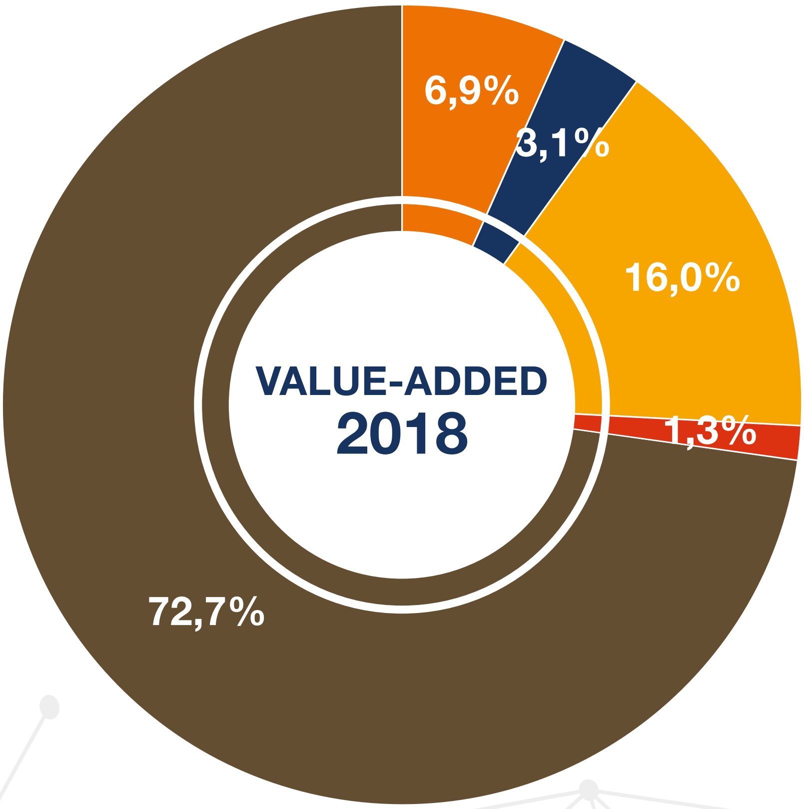
A measure of the value created by the Corporation during the financial year by using its capital, employees and other resources. This statement shows the total value created and its distribution.

Value Added Statement	Note	2019	%	2018	%
Wealth created		**R'000**		**R'000**	
Net income		502 491		1 334 703	
Claims incurred	14	189 433		5 828	
Paid to suppliers		(67 851)		(73 217)	
		624 073		**1 267 314**	
Distribution of wealth					
Employee costs	23	97 363	15,6%	87 672	6,9%
Interest Make-Up Scheme	17	101 527	16,3%	38 904	3,1%
Government					
Taxes	24	358 658	57,5%	202 781	16,0%
Corporate Social Investment		13 355	2,1%	16 137	1,3%
Retained for growth		53 170	8,5%	921 820	72,7%
Depreciation and amortisation	23	2 792	0,4%	2 659	0,2%
Deferred tax	9	34 393	5,5%	(42 992)	-3,4%
Profit for the year		15 985	2,6%	962 153	75,9%
		624 073	100,0%	**1 267 314**	100,0%



Employee costs *Interest Make-Up Scheme* *Government Taxes* *Corporate Social Investment*

Retained for growth



RISK MANAGEMENT

Risk framework

The Corporation underwrites transactions that expose it to risks across different geographies and jurisdictions with their own regulatory requirements. The need for prudent and proactive risk management and ability to forecast and predict potential risk events are, therefore, critical. The Corporation manages risk continuously to ensure that underlying projects remain viable and confine exposure to within approved obligor, country and/ or industry limits to manage concentration risk.

Considerations such as capital preservation, the prevailing rate of inflation and return on investment without taking undue risk enable the Corporation to manage investment risk effectively. The Corporation's risk management framework is premised on policies that mitigate major risks, underpinned by a consistent approach to identify, manage and report risk, as well as calibrate risk tolerance levels within which to conduct business.

During the reporting period, the Corporation enhanced its enterprise risk management system to identify and include strategically important risks in the corporate risk register for Board attention. All employees, including management and the executive, are responsible for risks that affect their areas of responsibility.

ECIC Board risk oversight

The Risk Committee is responsible for reviewing the effectiveness of the risk management system and reports finding and status to the Board.

The Board applies the 'three lines of defence' principle to ensure effective risk management at point of origination throughout the organisation:

- Business is the vanguard in the 'three-lines of defence' strategy and the Corporation continuously identifies and responds to materially adverse events and/or opportunities
- The risk management function is independent of the business and establishes and maintains the risk management framework, standards and policies and provides the executive, Board committees and Board with risk oversight and independent risk reports
- The internal audit function provides an independent assessment of the adequacy and effectiveness of the Corporation's overall system of control, risk and governance and reports independently to the Audit Committee.

Risk management

The Corporation has adopted a no-surprises risk management approach to ensure the entire export credit and insurance value chain remains sustainable. Organisational risks have been grouped under the four pillars of country, underwriting, investment and operations risk to manage this critical element of the business more effectively.

Country risk

Typically, the Corporation insures South African exports against socioeconomic, political and legal risks in destination countries. The Corporation's in-house research unit draws data from, among other sources, the Organisation for Economic Cooperation and Development (OECD) and International Monetary Fund (IMF), to assess and price country risk.

The assessment and analysis take into account factors such as sovereign debt repayment capability and/or willingness and a country's affinity to acquire/confiscate private titles to assets without adequate compensation. Country risk analyses are enriched by discussions at the Berne Union forums, where peers exchange individual in-country experiences.

Underwriting risk

Underwriting risk assessment and management is done over a project's life-cycle, from inception to policy termination, as a result of full debt repayment or policy settlement. The Corporation uses and analyses various tools to assess the entire project value-chain to manage underwriting risk circumspectly. These include insurance reserving and assessment techniques that include but are not limited to credit, technical and market risk assessments, as well as potential threats from substitutes or technological advancement risks.

The Corporation uses specialised technical advisors and competent persons for underwriting risk assessment for projects in specialised sectors, as well as forecasting and analytical techniques to determine future project viability.

The Corporation currently uses the solvency capital required (SCR) buffer of the Prudential Authority to determine its underwriting capacity.

Investment risk

The Corporation invests in premium income to generate additional revenue to grow its balance sheet. The investment strategy is underpinned by the Corporation's liability risk profile that informs the selection of strategic asset allocation (SAA).

While, typically, investment performance is measured over the longer term, the Corporation monitors manager performance and risk-taking continuously to intervene early.

Operational risk

The Corporation's ability to manage operational risks effectively has evolved and matured significantly due to several risk and control self-assessments (RCSAs) over the past years. Operational risk is categorised under people, systems, processes and the effects of the external environment. The Corporation applies the framework of the Committee of Sponsoring Organisations (COSO) and, where applicable and complementary, incorporates ISO 31000 best practices to assess risks and opportunities to manage operational risk.

Global economic overview

The Corporation continually scans the global environment to assess the potential impact of economic fundamentals, monetary and financial markets and socio-political, legal and regulatory trends and events on export destination countries. The Corporation also takes cognisance of the effects of internal and exogenous shocks on local value-chains and the Corporation's ability to support the export of capital goods and investments.

Despite the effects of trade disputes, global growth came in at over 3% in 2018. The developed economies led by the US Fed have started the year with a somewhat dovish stance as depicted in the Fed's January and March minutes. The European Central Bank's (ECB) planned quantitative easing (QE) reversal start date, initially scheduled for December 2019 has been put on hold, on the back of softer economic data in the eurozone. The QE saw the ECB pump US$ 3 trillion into the common market over the last 4 years to buoy growth. China has announced expansion strategies in a bid to spur growth after GDP numbers softened in the third quarter of 2018. The emerging accommodative policies in the developed economies, have seen emerging market economies fairing marginally better than in 2018. Whilst the cost of US dollar borrowing is still high, emerging market currencies have strengthened albeit marginally on tempered language from both the Fed and the ECB, as well as China slowdown and Brexit uncertainties. Growth in the developed economies have been divergent, with the US maintaining strong growth on the back of a tight labor market and core inflation that approached the target 2% before retreating in December, as well as benefiting from loose fiscal policy. Growth in the Eurozone, Britain and Japan have bucked the trend and have been revised downwards on the back of economic data in the Eurozone, Brexit uncertainty and protectionist policies. The IMF projects 2019 global growth of 3.3% whilst African economies are projected to grow at 3.5%, albeit unevenly.

In March 2019, the Federal Open Market Committee (FOMC) held the target range for the federal funds rate steady at 2.25-2.50%, following its December 2018 increase to the current levels. The Personal Consumption Expenditure (PCE) approached 2% only to decline in December 2018. Core Inflation, which excluded inflation in food and energy, came to 1.8% over the same period before retreating in December. US GDP growth for 2018 closed at 3%. The labour market added 320 000 jobs in December 2018 and unemployment remained at 3.7%. The US economy is expected to continue the strong run in 2019, although lower than 2018 due to tariff disputes with other trading partners.

How the Board manages risk

Core principle	Risk appetite statement	Risk tolerance
Become self-sustaining on a stand-alone basis	The Corporation will grow its business by maintaining a SCR cover ratio of between 130% and 200%	The SCR cover ratio will remain between 115% and 300%
Protect brand and reputation	The Corporation will manage or avoid situations/ actions that could harm its reputation and/or brand	No breach of the ECIC Code of Ethics
Limit portfolio concentration	Manage portfolio concentration to avoid undue concentration Country limit: Obligor exposure: Industry exposure:	 ≤40% of insurance portfolio ≤35% of commercial exposure ≤50% of commercial exposure
Preserve capital and reduce investment portfolio volatility	Manage the investment portfolio to reduce volatility to remain within allocated capital, considering real return on a three-year rolling basis	20 – 40% of risk budget

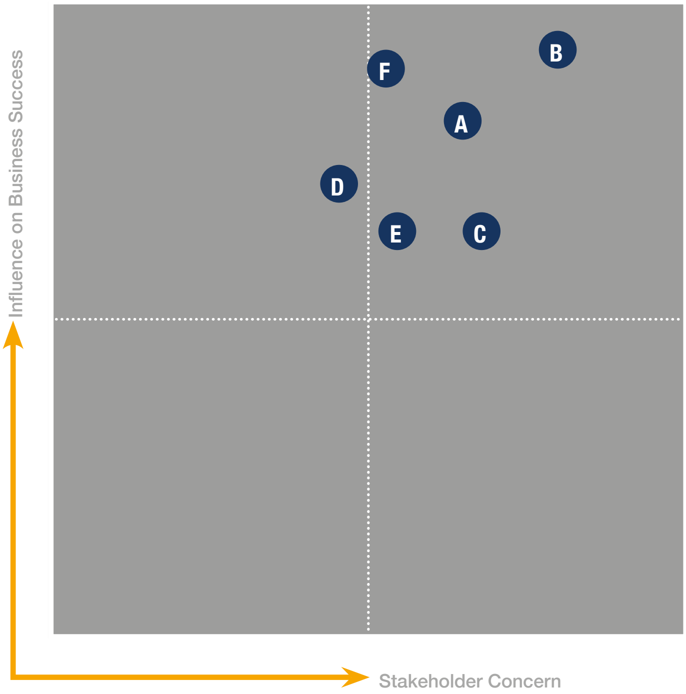
Despite the regulatory solvency cover being a one-time requirement, the Corporation aims at a conservative limit of 1.15-times and upper limit of 3-times. This precludes taking on undue risk and allows optimal returns on investment capital.


New Liberty Gold Mine, Liberia

MATERIALITY PROCESS

The Corporation's robust and systematic approach to identifying and managing material issues rests on Board and governance processes guided primarily by its risk framework. During the reporting period, the Executive team reviewed the map to identify and map the impact and significance of issues material to ECIC and its key stakeholders. These issues are reflected in the material issues map.

Material issues map



MI **Material issues map**

Key:

A: Review of ECIC mandate
B: Underwriting capacity
C: Sovereign credit rating
D: Strategic partnerships
E: Scarce and evolving skills requirements
F: Income tax

Management regarded these issues as most material to the organisation and its key stakeholder groups during the reporting period.

A key objective of integrated reporting is to report on value creation over time. Value creation depends on resources that are influenced by an organisation's external environment and stakeholder relationships.

These material issues, with the strategic objectives, are integral to the way in which the Corporation manages the implementation of the strategy and in performance assessments (refer to the strategy section of this report for further information).

In the opinion of the Board, the information in this integrated annual report is the most relevant or "material" to the interests of the shareholder and key stakeholders.

The material issues are described here, as well as their impact on the Corporation's key stakeholders to either create or erode value.

Material issues

MI Review of ECIC mandate

The Corporation is reviewing its mandate to mitigate 'mandate creep' and ensure that the Corporation remains strategically relevant in the 4th Industrial Revolution locally, regionally and within government. A broader mandate will extend the Corporation's scope to facilitate local exports and provide greater flexibility in reinsuring its book in the private sector, as well as with other ECAs and private sector insurers in short-term trade finance.

An extended mandate will include short-term insurance instruments and link well with the establishment of a stand-alone EXIM Bank with a focus on short-term trade finance and provides emerging black businesses with access to trade financing opportunities, while ECIC continues to provide export credit insurance facilities.

MI Underwriting capacity

A challenge that needs Government's attention is the underwriting capacity generated through the Corporation's underwriting activities. Currently, the underwriting capacity is determined by the level of solvency capital required (SCR) by the Prudential Authority's financial soundness standards.

Since it is imperative that Government remains aware and manages this growing exposure, the Corporation initiated interaction in this regard with National Treasury through **the dti**. National Treasury has advised that the item will be discussed during the revision of ECIC legislation and during a workshop hosted by **the dti** that will include ECIC, National Treasury and the South African Reserve Bank.

MI Sovereign credit rating

The Corporation insures export credit risk on behalf of the South African government. The difference between the Corporation's net balance sheet and exposure book reflects as a contingent liability in government's budget. Any sovereign downgrade will also downgrade and reclassify ECIC with a higher risk profile. In turn, this will increase cost-to-customer to work with the Corporation with a resultant loss of business and significant impact on its competitiveness.

The next two-to-three years will determine the country's economic growth trajectory and ability to mitigate the risk of further downgrades.

MI Strategic partnerships

The Corporation's equity investment in Afreximbank has provided access to new business opportunities, including deal origination that supports local exports into the rest of Africa. The Corporation is sharing risk to de-risk its book and conducting collaborative research to share knowledge and identify trade and investment opportunities on the continent.

MI Scarce and evolving skills requirements

The Corporation needs a competent and competitive workforce to implement its business strategy and achieve its strategic objectives. The expansion of its mandate and entry into the 4th Industrial Revolution, as well as the creation of an EXIM bank will require new skills and systems. The Corporation will require human capital, ICT capacity and operational equipment that differ from that currently within ECIC. The Corporation will source skills and use any opportunities to second employees to Afreximbank, as well as collaborate, share knowledge and develop skills.

The risk of insufficient capacity is potentially great. The Corporation believes that the benefits of sufficient internal capacity will create significant value to meet client expectations, create knowledge-sharing platforms and new products, facilitate employee growth and develop new skills sets. This will enable the Corporation not only to implement the EXIM Bank Memoranda of Understanding with international agencies but also position the Corporation to outperform competitors and deal decisively with the challenges and opportunities of the digital era that awaits.

MI Income tax

The Corporation is continuing discussions with **the dti** and National Treasury about the income tax exemption of the IMU grant. Currently, this grant is taxable, while the IMU expenses are not deductible.

An additional tax concern is the Corporation's functional currency for reporting purposes versus the functional currency for tax calculation. According to its March 2019 results, the Corporation achieved a R409 million profit before taxation, based on the US Dollar functional currency, yet its tax calculation based on South African Rand functional currency reduces this significantly to a R16 million profit after taxation.

The Corporation intends to finalise these matters in the coming financial year through an Income Tax Ruling on both matters and/or the publication in the Government Gazette of the classification by the Minister of Finance of the IMU grant as a government grant that is exempt from taxable income.

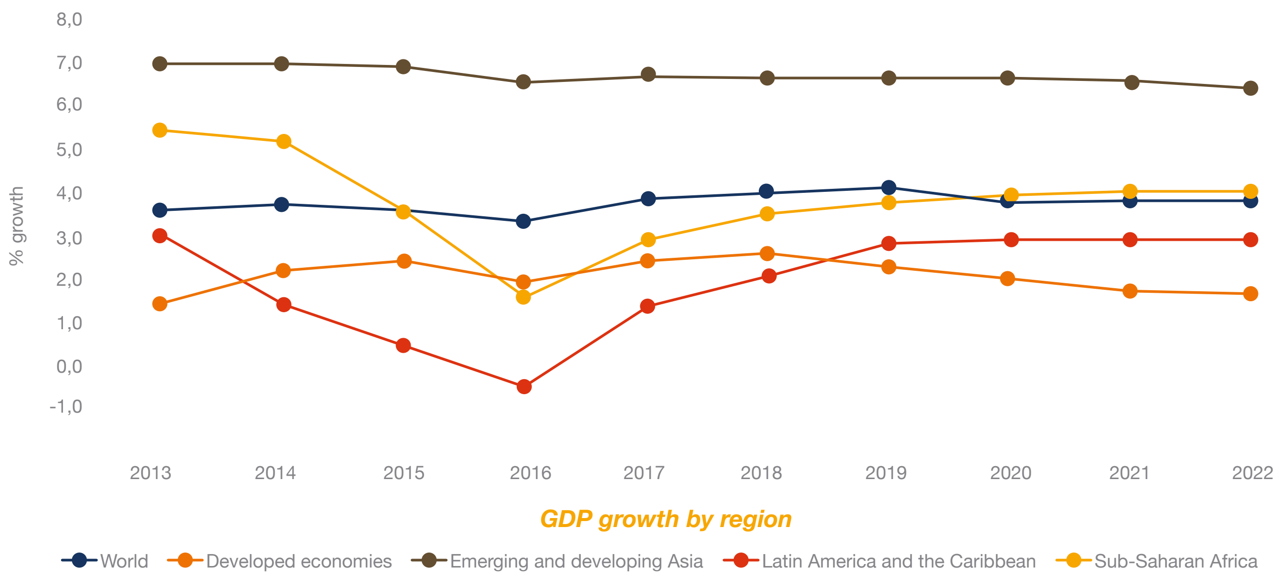
WHERE WE OPERATE

OUR FOOTPRINT

The growth outlook in the African region is on an upward trajectory having achieved an increase of 12.36% during the 2018/19 financial period. This was due mainly to better economic conditions, a recovery in commodity prices and sustained domestic demand. The Corporation is confident that this upward trend bodes well for further increasing its footprint in the region.

Top 10 countries where ECIC has exposure

Countries	Value (ZAR)	Exposure (%)
1. Ghana	8,569,552	28.53
2. Iran	6,568,560	21.87
3. Mozambique	5,316,477	17.70
4. Zimbabwe	2,343,203	7.80
5. Malawi	2,098,060	6.99
6. Zambia	1,792,928	5.97
7. Lesotho	1,133,524	3.77
8. Liberia	869,531	2.89
9. Tanzania	414,549	1.38
10. Uganda	346,949	1.16



GDP growth by region

WHAT WE STRIVE FOR

VISION

To be a world class export credit agency in facilitating South African export trade and investment globally

MISSION

To provide export credit and investment insurance solutions in support of South African capital goods and services by applying best practice risk management principles

VALUES

The ECIC values are:

- **Integrity** – Strive to conduct every aspect of its business with honesty, integrity, and fairness
- **Accountability** – Accept transparency and responsibility for the Corporation decisions and actions
- **Excellence** – Committed to the highest level of performance through continuous improvement of the Corporation skills and business practices
- **Innovation** – Encourage open-mindedness and support innovation and the development of new ideas and processes for the continued improvement of the Corporation
- **Teamwork** – Work together as a team internally and collaborate externally with stakeholders and customers

Industry involvement

The Corporation is a member of the Berne Union, BRICS ECA Forum, Abidjan Union and NEPAD AVID Desk. ECIC representatives are also non-OECD observers at the Corporation's Working Party on Export Credits and participate in the International Working Group discussions on creating an internationally inclusive framework on Export Credits for OECD and non-OECD countries.

External principles and Charters

The Corporation's zero-tolerance towards bribery and corruption is aligned with the terms of the OECD Convention on anti-bribery measures, of which South Africa is a signatory. Similarly, ECIC stands firm on environmental conservation and its environmental policy is aligned with transactions that incorporate the Equator Principles.

The Corporation appreciates that as a team, it can achieve much more than as individuals. The ECIC values are reinforced by a Code of Ethics and Business Conduct, and are reflected in policies and procedures.

LEADERSHIP REVIEW AND STAKEHOLDERS

"Action without vision is only passing time, vision without action is merely day dreaming but vision with action can change the world."
- Nelson Mandela, 2013

Mr Dheven Dharmalingam

MESSAGE FROM **THE CHAIRMAN**

There is no doubt that the Fourth Industrial Revolution (4IR) is creating an environment in which disruptive technologies and trends, including the Internet of Things (IoT), robotics, virtual reality (VR) and artificial intelligence (AI), are changing the way we live and work. The export trade industry will not be excluded from the impact of these technologies.

The Corporation's mandate has always been at the crux of its organisational performance. During the reporting period, however, the current and developing realities of the 4th Industrial Revolution gave the Corporation pause to reflect on whether a mandate, based on legislation written in 1957, can guide its operations effectively into a digital future.

Supported by its shareholder, **the dti**, a task team is currently reviewing the Corporation's mandate to ensure that its scope provides the flexibility to adopt the key principles of a technological revolution that will fundamentally impact on the products and services that the future market will demand.

The Corporation looks forward to the recommendations from the review task team and to aligning its export strategy to embrace the new markets that are already evolving.

Key achievements

During the past year, the Corporation laid claim to a number of commendable achievements in providing exporters and financial institutions locally with the political and commercial risk insurance solutions that support South African export trade in capital goods and services.

Two strategic drivers were addressed: Firstly, The Corporation's strategic investment in Afreximbank resulted in the South Africa-Africa Trade and Investment Promotion Programme (SATIPP), a $1 billion financing programme to promote and expand trade and investment between South Africa and the rest of Africa. And, secondly, ECIC secured shareholder support to review the South African local content requirement for export goods to ensure that it can support more South Africa exporters.

Governance – doing the right business in the right way

The recent high-profile lapses in corporate governance in the private and public sectors again emphasised the importance of a strong culture of integrity and ethical leadership. I fully support management's initiatives to further develop and implement policies and procedures for every aspect of ECIC operations in a socially responsible manner. This continually affirms the importance of scrupulous business conduct, embeds an ethic of zero tolerance for non-compliance and emphasises the value of ethical leadership steered by a moral compass.

As a Corporation with a long-term perspective and an enviable depth of knowledge and expertise in handling large projects mainly on the African continent, its focus is on creating impact that is similarly long-term and leaves a lasting legacy of sustainable societal and economic benefits locally and in the region.

While the nature of its business is one of risk-taking, the Corporation commits to projects only when all risks have been assessed and researched fully in compliance with internal processes. The Corporation's diligence in this regard is critical to its success. I believe that the Corporation's exceptional expertise in political and commercial risk insurance and ability to partner with the best in class around the world, instil high levels of confidence and pride in its employees and I take pride in the fact that this encourages their delivery of service excellence.

A competitive edge

The forecast of growth opportunities in Africa is good for trade and stimulates foreign interest in investing in the continent. This creates business opportunities for ECIC. In taking advantage of these opportunities, its competitive edge lies in the proximity to other African countries and a real understanding of their risk environments.

Africa's need for infrastructure is in its infancy. ECIC must play a leading role in working with the rest of continent and exporters locally to respond to these needs and use South African and African content where possible. The opportunities are there. The Corporation's role is to encourage South Africans to recognise and utilise the business prospects on the continent on the back of insurance backing by ECIC.

A critical component in the long-term nature of its transaction portfolio and one that speaks directly to its differentiation as an ECA is the right team of people. The Corporation will continue to recruit the best and create suitable long-term incentives that drive high performance and staff retention to sustain its success as a Corporation.

Nurturing strategic partnerships

While networking and relationship building initiatives are aligned with the growth agenda of the shareholder, **the dti**, the Corporation also nurtures new and existing strategic relationships with entities such as the World Bank, financial institutions and international finance corporations (IFCs). Going forward, the Corporation will place greater emphasis on further strengthening relationships with local and international commercial banks.

I expect and look forward to entrenching the partnership with Afreximbank and the implementation of SATIPP to promote Africa/South Africa trade. The Board is also committed to assisting government in operationalising a South African EXIM Bank in the next 24 months. This will provide South African exporters with access to an additional financial product, such as trade finance, to ensure they remain competitive where such sources of finance may currently not be available in the market.

While the establishment of an EXIM Bank is congruent with what ECIC does, it is seen it as a separate, bespoke entity with a new management and a clear differentiation between the banker and insurer roles. The Corporation's suggested involvement as shareholder and administrator will make ECIC platforms, IP and project risk-rating knowledge available to the bank to inform banking decisions related to lending risk.

Acknowledgements

The Board sincerely thanks Dr Rob Davies for his invaluable encouragement and strategic guidance during his tenure as Minister of Trade and Industry, contributing significantly to the Corporation's growth and development over the past decade. The Board also thanks the shareholder representative, **the dti**, for the continued encouragement, strategic guidance and support for the Corporation in effecting its business endeavours. My heartfelt appreciation to my fellow Board members, who continually impress me with their business acumen and insightful contributions to charting the way forward for ECIC. I look forward to deliberations in the year ahead as the Board guides the Corporation to fully execute its mandate.

The commitment and dedication I experience among ECIC employees remains commendable and their collective push towards assisting South African exporters to achieve even greater success is encouraging. The Corporation's management has started a process of finding new business premises and it is hoped that the location will give greater visibility to its brand and create a vibrant work environment.

Future outlook

The Corporation's vision is to attain the status of a world-class export credit agency that positions South Africa and Southern Africa at the cutting-edge of the worlds dynamic trade landscape.

The nature of its business requires the support of Government, while the Board and management strives to run the business as a financially independent entity with the required solvency capital to support the sum insured. The Corporation balances its roles as a stand-alone entity and agent for government in delivering export growth initiatives. The Corporation is clear in its mandate of participating only where markets demand such intervention.

The current opportunity for South African exporters on the LNG projects in Mozambique is typical of the long-term nature and size of projects that ECIC is mandated to support. The Corporation is confident that the investment that has been made over the past few years bodes well for the Corporation to participate in such projects and contribute meaningfully to the strategic economic success of South Africa and its neighbours.

Mr Dheven Dharmalingam
Chairman
30 July 2019

Liqhobong diamond mine, Lesotho

CHIEF EXECUTIVE'S **OVERVIEW**

Mr Kutoane Kutoane

The forthcoming digital era will be more significant and its ramifications more profound than in any period before in human history. This is a revolution that is different in scale, scope and complexity and with major impacts expected on governments, industries, economies, civil society and individuals. – Prof Klaus Schwab, economist and founder and Executive Chairman of the World Economic Forum

On reflecting on the Corporation's performance and, progressively, a need to operate beyond its current legislated scope during the past financial year, as well as on its vision of positioning ECIC in a dynamically changing Industry 4.0 landscape, it became abundantly clear that the Corporation's future trajectory can no longer be guided by the current mandate.

Repositioning for a new landscape

Supported by its shareholder, **the dti**, a review of the ECIC mandate is currently underway to reposition the Corporation for a broader role in facilitating local export within the technological realties of a digital landscape. I look forward to a revised mandate that will, *inter alia*, extend the Corporation's reinsurance flexibility within the private sector and with other ECAs, and enable the Corporation to provide short-term trade finance reinsurance capacity to South African private sector insurers.

Steering strategic issues

The Corporation's repositioning will also support the establishment of a South African EXIM Bank. This bank is envisaged as a separate, finance-focused entity that provides short-term trade finance specifically to emerging black exporters, while ECIC continues to provide export credit insurance facilities. In this way, promoting and facilitating exports into Africa becomes a multipronged, government-supported strategy that clarifies the Corporation's operating policy and enhances its credibility in the market.

The Corporation's trajectory includes a greater emphasis on participating in free trade agreements across the continent to provide emerging black entrepreneurs with opportunities to enter the export market.

This issue was raised in Parliament by the Portfolio Committee on Trade and Industry in their support for a more prominent role for ECIC in assisting emerging black exporters to access trade finance and opportunities offered by the African Continental Free Trade Area (AfCFTA) to enter the export market.

The Corporation adopted a distribution business model as a key strategic outcome to enhance its capacity to underwrite more business and manage residual balance sheet risks more effectively. In addition, the Corporation has set a net exposure limit per single risk event, to be reviewed annually, that will enhance its risk management framework. The Corporation will use private market reinsurance and leverage the risk-sharing arrangement with Afreximbank to manage exposure that exceeds this limit.

Since its inception, the Corporation has functioned on the implicit understanding that government supports all ECIC-insured risk. Redefining this dependence is strategic, since it is being challenged currently by a view that government should provide an explicit guarantee for predetermined underwriting capacity for claims in excess of the Corporation's own capital. Discussions are underway with **the dti** and National Treasury to clarify this issue and determine the way forward.

Strategic projects and partnerships

One of the best ways to enhance export capabilities as a country is through mutually beneficial trade with the rest of the continent. The Corporation's shareholding in Afreximbank has given South Africa wider access to other African markets, which will, potentially, increase exports. The Corporation is committed to continuing its inclusive contributions to Africa's industrialisation.

The African Export-Import Bank (Afreximbank) and ECIC jointly launched the $1 billion South Africa-Africa Trade and Investment Promotion Programme (SATIPP) in July 2018 to promote and expand trade and investment between South Africa and the rest of Africa through short- and long-term loans.

The SATIPP Memorandum of Understanding (MoU), signed in Cairo in April 2018, guides the Corporation's work with Afreximbank to identify, prepare and appraise trade transactions and projects, as well as explore co-financing, risk-sharing and knowledge-sharing opportunities with a focus on intra-Africa trade. This entails technical cooperation, staff exchanges, research and joint events. Realising the intended SATIPP benefits will require dedicated efforts from ECIC and Afreximbank in the year ahead.

The Corporation's participation in a funding consortium of three ECAs, the AfDB and a lending consortium of six international and four South African banks successfully raised $2.73-billion of the $5.15-billion needed for the revamp and extension of the Nacala Logistics Corridor in Mozambique. As a result, the country's Moatize coal mine is using the corridor's 912 km railway line to the Port of Nacala to increase its export volumes. A new deep-sea coal export terminal, capable of loading large freighters in record time, has also been built at the Port, existing railway lines in Mozambique rehabilitated and a new heavy haul railway line constructed across the southern part of Malawi to transport 60 wagons of coal to the port for export to Europe and Asia.

The Corporation hosted the 4th annual BRICS Heads of ECA Meeting held alongside the 10th BRICS Summit in Johannesburg in July last year. The meeting reaffirmed the pillars of a shared vision of the future, namely partnering and cooperating to create a favourable trade environment for all concerned. The BRICS ECAs are committed to strengthening this collaboration to achieve visible win-win results.

Managing stakeholder relationships is a key responsibility that is pursued actively through my office. I am excited about the ground covered thus far in securing stakeholder understanding of the Corporation's business model. The Corporation will increasingly make information available and interact with stakeholders directly to keep them abreast of changes in its business landscape and how it is responding to their respective needs and interests.

Financial performance

Premiums, claims and underwriting profit summary 2014/15 to 2018/19 (R'000)

	2018/19	% movement 2017/18	2017/18	2016/17	2015/16	2014/15
Insurance premium revenue	**154,278**	(83)	886,948	144,262	411,894	1,788,350
Net insurance revenue	**580,843**	60	525,036	475,955	621,103	379,999
Underwriting profit	**623,416**	60	388,496	584,199	615,603	366,649
Claims paid	**-206,469**	934	-19,968	0	0	0
Investment income	**320,224**	23	259,570	135,374	254,300	277,102

Asset growth 2014/15-2018/19 (R'000)

	2018/19	% movement 2017/18	2017/18	2016/17	2015/16	2014/15
Financial assets at fair value	**7,461,180**	11	6,715,775	6,685,902	7,072,663	2,582,549
Total assets	**9,585,208**	**12**	**8,539,519**	**8,560,482**	**9,432,312**	**7,964,563**
Total equity	**5,013,602**	**24**	**4,030,045**	**3,569,876**	**5,247,856**	**4,324,239**

Challenges

With the African continent opening up as the next frontier for enlarging export market share, stimulated by AfCFTA and similar initiatives, the Corporation continues to experience competition from other ECAs, specifically those in China and OECD-member countries.

Locally, South Africa's precarious credit rating situation creates uncertainty about the competitiveness of industries when dollar or foreign currency funding is more expensive. This limits the country's competitive differentiator to one of quality, where it is imperative for exporters to maintain high technical and production standards and levels of expertise.

Another continuing challenge is the deteriorating debt position of most of the countries where the Corporation does business. The tailing of commodity price shocks and rebalancing of public debt, which the World Bank and International Monetary Fund (IMF) are insisting on, inhibit countries that have reached their debt ceiling from importing goods from South Africa. Countries are also being warned against borrowing in the European bond market, especially when borrowed funding is used for recurrent expenditure or debt settlements rather than building infrastructure.

Despite the relatively small size of its business and consistent threats of credit rating downgrades, the Corporation's focus remains on retaining its competitive position through the early identification, activation and optimisation of business opportunities.

Operational excellence

The continuing liberalisation of investments and regulatory environments in Africa and the vastly improved quality of communications in the region is opening up access for South African companies and allowing exporters to better understand and respond to specific product and service needs in African countries.

While pockets of risk remain, including the threat of terror attacks such as the 2019 bombing near the Anadarko and Exxon Mobile liquefied natural gas (LNG) projects in Mozambique, most countries are securing themselves against political risk to attract investment and grow their economies.

The Corporation remains relentlessly performance-driven with a robust focus on cost containment. The Corporation has deliberately retrained operating expenditure to extend the revenue base through earning premium income and optimising growth opportunities. I take pride in again reporting a 100% achievement against targets for the 2018/19 financial year. The Corporation has set the bar high and are steadfast in its commitment to maintain its standard of performance.

Acknowledgements

The Corporation thanks its shareholder, **the dti**, and the relevant government departments for their support and creating an enabling environment for ECIC to conduct its business. The Corporation's heartfelt appreciation is also extended to all its stakeholders, suppliers, development partners, especially Afreximbank, and embassies across Africa who contribute to its progress, success and survival. As always, I thank the Board members for their wise counsel and the Corporation's employees for performance above and beyond expectation.

Looking to the future

The outlook for South Africa and ECIC is positive. Locally and in countries across the continent the political landscape is shifting towards greater stability. I am excited about opportunities in Mozambique and in East Africa, such as in Eritrea, Kenya and Ethiopia.

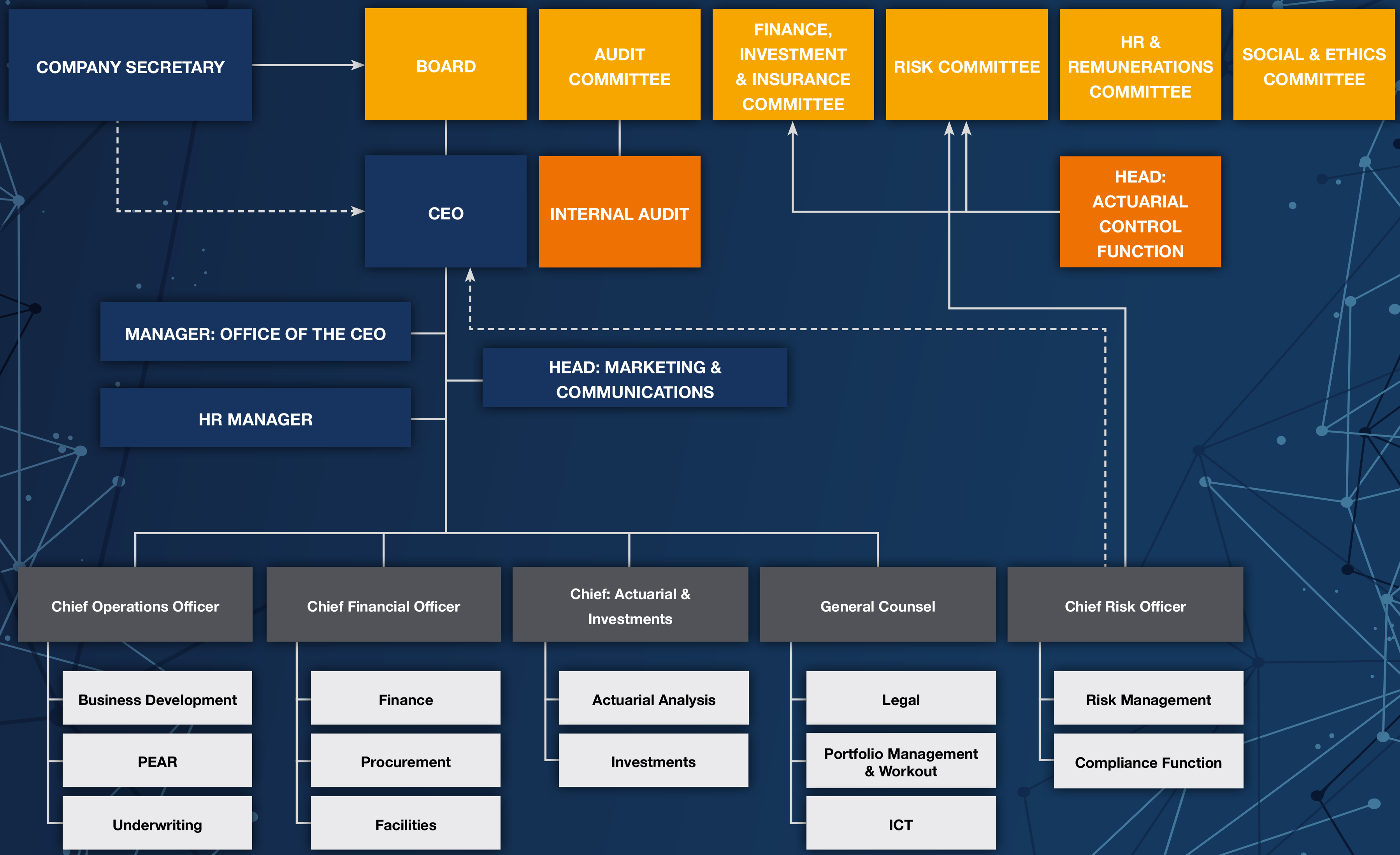
Despite the South African content requirements challenge for supported export credits and insufficient leverage to price competitively, investors and exporters are increasingly keen to do business with the Corporation. Strong support from government, accolades from its Parliamentary oversight body and a steady hand on the tiller by its Board that steers its compliance with sound governance principles, continues to reaffirm ECIC as a credible and respected partner in the eyes of its stakeholders.

I look forward to a year of deepening the Corporation's footprint in Africa through partnerships with banks and DFIs and using its inhouse business development teams to acquire new business.

Mr Kutoane Kutoane
CEO
30 July 2019

CORPORATE STRUCTURE

HIGH LEVEL ORGANISATIONAL STRUCTURE



BOARD OF DIRECTORS

The Corporation's Board is responsible for determining the Corporation's strategic direction and ensuring that strategy implementation and governance are compliant with the law, relevant regulations and governance requirements and guidelines. The directors serve a maximum of two terms of three years each. Six Board committees – whose members include National Treasury and **the dti** (sole shareholder) representatives – assist the Board fulfil its oversight and governance roles.

Dheven Dharmalingam, Chairperson

Qualifications: CA(SA), Member of the Institute of Directors

Areas of expertise: Finance, Taxation and Insurance, Strategy, Change Management and Organisational Redesign

Position on other Boards: NED and Chairman of the Audit Committee for HBZ Bank South Africa Ltd, Executive Director of Companies with personal investments

Kutoane Kutoane, Executive Director

Qualifications: MA (Econ), Advanced Management Programme (Harvard), Programme on Investment Appraisal and Management, Advanced Credit and Trade Finance

Areas of expertise: Project finance, international trade finance, economics and investment management

Positions on other Boards: None

Vuyelwa Matsiliza, Independent Non-Executive Director

Qualifications: MBL

Areas of expertise: Treasury Management, Project Finance, Corporate Finance and Investment Management

Position on other Boards: Board member at Chris Hani Development Agency (CHDA)

Siobhain O'Mahony, Independent Non-Executive Director

Qualifications: BSc (Hons) (Actuarial Science), Fellow of the Actuarial Society of South Africa, Fellow of the Institute and Faculty of Actuaries

Areas of expertise: Actuarial valuations, asset-liability matching, capital adequacy requirements and calculations, analytics, pricing and profitability (banking), loyalty programme design and modelling

Positions on other Boards: None

Lefentse Radikeledi, Non-Independent Non-Executive Director (National Treasury)

Qualifications: MEcon (Economic Development), Executive Development Programme, Secondary Education Diploma, Certificate in Mineral Economics, Certificate in Contract Negotiations

Areas of expertise: Finance and regulation

Positions on other Boards: None

Sisa Mayekiso, Independent Non-Executive Director

Qualifications: BCom (Hons) (Accounting), CA(SA), CFA

Areas of expertise: Accounting, Treasury, Investment & Risk Management

Positions on other Boards: RST Africa Pharmaceuticals (Pty) Ltd - Executive Director Volantis Capital (Pty) Ltd - Executive Director, Mcobothi Trading CC - Executive Director

Lerato Mothae, Independent Non-Executive Director

Qualifications: CA(SA)

Areas of expertise: Auditing, Finance, Financial Management

Positions on other Boards: None

Deshni Subbiah, Independent Non-Executive Director

Qualifications: BSc Actuarial Science (Cum Laude), Fellow of the Actuarial Society of South Africa, Chartered Enterprise Risk Actuary (CERA), Post-Graduate Diploma, General Management (Distinction), Masters in Business Administration (MBA), Certificate in Investments from the Institute of Actuaries (UK)

Areas of expertise: Actuarial and Risk Management

Positions on other Boards: None

Lerato Mataboge, Non-Independent Non-Executive Director (**the dti**)

Qualifications: BA (Law and International Relations), Honours (International Relations), Masters (International Political Economy and International Trade and Global Finance). Certificates in Trade Negotiations, Bilateral Investment Treaty Negotiations and Project Management. Executive training In Infrastructure Project Conceptualisation and Preparation

Areas of expertise: Trade and Investment

Positions on other Boards: None

Charles Jaarman Kgoale, Company Secretary

Qualifications: LLB, Advance Certificate for Municipal Governance, Advance Diploma Project Management, Management Development Programme, Postgraduate Diploma Programme and Project Management

Areas of expertise: Compliance and Corporate Governance and Project Management

Position on other Boards: Non-Executive Director (volunteer) Childhood Cancer Foundation (non-remunerated).

Liqhobong diamond mine, Lesotho

EXECUTIVE MANAGEMENT

The Chief Executive Officer (CEO) is responsible for the day-to-day operations and is supported by the Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Risk Officer (CRO) and General Counsel. Various units report to the CEO and the executive team. The Corporation's Board appoints the CEO on a three-year contract with a three-month notice period.

All other executives are permanent employees with a calendar month notice period. Executives are not bound by a restraint of trade agreement upon leaving ECIC.

Kutoane Kutoane, Chief Executive Officer

Qualifications: MA (Econ), Advanced Management Programme (Harvard), Programme on Investment Appraisal and Management, Advanced Credit and Trade Finance

Areas of expertise: Project finance, international trade finance, economics and investment management

Positions on other Boards: None

Ntshengedzeni Gilbert Maphula, General Counsel

Qualifications: BPROC, LLB, Master of Law (LLM) (General), Master of Law (LLM) (International Trade and Foreign Investments)

Areas of expertise: Cross Boarder Financing, Export Credit Insurance, Political Risk, International Trade and Foreign Investments Project Finance and Sovereign Lending

Positions on other Boards: None

Mandisi Nkuhlu, Chief Operations Officer

Qualifications: B.Juris, LLB, Management Advancement Programme, Executive Leadership Programme, Senior Executive Programme

Areas of expertise: Law and Finance

Positions on other Boards: None

Noluthando Mkhathazo, Chief Financial Officer

Qualifications: CA(SA), Management Advancement Programme

Areas of expertise: Finance, auditing and financial management

Positions on other Boards: None

John Omollo, Chief Risk Officer

Qualifications: Masters of Business Administration (MBA), Certified Public Accountant of Kenya (CPA II, III)

Areas of expertise: Risk Management, Project & Structured Finance, Banking and Credit Rating of Financial Institutions

Positions on other Boards: None

Sias Esterhuizen, Chief Actuarial and Investments

Qualifications: BSc (Hons) Actuarial ScienceFellow of the Actuarial Society of South Africa

Areas of expertise: Actuarial reserving, pricing and capital modelling

Positions on other Boards: None

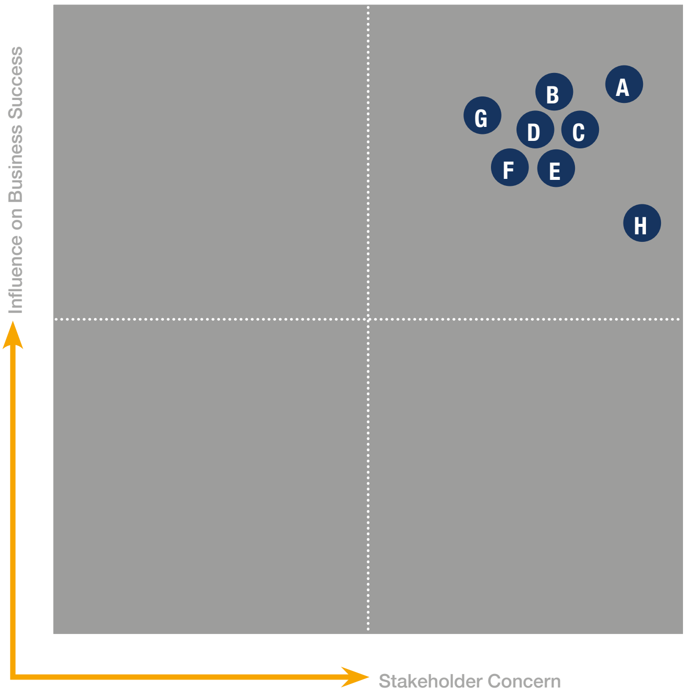
KEY STAKEHOLDERS

Stakeholder identification

The Corporation believes that effective and mutually-beneficial engagement with its stakeholders is integral to business well-being. The Corporation's stakeholder engagement strategy covers a broad spectrum of key stakeholders whose unique environments add value to stimulating the export of capital goods and services.

The Corporation's annual mapping of stakeholder importance and influence enables ECIC to stay abreast of changing business environments, locally and in Africa. The Corporation's systems record its interactions with and responses to their needs, which enhance its understanding of trends and changes in stakeholder expectations and interests.

Key stakeholders



MI Key stakeholders map

Key:

A: Key government departments
B: Parliament
C: FSCA and PA (regulator)
D: Customers
E: Partners
F: Governments of importing countries
G: Employees
H: The media

Stakeholder engagement

The Corporation continues to pursue strategic engagements with identified African countries to identify business development opportunities, establish bilateral relations and create environments of mutual trust for intra-Africa trade. These interactions involve the active participation of the Corporation's business development specialists. The implementation of the 2018/19 stakeholder engagement strategy is summarised in the Table below.

Implementation of 2018/19 stakeholder engagement strategy

Key stakeholders	Nature of engagement	Issues raised and action taken
Portfolio Committee on Trade & Industry	Convey value of ECIC to South African economy	• Expose members and ECIC Board to successful projects
Customers	A Brand and Customer Survey was completed in 2018	• The recommendations detailed on page 74 were used to develop a Customer Engagement Plan for the 2019/20 financial year

Key stakeholders	Nature of engagement	Issues raised and action taken
Department of Trade & Industry (**the dti**)	Share information, pursue business opportunities in Africa and foster cooperation	• Focus on **the dti** stakeholders: Capital Project Feasibility Programme (CPFP) - ECIC part of Adjudication Committee & Chief Audit Executive Forum attended • Trade Invest Africa focus as well as Trade and Investment South Africa
National Treasury	Share information, pursue business opportunities in Africa and foster cooperation	• Regular high-level interaction platform established • Focus on the Directorate: Africa Economic Integration • Important to involve ECIC in inter-governmental meetings to map infrastructure projects in African countries
Department of International Relations & Cooperation (DIRCO)	Political policy perspective, share country information about risk ratings, access business opportunities with DIRCO assistance	• Share political perspectives on countries earmarked for exposing ECIC
Department of Public Enterprises (DPE)	Establish relationships, interact with key government stakeholders (SOEs), access DPE business dealings in Africa and attend Africa Steering Committee meetings as permanent invitee	• Exposure to SOE capital and services projects abroad through Africa Steering Committee to support governments' Africa development initiatives
Embassies/High Commissions in targeted African countries	Create stakeholder platforms through Ambassadors, High Commissioners and trade representatives, increase participation of African countries (14 currently) and use platforms to create trust and understand needs and mindsets	• Identify potential business opportunities and disseminate to relevant South African businesses through business or export councils • Initiate outward selling missions to specific countries • Establish structured engagement between CEO and ambassadors/ high commissioners of identified African countries to concretise business development structures
Regulators	FSCA interaction, undertaken from a stakeholder rather than regulatory perspective, has proven mutually beneficial	• Pursue interaction with regulators
Communities, media and employees	Stakeholder communication through CSI, marketing and internal and external communication initiatives and embed cooperation between stakeholder management and ECIC Marketing and Communication function	• Continue cooperation with ECIC Marketing and Communication function
Export Councils	Advocacy meetings with Export Council members	• Create direct interaction with Export Council members • Establish platforms for interaction to raise issues pertinent to respective businesses

Key stakeholders	Nature of engagement	Issues raised and action taken
Insurance brokers Reinsurance brokers	Reinsure major deals that exceed ECIC capacity, realign concentration risk, increase insurance capacity in South African market, align capital reserves with FSCA requirements and manage contingent liability for the South African government	• Appointed Arthur J Gallagher as Reinsurance Broker • Established reinsurance structures and solid working relationships to benefit local exporters
Manufacturers and exporters	Breakfast programme for regular interaction between ECIC and industry CEOs	• Create opportunities to interact with CEOs to increase their understanding of ECIC role and function
BRICS	Participate in BRICS ECA CEOs Forum as an important platform for cooperation, product coordination and information sharing	• Participating in Working Group deliberations on issues such as product offerings, operational practices and cooperation • BRICS CEOs Forum hosted in South Africa in July 2018


Liqhobong diamond mine, Lesotho

BRICS Technical Workshop Working Group, South Africa

List of projects supported by ECIC as at 31 March 2019

Country	Project description	Exporter	Foreign buyer
Angola	Financing of the construction, rehabilitation, equipment of a network of medicine warehouse and medicine quality control laboratory for the Ministry of Health	Not applicable	Banco de Poupanca e Credito S.A.R.L
	The design, implementation and integration of a 1,550 km backbone telecommunication cable network along the Angolan coastline	Ericsson South Africa Pty Ltd	Banco De Poupanca E Crédito, Luanda, Angola
Botswana	The purchase and transportation of mining machinery and equipment to be used in mining projects in Botswana	Bell Equipment South African	Kanu Equipment Limited
Congo Brazzaville	AIIF3 acquiring a 50% shareholding in SEGAP with investment interest in AERCO based in Republic of Congo	Not applicable	Societe d'Exploitation et de Gestion Aeroportuaires (SEGAP) France into Airports Company Ltd of Republic of Congo (AERCO)
China	Construction of a hazardous waste treatment plant and disposal facility	Thuthuka Project Managers (Pty) Ltd	Fujian Zhongnan Environmental Dev. Co.
Republic of Colombia	Delivery of weapons and ammunition.	Denel (Pty) Ltd	Republic of Colombia
Cote d'Ivoire	AIIF3 acquiring a 50% shareholding in SEGAP with investment interest in AERIA based in Cote d'Ivoire	Not applicable	Societe d'Exploitation et de Gestion Aeroportuaires (SEGAP) France into the Abidjan International Airport Company (AERIA)

Economic sector	Insured/financial institution	South African contract value	Insured amount	Effective date/ financial close	Status of insurance cover
Government services	Standard Bank Old Mutual Liberty Group	$55.6 million	$50,0 million	22-Jun-11	Expired
Telecommunications	RMB	$18.3 million	$15.5 million	29-Aug-08	Expired
Transportation	ABSA	$4.9 million	$4.2 million	22-Mar-19	Current
Transportation	African Infrastructure Fund 3 GP (Pty) Ltd	$3.7 million	$3.3 million	16-Nov-18	Current
Water Treatment Plant	IDC	$11.9 million	$10.2 million	16-Mar-04	Expired
Government Services	RMB	$8 million	$6.8 million	26-Mar-02	Expired
Transportation	African Infrastructure Fund 3 GP (Pty) Ltd	$2.8 million	$2.5 million	16-Nov-18	Current

Country	Project description	Exporter	Foreign buyer
DRC	Design and supply of a 30 MVa power substation at Kipoi copper mine	Megatron South Africa (Pty) ltd	Megatron/ Kipoi
	Refurbishment, supply & maintenance of 11 locomotives	RRL Grindrod Locomotives	Societe Nationale Des Chemis De Fer Du Congo, DRC
	Supply of 9 (nine) articulated dump trucks to be used by MCK (Insured Debtor) in contract mining operations in Lubumbahi	Bell Equipment Company (Pty) Ltd	Mining Company Katanga Trucks South Africa
	Phase II of the engineering design, procurement and commissioning of the process plant for a base- metals refinery at the Ruashi Copper mine, Katanga province	Ruashi Holdings (Pty) Ltd	Ruashi Mining SPL
	Implementation of an interest based controlled communications software, fixed and mobile container x-ray scanning equipment, video surveillance and conferencing equipment, linked together by a secure and reliable satellite communications infrastructure in DRC	Africa Union Financial Services	Government of the Democratic Republic of Congo
	The manufacturing, sale and after- market support of earth-moving equipment	Bell Equipment South Africa	Province of Katanga, Democratic Republic of Congo
	Supply of 25 articulated dump trucks and 2 excavators to be used by MCK in its contract mining operations in Lubumbahi	Bell Equipment South Africa	Mining Company Katanga Trucks SPRL, DRC
	Roll-out of four (4) Nandos food outlets in Kanshasa, DRC including the Head Office infrastructure	Not applicable	Bantu Nandos Congo SPRL
Ethiopia	Construction and operation of the cement plant	Not applicable	Habesha Cement Share Company
Gabon	Implementation of Phase II, expansion of the existing integrated security system in Libreville (to cover Franceville and Port Gintil) on a lump sum turnkey supply contract	Omega Risk Solutions (Pty) Ltd	Government of the Gabonese Republic acting through the Ministry of Economy, Finance, Budget and Privatization

Economic sector	Insured/financial institution	South African contract value	Insured amount	Effective date/ financial close	Status of insurance cover
Mining	Nedbank	$6 million	$3.1 million	29-Jun-16	Expired
Transportation	RRL Grindrod (Standard Bank)	$12.2 million	$6.8 million	21-Jun-13	Expired
Mining	Nedbank	$8.3 million	$7.3 million	11-Dec-14	Expired
Mining	Standard Bank	$147 million	$125 million	11-Oct-07	Expired
Infrastructure	Africa Union Financial Services	$15.9 million	$12.4 million	14-Apr-08	Expired
Mining	IDC	$20 million	$16 million	12-Dec-08	Expired
Mining	Nedbank	$14.1 million	$11.25 million	11-Mar-13	Expired
Food services	IDC	$1.5 million	$1.5 million	15-Dec-09	Expired
Cement plant	IDC	$13,5 million	$12,1 million	03-Jun-16	Current
		$10 million	$9 million	21-Dec-12	Expired
Government services	Citibank N.A. South Africa branch	$15.9 million	$12.4 million	19-Feb-08	Expired

Country	Project description	Exporter	Foreign buyer
Ghana	The design, construction, and development of the Airport City Hotel in Accra, Ghana	JHI Development Management (Pty) Ltd	African Hospitality Limited, Ghana
	Supply of equipment, construction and commissioning of the power substation at Tema, Ghana	Consolidated Power Projects (Pty) Ltd	Ghana Grid Company Limited
	Supply and installation of electricals and equipment for Phase IV of the Self-Help Electrification Programme - ("SHEP 4")	Thengashep Ghana (Pty) Ltd	Ministry of Finance acting on behalf of Government of Ghana
	Development, financing, procurement, construction, operation and maintenance and ownership of 340MW Combined Cycle Gas Turbine power generation plant	Group Five Power International (Pty) Ltd	Cenpower Generation Company Ltd
	The supply of steel and provisions of professional engineering services to GIC for the delivery of a storm drainage project in Ghana	Business Innovative Group (Pty) Ltd South Africa	Global Innovative Consulting Limited, Ghana
	Acquire shareholding interest on the assets to be merged between PAIDF and African Finance Corporation Investment Limited	Not applicable	Pan African Infrastructure Development Fund
Indonesia	Delivery of HF and V-UHF tactical military communication equipment for the Indonesian Armed Forces	SAAB Grintek Communications	Government of the Republic of Indonesia
	Delivery of HF and V-UHF tactical military communication equipment for the Indonesian Armed Forces	SAAB Grintek Defense (Pty) Ltd	Government of the Republic of Indonesia
Iran	Operation of cellular telephony business	Not applicable	MTN International Pty Ltd
Kazakhstan	The design, development, engineering, construction, equipment, testing, commissioning, management, operations maintenance and repair of the Mine and ancillary facilities	Senet CC	JSC Varvirinskoye

Economic sector	Insured/financial institution	South African contract value	Insured amount	Effective date/ financial close	Status of insurance cover
Accommodation and catering	IDC	$15,2 million	$12.1 million	22-Jan-13	Current
		$31.6 million	$22.4 million	27-Jul-06	
Power	RMB	$23.3 million	$19.9 million	17-Jun-11	Expired
Power	CITIBank ABSA	$107.8 million	$101.3 million	22-Jul-12	Current
Power	RMB Standard Bank Nedbank Investec HSBC	$410.5 million	$447 million	23-Dec-14	Current
Water collection, treatment & supply	Investec	$5.6 million	$5 million	07-Sep-18	Current
Power	PAIDF	$25.5 million $23.2 million	$22.9 million $20.9 million	07-Dec-17	Current
Government services	IDC	$6.49 million	$5.5 million	15-Feb-08	Expired
Government services	IDC	$4.9 million	$4.2 million	05-Nov-10	Expired
Telecommunication	MTN	$500 million	$400 million	29-Mar-07 07-Apr-17	Current
Mining	Investec and Nedbank	$46.3 million	$39.3 million	20-Dec-06	Expired

Country	Project description	Exporter	Foreign buyer
Lesotho 	The development, design, operation and maintenance of the diamond mine in the district of Butha- Buhle, Lesotho	DRA Mineral Project (Pty) Ltd South Africa	Liqhobong Mining development Co. Pty Ltd
	The design, supply and construction of a new mining complex at Letšeng, Lesotho	BVI Consulting Engineers Gauteng (Pty) South Africa	Letseng Diamond (Pty) Ltd
Liberia 	The development of the New Liberty Gold Mine, an open pit mine in Liberia	DRA Mineral Projects (Pty) Ltd	Bea Mountain Mining Corporation/ Aureus
Malawi 	Refurbishment of Ryalls Hotel	Procurement International (Pty) Ltd (SPV)	Blantyre Hotels
	Construction of Chichiri Shopping centre complex	Chichiri Shopping Centre Development Company (Pty) Ltd	Chichiri Shopping Centre, Malawi
	Design, development, operation and maintenance of the Nacala Corridor railway and port, comprising the Railway, wew Railway Infrastructure and Refurbishment of existing railway infrastructure, and a new Port Coal Terminal in Nacala-à-Velha, Mozambique	WBHO Cosntruction (Pty) Ltd, Mota Engil Africa NV & FL Smidth Roymec (Pty) Ltd	Nacala Corridor railway
	Engineering, procurement, construction, commissioning and operation of a Uranium Mine at Kayelekera in Karonga District of Northern of Malawi	E+PC Engineering and Project Company Ltd	Paladin Africa Ltd
	PAIDF2 South Africa acquiring a 60% shareholding in Open Connect Limited a company which operates the largest fibre network in Malawi	Not applicable	Not Applicable

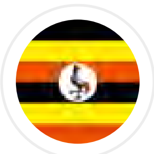
Economic sector	Insured/financial institution	South African contract value	Insured amount	Effective date/ financial close	Status of insurance cover
Mining	ABSA	$96.9 million	$82.4 million	16-Sep-15	Current
Mining	Nedbank	R215 million	R180 million	04-Apr-17	Current
Mining	Nedbank RMB	$103 million	$88 million	29-Apr-14	Current
		$10 million	$10 million	17-Dec-15	Expired
Accommodation & Catering	IDC	$1.7 million	$1.4 million	26-Feb-03	Expired
Retail Services	IDC	$17.1 million	$17.1 million	14-Mar-03	Expired
Infrastructure	Standard Bank RMB Investec Nedbank ABSA	$400 million	$129.8 million	23-Feb-18	Current
Mining	Nedbank & Standard Bank	$132 million	$110 million	13-Aug-09	Expired
Telecommunication	PAIDF 2 South Africa	$21.6 million	$19.4 million	12-Feb-19	Current

Country	Project description	Exporter	Foreign buyer
Mozambique	Construction and development of a banana plantation, and related infrastructure	Qstar Trading Close Corporation	Matanuska
	Expansion of Aluminium smelter	Not applicable	Mozal Mozambique
	Expansion of Aluminium smelter	SNC Lavalin-Murray & Roberts (Pty) Ltd	Mozal Mozambique
	Expansion and modernisation of an existing sugar mill and cane plantation	Tongaat Hulett Ltd	Tongaat Hulett Acucareira De Xinavane
	Construction, operation and maintenance of a 40MW (nominal) natural gas fired power plant and Project Facilities at Chokwe, Gaza Province	Group Five Construction (Pty) Ltd	Kuvaninga Energia Sociedade
Mozambique	Construction, operation and maintenance of a 100MW natural gas fired power station in Ressano Garcia, in Maputo	WBHO Construction and Parsons Brinckerhoff South Africa (JV)	Gigawatt Mozambique South Africa Limited
	Design, development, operation and maintenance of the Nacala Corridor railway and port, comprising the railway, new railway infrastructure and refurbishment of existing railway infrastructure, and a new Port Coal Terminal in Nacala-à-Velha, Mozambique	WBHO Construction (Pty) Ltd Mota Engil Africa N.V. FL Smidth Roymec (Pty) Ltd	Nacala Corridor Railway
Mozambique	Natural Gas Transmission Pipeline	Wedelin Investments 46 (Pty) Ltd	Republic of Mozambique Pipeline Investments Co (ROMPCO)
	The Upstream and Pipeline Project	Foster Wheeler South Africa (Pty) Ltd	Sasol Petroleum Temane Limitada (SPT)
	Redevelopment of a backpacker's lodge into a 5- star eco-boutique villas in Benguerra Island, Mozambique	Natucon Construction CC	Gabriels Eco Islands Limitada
	Mining and Processing facilities for the Moma Titanium Minerals Project	Bateman Minerals (Pty) Ltd & MPX Engineering South Africa (Pty) Ltd	Kenmare Moma Mining
	Partly finance the CMG's acquisition of 25% Shareholding in Republic of Mozambique Pipeline Company (Pty) Ltd	Not Applicable	Companhia Mocambicana de Gasoduto S.A.R.L (CMG)

Economic sector	Insured/financial institution	South African contract value	Insured amount	Effective date/ financial close	Status of insurance cover
Agro Industries	IDC	$11.87 million	$10 million	01-Apr-10	Expired
Non-Ferrous Metal Mining	Mozfund (Pty) Ltd (IDC)	$65.6 million R553.3 million	$59,0 million R498,0 million	28-Feb-02	Expired
Non-Ferrous Metal Mining	Mozfund (Pty) Ltd (IDC)	$200 million R2.1 billion	$154.6 million R1.625 billion	25-Feb-02	Expired
Agro Industries	RMB	R505 million	R425 million	30-Mar-11	Current
Power	Investec	$39,3 million (plus 85% of financed premium)	$40 million	28-Mar-14	Current
Power	Standard Bank	$94.2 million	$50 million	09-Oct-15	Current
Infrastructure	Standard Bank RMB Investec Nedbank ABSA	$400 million	$270.2 million	23-Feb-18	Current
Gas distribution	Standard Bank	R411 million	R350 million	09-Jun-04	Expired
Gas distribution	Standard Bank	R94 million	R80 million	09-Jun-04	Expired
Accommodation and catering	IDC	$5 million	$1.5 million	30-Mar-10	Expired
Mining	ABSA	$125.7 million	$80 million	01-Aug-05 01-Oct-15	Restructured Current
Gas distribution	Standard Bank	R300 million	R270 million	28-May-07	Current

Country	Project description	Exporter	Foreign buyer
Nigeria	The supply of a Nautic 35 multipurpose patrol and crew vessel	Nautic Africa (Pty) Ltd	Zomay Marine and Logistics Limited
	Construction and delivery of two 20m crew boats	Veecraft Marine CC	C & I Leasing PLC, Nigeria
	The provision of telecommunications equipment and services	MTN Service Provider (Pty) Ltd	MTN Nigeria
	Expansion & operation of the Buyer's Global System for Mobile	MTN Service Provider (Pty) Ltd	MTN Nigeria Communications Ltd
	The design construction and installation of a cement processing plant, a gas pipeline and power station at Kogi State	Hall Longmore (Pty) Limited	Obajana Cement PLC
	Construction of a toll highway linking Lagos to Lekki, Victoria Island	Not Applicable	Lekki Concession Company Ltd
Russia	Design, development, procurement, commissioning and operation of the potash mine	Shaft Sinkers (Pty) Ltd	Eurochem - Volgakaliy LL
	Supply and delivery of engineering services and equipment for a 12MW furnace and site services, including rendering of onsite supervision during construction and commissioning, and training	Bateman Projects Ltd South Africa	Southern Urals Nickel Plant OAO
Sierra Leone	Manufacturing and supply of 20 mainline diesel electric locomotives, on lease, for operation at Tonkolili iron ore mine	RRL Grindrod Locomotives (Pty) Ltd	African Minerals Limited (RRL Grindrod)
	Manufacturing and supply of 14 mainline diesel electric locomotives, on lease, for operation at Tonkolili iron ore mine	RRL Grindrod Locomotives (Pty) Ltd	African Minerals Limited (RRL Grindrod)
	Build, own and operate an integrated sugar cane estate, ethanol production plant and power station in the Makeni region	Coin de Mire Exports/ ABB South Africa/ Siemens South Africa	Addax Bioenegy (SL)
Sudan	Supply and delivery of 50 complete oil tank wagons, 100 complete flatbed container wagons and 600 complete bogies and locomotive spares	Global Railway Engineering International (Pty) Ltd	Sudan Railways Corporation
	Construction & commissioning of a water treatment plant and water supply infrastructure works, including operation and maintenance of the plant in Umm Durman, Khartoum	Biwater (Pty) Ltd South Africa	Biwater Contracting BV

Economic sector	Insured/financial institution	South African contract value	Insured amount	Effective date/ financial close	Status of insurance cover
Transportation	Nedbank	$8.5 million	$5 million	05-Sep-14	Expired
Transportation	ABSA	$4.9 million	$4.2 million	01-Mar-13	Expired
Telecommunications	Standard Bank	$35 million	$35 million	28-Nov-03	Expired
Telecommunications	Standard Bank	$47 million	$25 million	21-Apr-05	Expired
Infrastructure	IDC	$33 million	$30 million	24-Feb-06	Expired
Transportation	African Infrastructure Investment Fund	$26,3 million	$21.2 million	31-Aug-09	Expired
Mining	ABSA Standard Bank IDC Credit Agricole South Africa, Citibank	$290 million	$261 million	13-Jul-10	Expired
Infrastructure	Nedbank IDC	$34.3 million	$31.5 million	26-Jan-12	Expired
Rail transport	Standard Bank	$48 million	$40 million	21-Sep-11	Expired
Rail transport	Standard Bank	$32 million	$27.3 milliom	05-Nov-12	Expired
Agro industries	IDC	$33.4 million	$28.86 million	29-Jun-12	Expired
Rail transport	GRE (RMB)	$21.6 million	$18,3 million	05-Oct-05	Expired
Water supply and sanitation	IDC	$26.5 million	$20 million	30-Mar-07	Current

Country	Project description	Exporter	Foreign buyer
Suriname 	A semi-intensive Aquaculture operation, comprising of prawn facility for exports	Techserve Close Corporation	Suraq Limited
Swaziland 	Construction on an Ethanol distillery plant, an extension to the existing sugar mill of the Insured Debtor in Swaziland	Logichem Process Equipment Trust	The Royal Swazi sugar Corporation Limited
Tanzania 	Construction of a Carbon-in-Leach plant at Bulyanhulu Gold Mine, Tanzania	MDM Technical Africa (Pty) Ltd	Bulyanhulu Gold Mine
	GSM Cellular Network	Siemens Telecommunications (Pty) Ltd	Vodacom Tanzania
	Infrastructure development project	Not applicable	Ministry of Finance, Tanzania
Turkey 	Power coal plant	N/A - Restructuring	Iskendurun, Turkey
Uganda 	The design, construction and operation of an exclusive 272 room five-star Hilton Hotel in Kampala	AYAF South Africa Investment CC	AYA Investment Ltd

Economic sector	Insured/financial institution	South African contract value	Insured amount	Effective date/ financial close	Status of insurance cover
Prawn farm fishing	ABSA	$9,8 million	$8.4 million	03-Apr-06	Expired
Agro industries	RMB	$19,25 million	$16.6 million	09-Sep-05	Expired
Mining	Standard Bank ABSA Standard Chartered Bank	$164.4 million	$142 million	17-Jan-13	Current
Telecommunications	Standard Bank	$23,5 million	$20 million	08-Aug-02	Expired
Infrastructure	Standard Bank RMB	$100 million	$90 million	05-Aug-11	Expired
Power Plant	Nedbank IDC ABSA	$128.6 million	$112.5 million	21-Nov-05	Expired
Accommodation and catering	IDC	$24.4 million	$20.8 million	23-Jun-10	Current

Country	Project description	Exporter	Foreign buyer
Zambia	The recapitalisation of a lime processing plant	E+P Engineering & Project Company Ltd	Ndola Lime Company Ltd
	Expansion of copper mines and processing facilities	Aveng Africa Ltd	Konkola Copper Mine plc
	Upgrading of railway systems of Zambia	Transnet Limited	Railway Systems of Zambia
	Acquiring of share capital of 32.97% in railway systems of Zambia, indirectly via NLPI	Not applicable	Railway Systems of Zambia
	Supply of copper processing plant	GRD Minproc Pty Ltd	Kansanshi Miinind plc
	Construction & commissioning of a copper mine and processing plant	Bateman Projects Ltd	Lumwana Mining Company
	Acquisition and commissioning of the Chibulumba Mining	Not applicable	Chibulumba, Zambia
Zimbabwe	Refurbishment of an existing mine and process plant equipment & the purchase of new mine equipment	Bilboes Hodings (Pty) Ltd	Bilboes Holdings (Pty) Ltd Zimbabwe
	Construction & upgrade of an existing railway line	Murray & Roberts Construction Ltd	BBR Zimbabwe
	Supply and delivery of telecommunication site material for additional infrastructure & Network infrastructure efficiency improvement	Likusasa Engineering & Construction (Pty) Ltd South Africa	Econet Wireless (Pty) Ltd
	Manufacturing and supply of 6 mainline diesel-electric locomotives in Mauritius for ultimate leasing in Zimbabwe and Zambia	RRL Grindrod Locomotive (Pty) Ltd South Africa	GPR Leasing Africa Mauritius
	Supply and instilling a coal- dense media separation plant	Bond Equipment (Pty) Ltd	Makomo Resources (Pty) Ltd
	Establishment of a gold mine in Zimbabwe	Not applicable	Delta Gold Zimbabwe (Pty) Ltd
	Credit Line	Not applicable	Agricultural Bank of Zimbabwe Ltd
	Rehabilitation, tolling and routine maintenance of the Harare-Bulawayo-Plumtree national highway and Harare-Mutare national highway in Zimbabwe	Not applicable	Infralink (Private) Limited
	Refurbishment of the Freda Rebecca mine	Not applicable	Freda Rebecca Gold Mine Ltd

Economic sector	Insured/financial institution	South African contract value	Insured amount	Effective date/ financial close	Status of insurance cover
Mining	Standard Bank	$66.2 million	$33 million	20-Dec-11	Expired
Mining	Standard Bank Standard Chartered Bank	$470 million	$400 million	30-Nov-12	Current
Rail transport	Nedbank	$16 million	$3,8 million	01-Dec-03	Expired
Rail transport	Nedbank Old Mutual Sanlam Genbel Securities	$1.7 million	$1.53 million	07-Jul-04	Expired
Infrastructure	Standard Bank	$70.5 million	$60 million	28-Jun-04	Expired
Mining	Standard Bank	$87 million	$80 million	24-Aug-07	Expired
Mining	IDC	$8.2 million	$7,3 million	12-Dec-03	Expired
Mining	IDC	$7 million	$6,3 million	19-Dec-12	Expired
Rail transport	Nedbank Sanlam RMB	R244 million	R184.6 million	30-Jan-04	Expired
Telecommunications	IDC	$20 million	$2,7 million $17 million	21-Sep-12	Expired
Rail transport	RMB	$13.2 million	$11.7 million	08-May-15	Current
Coal plant	ABSA	$9.8 million	$4.9 million	12-Mar-13	Expired
Mining	IDC	$9.4 million	$8,46 million	26-Oct-10	Expired
Agro industries	IDC	$30 million $30 million	$27 million $27 million	19-Dec-12 05-May-11	Restructured Current
Construction of civil works engineering structures	DBSA	$206.6 million	$185.9 million	29-Sep-11	Current
Mining	IDC	$10 million	$9 million	07-Mar-11	Expired

STRATEGY AND PERFORMANCE

- IMPROVE KNOWLEDGE AND SKILLS
- INCREASE STRATEGIC PARTNERSHIPS AND STAKEHOLDER RELATIONS
- IMPROVE BUSINESS PROCESSES
- IMPROVE COMMUNICATION
- IMPROVE BUSINESS DEVELOPMENT AND CUSTOMER MANAGEMENT
- INCREASE CAPITAL BASE
- INCREASE STAKEHOLDER/CUSTOMER SATISFACTION
- LOOKING FORWARD

AN INTEGRATED FOCUS ON STRATEGIC PERFORMANCE

ECIC delivers its mandate through a shareholder's compact with the South African government, through the Minister of Trade and Industry. The compact is renewed annually to delineate and clarify shareholder and Board responsibilities, align key performance areas and targets with strategic objectives and assess performance annually against identified indicators.

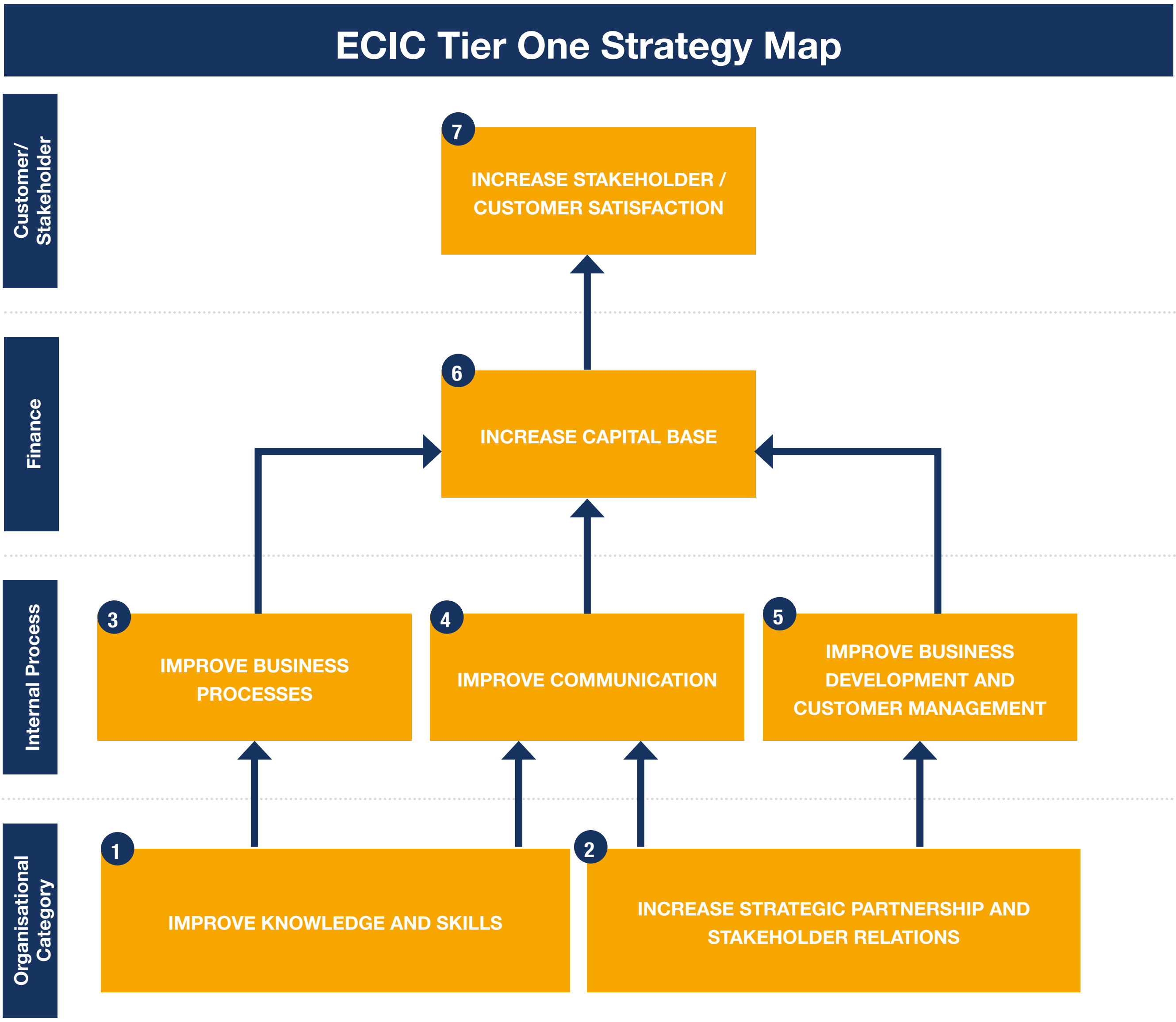
The strategy of the Corporation is aligned with national priorities as identified in the National Development Plan, **the dti**'s strategic priorities and its own organisational competencies and capabilities. The Corporation manages and measures performance against strategic objectives and within the context of material issues, and assesses opportunities against risk and in terms of value creation.

The Board and executive management identify opportunities and assess the challenges in the competitive external environment. The Corporation focuses on sustainability and integrated reporting practices, principles on materiality, value creation and best-practices to constantly improve performance against key indicators in the export credit landscape both in Africa and beyond.

Strategic themes

Strategic partnerships	Grow the business	Operational excellence
Build and leverage a strategic public and private, local and international partnership network to advance business reach.	Increase market presence, customer-focused solutions and customer base and expedite the approval process and competitive pricing to facilitate high-value exports and cross-border investments to fulfil mandate.	Use effective and efficient modern integrated systems and processes to improve turnaround times and support new products.
	Assist the government and country to pursue investment-led export promotion that contributes towards NDP export targets.	Invest in human capital, build knowledge and skills and embed a culture of professionalism, innovation and team work to enhance capacity and excellence.

Excellence is never an accident. It is always the result of high intention, sincere effort and intelligent execution; it represents the wise choice of many alternatives - choice, not chance, determines your destiny. - Aristotle



ORGANISATIONAL PERFORMANCE FOR THE 2018/19 FINANCIAL YEAR

This report evaluates and assesses performance for the past financial year against its strategic objectives (SOs) in terms of stakeholder impact and value creation.

Strategic objectives

The Corporation's performance was aligned with and measured against the execution of seven key strategic objectives:

Improve knowledge and skills

Develop a competent and competitive workforce to achieve objectives and deliver the business strategy.

Increase strategic partnerships and stakeholder relations

Enhance collaboration with the public and private sector and leverage local and international public and private sector strategic partner networks to advance business.

Improve business processes

Improve business processes to promote efficiencies in cost-effective product and service delivery.

Improve communication

Create awareness and understanding of mandate.

Improve business development and customer management

Attract business proactively from new and existing customers to increase exports and cross-border investments.

Increase capital base

Increase capital base to grow and sustain the business.

Increase stakeholder/customer satisfaction

Maintain required levels of stakeholder and customer satisfaction.

Linked to capitals and material issues

Where relevant, performance is linked to the capitals of the <IR> Framework and the material issues as depicted here.

CAPITALS			
Financial	Intellectual	Human	Social and relationship

Strategic objectives						
Improve knowledge and skills	Increase strategic partnerships & stakeholder relations	Improve business processes	Improve communication	Improve business development & customer management	Increase capital base	Increase stakeholder/ customer satisfaction
S01	S02	S03	S04	S05	S06	S07
Intellectual, Human	Intellectual, Social and relationship	Intellectual, Financial	Social and relationship	Social and relationship, Financial, Intellectual	Financial	Social and relationship

Material issues					
Review ECIC mandate	Underwriting capacity	Credit rating downgrades	Strategic partnerships	Scarce & evolving skills requirements	Income Tax
Financial	Financial	Financial	Human, Financial, Intellectual, Social and relationship	Human	Financial

Performance against predetermined objectives 2018/19

Output	Performance measure/ indicator	2018/19 Target	Actual achievement
IMPROVE KNOWLEDGE AND SKILLS (organisational capacity)			
Conduct skills audit and implement annual training plans	% of annual training plans (ATP) implemented	Implement 90-100% of ATP for 2018/19	Target achieved 94% of ATP implemented
INCREASE STRATEGIC PARTNERSHIPS AND STAKEHOLDER RELATIONS (organisational capacity)			
Leverage existing partnerships to generate knowledge- sharing initiatives	Number of knowledge-sharing initiatives	Generate 8 knowledge sharing initiatives	Target exceeded 9 knowledge sharing initiatives implemented
IMPROVE BUSINESS PROCESSES (internal process)			
Implement new business systems plan	% of business systems plan implemented	Implement 80-100% of annual business systems plan	Target achieved 100% of ICT business plan implemented
Improve business processes	% of process improvement plan implemented	Improve 50-60% of processes	Target exceeded 70% of process improvement plan implemented
IMPROVE COMMUNICATION (internal process)			
Improve and enhance brand visibility	Brand survey conducted	Conduct brand survey	Target achieved Brand and customer survey conducted
	% of marketing & communication campaign implemented	Implement 80-100% of 2018/19 marketing & communication campaign	Target achieved Marketing and communication campaign 100% implemented
IMPROVE BUSINESS DEVELOPMENT AND CUSTOMER MANAGEMENT (internal process)			
Research and identify new opportunities	Number of research projects to identify new opportunities	2 research projects to identify new opportunities	Target exceeded 3 research reports done
Increase premium revenue	Value of projects approved	USD 450m - USD 550m	Target exceeded USD 573.4m approved
INCREASE CAPITAL BASE (finance)			
Increase capital base	% increase in basic own funds/equity*	8% increase in equity	Target exceeded 24% increase in equity
INCREASE STAKEHOLDER/CUSTOMER SATISFACTION (customer/stakeholder)			
Improved stakeholder and customer satisfaction	Customer satisfaction survey conducted	Conduct customer satisfaction survey	Target achieved Brand and customer survey conducted

* The performance for this target is based on the South African Functional Currency financial statements in Note 37 on pages 152 to 153.

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

S01 IMPROVE KNOWLEDGE AND SKILLS (organisational capacity)

Target/s 2018/19	Performance
• Implement 90-100% of training plan for 2018/19	94% of ATP implemented

The knowledge, skills, experience and expertise of its people is a strategic imperative and a source of sustainable competitive advantage. The Corporation's human capital focus, therefore, is to develop, empower and retain ethical and values-driven, high-performing employees. A further focus area is establishing a robust succession plan for identified critical roles and ensuring that sufficient bench-strength exists for the Corporation.

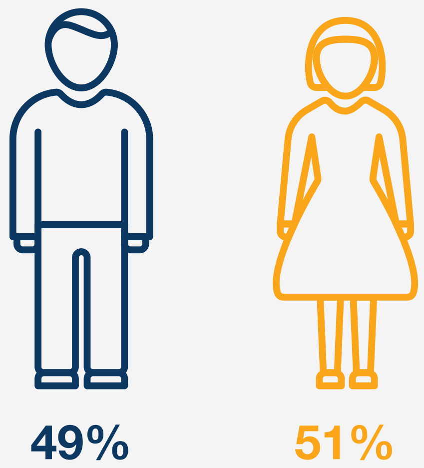
Financial and non- financial rewards are offered to employees to enable the Corporation to meet and exceed client and stakeholder expectations with pride and enthusiasm. To grow and steer the business and operate facilities safely and efficiently we require high-performing, innovative and diverse people with the right skills and experience. The Corporation's focus is on being an inclusive organisation, building and retaining critical skills and developing leadership capabilities.

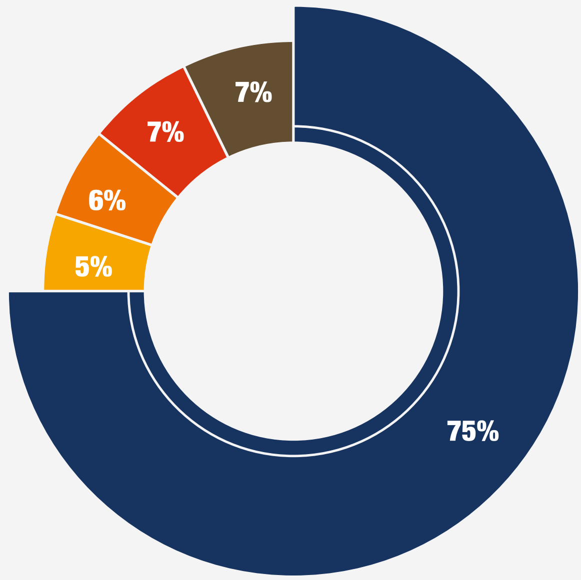
The 4th Industrial Revolution and establishment of a South African EXIM Bank will require new skills, processes and systems for which, strategically, the Corporation must create the required internal capacity.

Staff complement and employment equity

The Corporation continues to manage the growth of the workforce, in alignment with its cost structure. During the reporting period, staff complement consisted of 84 employees (2018: 85) including those on fixed-term contracts and graduate trainees.

The Corporation's diversity and inclusivity score for the financial period was 88% against a target of 90% for designated employees (excludes white males and foreign nationals). The number of employees with disabilities remained at 2.4% of its workforce. Enhancing diversity and inclusion remains essential and forms part of the strategic priorities.





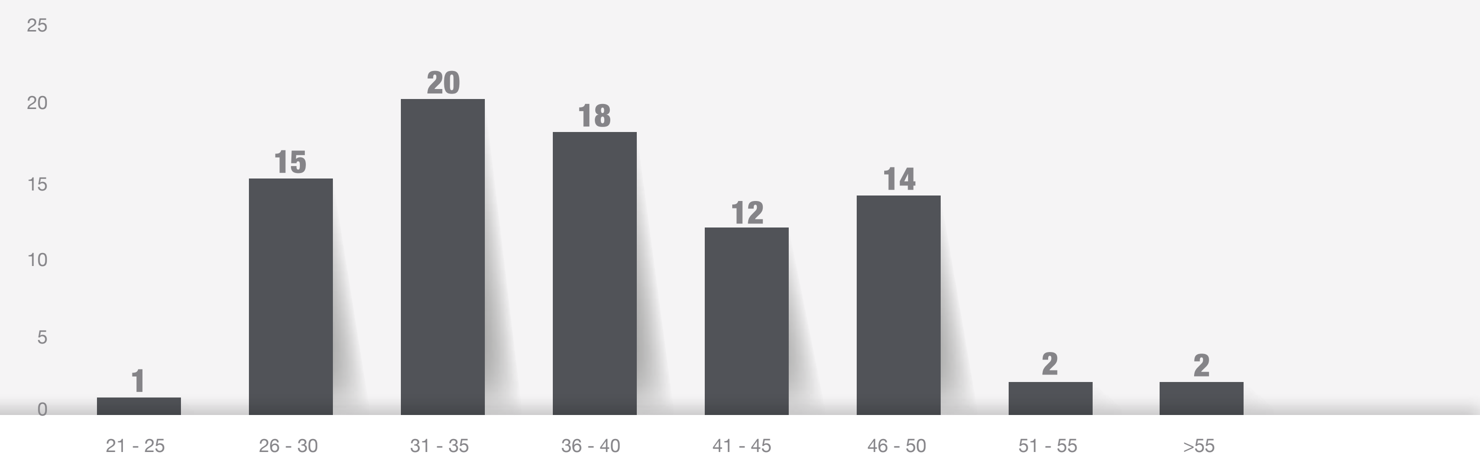
Employment Equity Profile

■ Africans ■ Coloured ■ Indians ■ Whites ■ Foreign Nations

Employee gender and age profiles

The Corporation regards gender diversity as an imperative and, as such, 51% of all employees are female and 49% are male, while the percentage of people with disabilities remained constant at 2.4%. The Corporation achieved 47% female managers, against a set target of 50% female managers, of whom 20% are black and in senior management positions. A total of 64% of black female employees are qualified professionals. The Corporation continuously strives to ensure that the employee profile is representative of the broader society.

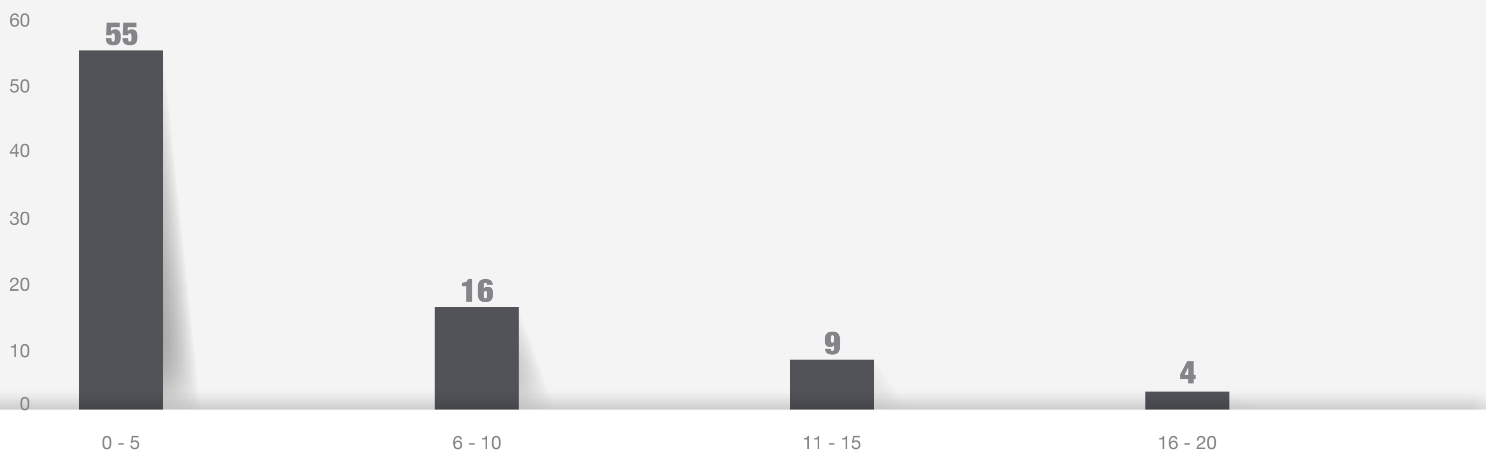
The Corporation is a young organisation and most employees are millennials (31-40 years old). This positions the Corporation well to take quantum leaps in digital innovation as a serious player in Industry 4.0.



Age Profile

Employee tenure, attrition and retention

As a growing organisation, the Corporation has increased its headcount over the last five years and the majority of its employees have been with the Corporation for that period.



Tenure

During the period under review, the attrition rate was 4% (2018:6%), which is well within the market norm of 10-15%. The Corporation achieved a retention rate of 96% (2018:94%) against an internal target of 85%. While ECIC recognises the mobility of a millennial workforce, it expects its staff retention rate to remain at the same level for the foreseeable future.

Learning and development

The Corporation's learning and development initiatives remained 22 in the financial year. Training expenditure was R3,4 million (2018: R3,5 million), or 5% of salaries paid. These interventions enhanced targeted skills in management and leadership, finance, technical and ICT competencies and in administration.

Employee relations

Effective human capital management is critical to the execution and delivery of the strategy. Constructive relationships with employees have resulted in low incidences of employee relations matters and attests to a high level of employee satisfaction.

Remuneration

The total salary costs for the year under review amounted to R70 million (2018: R64 million). Salaries as a percentage of operating expenses was 42%. Staff costs including benefits increased by 12% in 2019 (2018: R88,639).

Employee Wellness

Employee wellness remains a priority. During the past year, the Corporation implemented its Employee Wellness Programme (EWP) through ICAS, a wellness provider.

The Corporation's employees are its critical and most valued stakeholder group and it will continue to monitor and improve their work environment.

S02 IMPROVE STRATEGIC PARTNERSHIPS AND STAKEHOLDER RELATIONS (organisational capacity)

Target/s 2018/19	Performance
• Leverage existing partnerships to generate eight knowledge- sharing initiatives	9 knowledge sharing initiatives implemented

Leveraging strategic partnerships impacts directly on the Corporation's ability to generate revenue. The Corporation continuously works towards increasing local and international public and private sector strategic partner networks to access new markets and increase its business reach.

During the reporting period, engagement with stakeholders further embedded constructive relationships that gave rise to a number of mutually beneficial, complementary and reciprocal business opportunities and cooperative initiatives. This included knowledge-sharing relationships with international export credit agencies and development finance institutions to help the Corporation develop its skills base and access to international markets. Closely cooperating with entities in Africa, such as Afreximbank, creates trust and opens doors to new business.

Knowledge sharing initiatives during the past year included: Benchmarking of Risk Processes with SACE the Italian Export Credit Agency; Export and Project Finance with TXF and Afreximbank; and local finance currency with UKEF the United Kingdom Export Finance agency.

In the year ahead, the Corporation will implement a Strategic partnerships plan which would also include some knowledge sharing initiatives.

S03 IMPROVE BUSINESS PROCESSES (internal process)

Target/s 2018/19	Performance
• Implement 80-100% of ICT business systems plan • Implement 50-60% of process improvement plan	100% of ICT business plan implemented 70% of process improvement plan implemented

Information and Communications Technology (ICT)

The Corporation continued to enhance and entrench the ICT governance framework during the past year. A key focus area in the year ahead will be to develop an Enterprise Architecture (EA) roadmap and assess its ICT governance to determine the maturity of ICT governance in ECIC.

The purpose of an EA is to determine how an organisation can most effectively achieve current and future objectives, specifically those related to ICT, to support business processes and achievement of business objectives effectively. Going forward, the Corporation will continue to automate manual processes to improve business processes and increase operational efficiency.

Process improvement plan

To enhance the business processes which will in turn improve operational efficiencies, a three-year business process improvement plan was crafted and implemented from FY2018/19 onwards. The target set for the first year of implementation was to review and improve 50-60% of business process. As at 31 March 2019, the Corporation reviewed and improved 70% of its processes. The Corporation will continue to implement its business improvement plan by reviewing and improving the targeted business processes.

S04 IMPROVE COMMUNICATION (internal process)

Target/s 2018/19	Performance
• Conduct a brand survey • Implement 80-100% of marketing and communication campaigns	Brand and customer survey conducted Marketing and communication campaign 100% implemented

The Corporation's Marketing and Communication team again aligned a range of initiatives effectively with key strategic objectives to create awareness and understanding of the Corporation and its activities locally and in Africa.

These initiatives are consistently improving communication with interested and affected parties and unlocking business opportunities that also support government priorities.

Some activities during the past year included:

- Participation in 20 trade an industry events, conferences and ECIC-initiated events where ECIC benefitted from high-level networking and knowledge-sharing with borrowers, project sponsors, developers, Developmental Finance Institutions, ECAs, traders, producers and commercial and institutional lenders.

These included the:

- Inaugural Intra-African Trade Fair 2018 as an exhibitor, hosted by the Afreximbank, the Egyptian government and United Nations in Cairo, where its presence created awareness about ECIC among South African exporters and international buyers
- TXF Africa in Nairobi, Kenya
- ECIC/Afreximbank SATIPP media launch, Johannesburg, South Africa
- BRICS Forum for Heads of ECAs, Johannesburg, South Africa
- TXF West Africa Round Table, Abidjan, Cote d'Ivoire
- TXF South Africa held in Cape Town
- 4th BRICS Technical Workshop, Pretoria, South Africa.

At TXF South Africa, former Minister of Trade and Industry, Dr Rob Davies, along with peer national and international leaders, some of the region's largest corporates and the Corporation's COO and Senior Economist, participated in panel discussions and presentations to address key challenges facing the South African financing market.

At the ECIC-hosted 4th BRICS Technical Workshop, ECA officials consolidated the agreements made by ECA heads, while the Head of Political, Economic Analysis and Research (PEAR) Unit delivered a presentation on risk rating.

The Corporation partnered with the Cape Chamber of Commerce and Industry in October 2018 as anchor sponsors for the 28th Annual ECIC/Cape Chamber Exporter of the Year Awards Ceremony. The flagship event celebrated the vital role of exporters in the economy of the Western Cape. The competition was designed to honour and promote large and small businesses that have proved their excellence in tough international markets and to inspire other ambitious companies to export their goods and services.

- Media and advertorial campaigns included the launch of a "Successfully growing our portfolio in frontier markets" campaign locally and in other African countries. This was supplemented with an international campaign with an Intra-Africa trade focus on providing credit support for buyers of South African capital goods and services.

  Additional media and advertising initiatives included local and international billboards, radio and online media campaigns, as well as publicity through print and broadcast media and media interviews.

- The Corporation disseminated two issues of its external electronic newsletter to stakeholders and four issues of the internal electronic newsletter to employees during the review period.
- The ECIC website, which is updated daily, attracted 53 993 visits during the 2018/19 financial period.

The Corporation looks forward to the opportunities in the year ahead to further entrench stakeholders' awareness and knowledge about the Corporation's services, initiatives and capabilities through the wide range of communication platforms and channels we employed to reach and interact with its stakeholders.

S05 IMPROVE BUSINESS DEVELOPMENT AND CUSTOMER MANAGEMENT (internal process)

Target/s 2018/19	Performance
• Two research projects to identify new opportunities	3 research reports done
• Value of projects approved USD450-550 million	USD 573.4m approved

Research projects

The Corporation proactively conducts research in various countries and sectors to identify trade and investment opportunities for South African companies with the aim for the Corporation to match relevant players to those opportunities. Three research reports were approved during the financial year; Agro-processing, Angola and Uganda.

Africa has large upside potential in agriculture, and needs to start capturing more value in its agri-produce through agro-processing. Increasing demand for finished agri-goods will continue to bolster food trade deficits with the world, if left unchecked. But the local agro-processing industry can meet this opportunity, despite several industry risks abound in Africa. Commitment by local and African based financial institutions can provide assistance in navigating industry risks going forward.

Angola continues to make headway in addressing its socio-economic development challenges, enhancing resilience to external shocks and sustaining efforts to diversify the economy away from the oil sector. There are vast opportunities for South African exporters and investors in both the public and private sector of Angola.

Despite being landlocked, Uganda offers regional exports opportunities to South Sudan, Kenya and other neighbouring countries, which are facilitated by growing trade linkages within the East African Community.

There are vast opportunities for South African exporters and investors in Uganda in both the public and private sector and the government has a liberal trade and investment policies and are pro-business.

Value of projects approved

During 2018/19, the Corporation approved 14 projects to the value of $573 million (2018: $497 million). In terms of volume of new approvals, this represents a notable increase from the number of deals approved in the past two financial years and the deals are spread across a variety of sectors and geographies.

The Corporation succeeded in entering new markets, such as in Kenya and Eritrea, as well as in French-speaking countries like Congo-Brazzaville and Côte d'Ivoire.

S06 INCREASE CAPITAL BASE (finance)

Target/s 2018/19	Performance
• 8% increase in equity	24% increase in equity

The Corporation aims to increase the equity that supports business growth and sustainability by ensuring that sufficient capital is available to maintain financial sustainability and withstand adverse events (such as an economic downturn or a large claim). The sustainability of the Corporation is driven by two main revenue streams; underwriting profit and investment returns.

Underwriting profit

The Corporation produced a strong underwriting profit, mainly due to strong premium earnings, a release in incurred but not reported reserves due to an improved risk profile, and an accrual for salvages receivable.

Investment returns

The Corporation's investment portfolio earned a net investment income of R320 million in the financial year. The portfolio is invested in US dollar fixed income and a diversified basket of assets denominated in South African Rand.

Losses in US fixed income markets abated reassuringly during the financial year as the Federal Reserve's rate hiking cycle slowed, nearing its peak. Short-duration (0-3 years) US Treasuries yielded 2.6%, while longer-duration (5-10 years) US Treasuries and US Corporate Bonds returned 5.3% and 6.6% for the year respectively. The Corporation's offshore portfolio, which invests in a basket of these asset classes, delivered a return of 4.1% for the year (in US dollar terms).

South African equity investors were disappointed as these markets suffered their worst calendar year since 2008, declining by -10.9% in 2018 and -2.6% for the financial year as measured by the Capped SWIX. The five-year annualised return for equities is now just over 5%, concerningly underperforming inflation. A total of 40% of the Corporation's local assets are invested in equities, a strategic weight adjusted down from 55% in December 2016 in favour of cash to reduce risk in this portfolio.

Appointed active equity fund managers generously lifted returns, yielding positive absolute returns and outperforming the Capped SWIX by +5.3% and +16.0%, respectively, for the year. The three-to-seven-year duration of the South African bond market generated 6.9% for the financial year, while cash returned 7.3%. Overall, the local portfolio grew by 5.9%, securely outperforming its weighted strategic asset allocation benchmark by +3.1%.

Asset class and fund manager allocations

As at 31 March 2019 the strategic asset allocation (SAA) and fund manager allocations were unchanged compared to the previous financial year-end.

Portfolio	SAA (%)	Asset Class
Rand Portfolio	40	South African Equity
	5	South African Property
	5	South African Corporate bonds
	30	South African Government bonds
	20	South African Money market
US Dollar Portfolio	12.5	US Money Market
	62.5	US Government Bonds
	25	US Corporate Bonds
Fund Manager	**Weight (%)**	**Asset Class**
Allan Gray	14	
Mazi Capital	13	South African Equity
Fairtree Capital	13	
Coronation Fund Managers	17.5	South African Fixed Income
	5	South African Property
Sanlam Investments	17.5	South African Fixed Income
	20	South African Money Market
Argon Asset Management / Schroders	30	
Investec Asset Management	40	US Fixed Income
World Bank Treasury	30	

The split between the investment portfolio's Rand and US dollar denominated assets is not tactically managed but is a result of the Corporation's in- and outflows in these currencies. As at 31 March 2019, the allocation to Rand and US dollar assets were 42.1% and 57.9% respectively.

Investment strategy

The Corporation's investment strategy is set by taking cognisance of the Corporation's liability profile, liquidity requirements and risk appetite through an asset-liability matching (ALM) exercise. The optimisation of SAA is determined by integrating asset class risk and return expectations. Assets are allocated and managed by external fund managers who are selected for their specialised skills, professional teams and suitable investment processes and styles. Each asset class in the SAA is given a representative and measurable benchmark index to assess performance.

Expected changes to the investment strategy

During the financial year, the Board approved a revised US dollar investment strategy. The proposed changes are expected to improve diversification, achieve higher risk-adjusted returns and reduce market cycle risk, such as rising interest rates, while remaining within the risk budget and capital allocated to investment activities.

New asset classes (global equity and emerging market debt), the use of derivatives (for efficient portfolio management) and a wider opportunity set (based on credit ratings), will be introduced to effect these changes. The revised investment strategy will be implemented following National Treasury engagement.

S07 INCREASE STAKEHOLDER/CUSTOMER SATISFACTION (customer/stakeholder)

Target/s 2018/19	Performance
• Conduct a customer satisfaction survey	Brand and customer survey conducted

The Corporation strives to maintain and exceed customer expectations by regularly asking its stakeholders for feedback about its services, performance and their brand value experiences.

A Brand and Customer Survey was completed during the 3rd quarter of 2018 with a 91/100 sample size compared to that achieved in 2016. These surveys support the Corporation's commitment to understanding and responding in a meaningful way to stakeholder and customer needs.

The recommendations of the 2018 report included:

- Improve brand awareness with quality communication material and further strengthening stakeholder communication channels
- Address the lowest scoring reputation drivers and leverage off being a proudly South African Corporation
- Maintain a high quality, up-to-date website
- Continue to support and maintain a presence at national trade and industry events
- Ensure employees are informed and updated on ECIC developments and improve employee satisfaction levels continuously within the Corporation.

A Stakeholder and Customer Engagement Plan will be developed based on the brand and customer survey and results reported in the forthcoming period.

Driving performance forward

The Corporation's 2022 strategy contains eight key strategic objectives with an emphasis on strategic partnerships, business growth and operational excellence to entrench the Corporation's role in expanding trade between South Africa and the rest of the continent. The Corporation's role has the potential to generate significant value and create untold opportunities for South African exporters and contractors to take business into the region.

Undoubtedly, this will attract foreign investment in the domestic economy and increase its relevance as a gateway into Africa to grow its export and investments footprint in new markets and geographies across the continent.

Going forward, the Corporation will continue to pursue performance excellence relentlessly towards becoming a world-class export credit agency with the skills sets and capabilities to facilitate South Africa's export trade and investment and utilise the unique opportunities to improve human communication and conflict resolution.

CREATING SOCIAL VALUE: CORPORATE SOCIAL INVESTMENT (CSI) AND ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD)

CSI initiatives

The Corporation implements sustainable CSI interventions through mutually beneficial partnerships in education, skills development and community development to help address the socio-economic challenges experienced by impoverished communities in South Africa. The objectives of of the Corporate are aligned with those of its CSI partners.

The CSI budget of R4 292 129 for the reporting period represented 1% of Net Profit After Tax (NPAT).

The intent of the CSI focus on skills development and education, specifically bursaries and after-school support programmes, is to contribute to societal well-being and economic growth. During the period under review, CSI initiatives included:

- **Yacht and boat building programme** – supported nine students who completed their 2nd-year theoretical studies in NQF-4 Yacht and Boat Building programme at the False Bay Technical Vocational Education and Training (TVET) College in Cape Town in December 2018. The students are currently in work-integrated learning in related industries and will complete the programme in June 2020.
- **Tiso Foundation skills development initiatives** – partnership with the Foundation is supporting eight learners in a two-year Electrical Engineering Artisan Development Programme that started in May 2018.
- **Sci-Bono Discovery Centre** – providing financial support for after-school lessons in Mathematics, Physical Science, Accounting and Life Sciences for Grade 12 learners from five participating schools, in the Sci-Bono/ECIC Learner Support Programme.
- **Bursary programme** – supported 12 students during the 2018/19 financial year, two in Engineering Science and 10 in Actuarial Science. The two Engineering Science students completed their studies and graduated in April 2019. One found permanent employment while the other is pursuing B.Tech studies. The 10 Actuarial Science students completed their first-year studies successfully in 2018 and are currently continuing with their second year.

Following Board approval in the 2016/17 financial year and due process in appointing a service provider during the past year, the Corporation's CSI programme will be managed by an external service provider from the start of the new financial year.

"The function of education is to teach one to think intensively and to think critically. Intelligence plus character – that is the goal of true education."
– Martin Luther King

Enterprise and Supplier Development

The key outputs of the Enterprise and Supplier Development (ESD) programme ensures that the Corporation complies with the country's B-BBEE legislation, corporate B-BBEE scorecard, and supports supplier diversity through strategic sourcing and the development of Black-owned SMMEs.

ESD received a budget allocation of 3% of net profit after tax for the 2017/18 financial year, of which 1% and 2% of net profit after tax were allocated to supplier development and enterprise development, respectively, to enhance supplier diversity, empower Black-owned SMMEs and develop export-orientated SMMEs into competitive entities in their related sectors. These initiatives are aligned with the Corporation's CSI-ESD policy framework and ESD Implementation Plan.

During the review period, the ESD programme participated in several sector events, strategic meetings and beneficiary site visits. These included the Small Enterprise Development Agency (Seda)-ECIC Women Coaching Programme Graduation (close-out) event, State-Owned Enterprises Procurement Forum (SOEPF), **the dti** B-BBEE Unit meeting, B-BBEE Strategic Training and B-BBEE Commission Annual Conference. The Corporation conducted over 20 pre-and post-disbursement site visits to enterprise development (ED) and supplier development (SD) beneficiaries during the financial year.

At financial year-end 2018/19, the ESD programme had concluded its support to some of the 28 entities from the previous financial year and committed support to an additional 16 ED entities with machinery and equipment to enhance production capacity.

The ESD programme also assisted over 25 SD entities with business development services and equipment and 20 women entrepreneurs to participate in the Women Enterprise Coaching Programme in the 2018/19 financial year in collaboration with Seda.

In an effort to improve the quality of the ESD support to SMMEs, the Corporation is in the process of outsourcing some of the ESD functions.

GOVERNANCE

- GOVERNANCE REPORT
- GOVERNANCE STRUCTURES
- REMUNERATION REPORT
- AUDIT COMMITTEE REPORT
- DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS
- CERTIFICATION BY THE COMPANY SECRETARY

GOVERNANCE REPORT

The Board is responsible for the governance and compliance framework of the Corporation.

Compliance with laws, rules, codes and standards

The Board is responsible for the Corporation's compliance with legislation and industry norms and standards. The Corporation appointed a Company Secretary and Compliance Officer to assist the Board and Management with compliance pertaining to the operations in this regard.

The CFO is responsible for compliance in relation to financial-related issues. The CEO has overall, ultimate responsibility to monitor and ensure institutional and financial compliance. The Chairman is responsible for Board leadership in ensuring effective overall strategic and governance oversight.

Legal and regulatory universe

The Corporation is listed as a Schedule 3B public entity in terms of the Public Finance Management Act (PFMA), 1 of 1999, as amended. The Corporation was reconstituted in terms of the Export Credit and Foreign Investment Insurance Act, 78 of 1957, as amended and incorporated in terms of the Companies Act, 71 of 2008, as amended. South Africa's legislative framework for corporate entities also applies to the Corporation although the PFMA supersedes all other legislation apart from the Constitution.

The Corporation is registered as a financial services provider and must comply with applicable insurance legislation, amongst others, the Insurance Act, 18 of 2018, and the Financial Advisory and Intermediary Services Act, 37 of 2002. The Export Credit Insurance Agreement (as contemplated in terms of section 2 of the Export Credit and Foreign Investment Insurance Act, 78 of 1957 as amended) and the Shareholder Compact (which is renewed annually) entered into between the Corporation and the Minister of Trade and Industry, govern the Corporation's business activities.

Public Finance Management Act (PFMA)

Compliance with the PFMA drives the transparency, accountability and sound management of revenue, expenditure, assets and liabilities in public entities. The Board, as the Accounting Authority, takes effective and appropriate steps to prevent irregular, fruitless and wasteful expenditure. The Corporation's Materiality and Significance Framework is reviewed annually. Compliance with PFMA reporting, according to section 55(2)(b), is disclosed on page 88 of this report.

Alignment with King IV Report on Corporate Governance

The Board guides the Corporation's compliance with the principles of openness, integrity and accountability as espoused in the King Report and King Code on Corporate Governance (King IV). Although compliance to the King Code is not legislated, it has become an expected and accepted industry norm. ECIC complies with those aspects of the code that apply to public and/or state-owned entities. The extent of compliance with the applicable King IV governance principles and recommendations during the past year is available online at

https://www.ecic.co.za/About-Us/Management-Governance.

Board of Directors and its composition

The Corporation is governed by a unitary Board of Directors who, collectively, have the required experience and business acumen to guide the Corporation's strategy and governance. The Board consists of nine directors, including six independent non-executive directors, two representative directors (government representatives) and the CEO as the only executive director.

All directors have a fiduciary duty to exercise due care and skill in carrying out their responsibilities. The Board is accountable to the shareholder for the Corporation's activities and performance.

Board Charter

The Board Charter is reviewed every three years and sets out the responsibilities of the Board, its directors and management. The charter ensures that the Board exercises full control over significant matters, including the vision, mission, values, strategic objectives, business plans, annual budget and performance monitoring against set objectives, organisational design, the integrated report and annual financial statements of the Corporation.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer (CEO) are separated. The Chairman is an independent non-executive director who ensures that the Board is efficient, focused and operates as a unit. The responsibility for managing the Corporation's business is delegated to the CEO, as the executive director accountable to the Board.

Delegation of authority

The Board confers authority on management through the CEO in terms of approved authority levels. A delegation of authority document, updated every three years or as required, regulates the delegation of authority to Board committees and management.

Independence of directors

The Board Charter supports independent and objective decision-making with no director holding unfettered decision-making powers. Director "independence" is aligned with King IV, while non-executive directors who represent government departments are not considered as independent. None of the non-executive directors have contractual or family relationships with the Corporation, nor do they participate in ECIC incentive schemes or charities that benefit from donations by the Corporation. This ensures fair, unbiased and unfettered judgements about matters that affect the Corporation.

Company Secretary and Secretariat

The Corporation has a Company Secretary in line with the requirements of the Companies Act, 71 of 2008, and the principles of good corporate governance as guided by the King Code.

The Company Secretary ensures that the Corporation meets its compliance obligations for submission of documents to stakeholders including National Treasury and **the dti**.

The Company Secretary serves as the direct channel of communication to the Chairman of the Board and provides comprehensive practical support/ guidance to the Board Chair and Committee Chairs in proper compilation/ timely circulation of Board papers for the Board and its Committees. It is the responsibility of the Company Secretary to assess the training needs of the Board members and executive management regarding fiduciary/ governance responsibilities.

Appointment policy

Board vacancies are publicly advertised and candidates are subject to security clearance. Director recruitment is in accordance with **the dti**'s Policy Framework and the Procedures on Oversight and Governance of Public Entities and Statutory Institutions. The policy provides a generic set of principles, procedures and processes that promotes good corporate governance and strengthens **the dti**'s oversight responsibilities over its group of entities.

The shareholder appoints directors on recommendations by the Board for a three-year term. A retiring director can be reappointed at the shareholder's discretion, limited to two terms.

Board meetings

The Company Secretary develops an annual work plan for Board approval that covers its mandate and sets meeting dates and agendas. Meetings are scheduled a year in advance and special meetings are convened as required. The Board Charter provides for Directors who cannot attend meetings the option of participation through telephone conference calls or Skype. Executive Management Committee members attend meetings to report on relevant matters.

The Board met 13 times during the 2018/19 financial year on 16 April, 26 April, 14 May, 21 May, 14 June, 16 July, 13 August, 27 August, 30 October, 13 November and 15 November in 2018 and in 2019 on 29 January and 7 March. Eight of the 13 were special Board meetings.

Board members access documentation digitally through a Board portal. This has increased communication, enhanced decision-making and boardroom efficiency, reduced paper consumption and significantly contributed to bottom-line savings.

Board members, committees and meeting attendance from 1 April 2018 to 31 March 2019

Board and Committee Attendance	Board	Audit	Risk	FIIC	HRRC	Social & Ethics
Non-Executive Directors						
D Dharmalingam (Chairman)	Chair 13/13				Chair 3/3	2/2
A Mawela* (Chair AC until 31/5/18)	4/4	Chair 2/2				
V Matsiliza (Chair AC from 1/6/18)	10/13	Chair 2/3		3/5	1/3	
S O Mahony (Chair RC)	5/13	3/5	Chair 3/3		3/3	
L Radikeledi	10/13		3/3	5/5		
S Mayekiso (Chair FIIC)	13/13	5/5		Chair 5/5	3/3	
L Mothae (Chair SEC)	10/13	3/5			3/3	Chair 2/2
D Subbiah[3] (App SEC & FIC 1/9/18)	4/5		2/2	3/3		1/1
Shareholder representative: R Le Roux** L Mataboge[1] S Botes[2] (App FIC alternate 1/5/18)	13/13			3/5		
Executive Board Member						
K Kutoane	6/13		3/3	3/5		2/2

* Term as Director ended on 31 May 2018

** Term as non-Independent, non-Executive Director ended on 30 April 2018

1 Appointed as non-Independent, non-Executive Director as from May 2018

2 Appointed as alternate to L Mataboge as from May 2018

3 Appointed as Director from 1 September 2018

Director induction, orientation and ongoing education

A comprehensive director orientation, induction and training programme is implemented on an ongoing basis to inform new directors about their duties and responsibilities. Existing Board members are encouraged to, and do, participate in the induction programme. The orientation programme is structured to improve directors' understanding of the Corporation's legislative framework, governance processes, delegation of authority and business operations.

Board members attend regular internal and external briefing sessions to broaden their understanding of the Corporation's operations and keep Board committees informed about new legislation and regulations, as well as local and international industry developments, technology issues, risk management and corporate governance best practices. Director mentoring or coaching is available, when required.

Independent advice

The Board recognises the need for directors individually and collectively to take independent professional advice at the Corporation's expense according to an agreed procedure.

Board and director evaluations

An annual evaluation process assesses the effectiveness of the Board and Board committees and identifies major operational weaknesses and/or the relative skills mix and other considerations for effectiveness. The Board submits its evaluation and progress report annually to **the dti**.

Board and committee performance were evaluated this year through questionnaires compiled by the Company Secretary benchmarked with the IoDSA evaluation questionnaire. All nine directors, including the alternate director as the Shareholder representative, participate in the evaluation.

Information technology governance

The Risk Committee is responsible for ICT governance by:

- Considering the effectiveness of ICT controls, policies and processes and their risk to financial reporting and the effectiveness of financial controls
- Monitoring initiatives to manage ICT risks appropriately to mitigate threats to operational continuity.
- Management constituted an ICT steering Committee with an external ICT expert sitting and guiding the proceedings, and EXCO plays an oversight role and report matters from ICT steering committee to the Risk Committee.

Values and ethics

The Corporation's values support its Code of Ethics and Business Conduct. Directors and employees are required to declare potential conflicts of interest between organisational obligations and personal interests. Should these arise, members are required to recuse themselves during the discussion of the related matter at meetings.

Board Committees

In terms of the Memorandum of Incorporation and/or the Companies Act, 71 of 2008, the Board has, effectively and efficiently, established committees and delegated responsibilities. The committees are governed by Board Approved Charter and Terms of Reference (ToR) that define the composition, role, responsibilities and delegated authority of each committee. The respective ToRs are aligned with regulatory requirements and governance best practice.

Board committees include the: Audit; Risk; Social and Ethics; Finance, Investment and Insurance; and Human Resource and Remuneration Committees. The Board remains ultimately accountable for the proper fulfilment of committee functions, except for the statutory functions of the Audit Committee and Social and Ethics Committee. Committee chairmen report to the Board on their deliberations and recommendations.

New Liberty Gold Mine, Liberia

Audit Committee

The Audit Committee is constituted as a statutory committee in terms of the Companies Act, 71 of 2008 During the year under review, the committee consisted of three independent, non-executive directors and one representative of National Treasury appointed by the shareholder at the annual general meeting. The Audit Committee met five times during 2018/19 on 26 April 2018, 30 May 2018, 27 August 2018, 30 October 2018 and 29 January 2019.

The committee operates in terms of a formal charter and Board-approved annual work plan. The external and internal auditors attend committee meetings, have unrestricted access to the committee and chairman and can address the Audit Committee at each meeting without the presence of management.

The Audit Committee has not recommended the engagement of an external assurance provider on material sustainability issues to the Board as it regards the internal assurance as adequate, given the maturity of existing processes.

The committee believes that it has complied with its legal and regulatory responsibilities for the year under review (refer to Audit Committee Report).

Assurance statements

The Audit Committee is satisfied that:

- The Corporation complied with its legal, regulatory and other responsibilities
- The Corporation lodged correct and up-to-date quarterly returns, required by the PFMA and Treasury Regulations, with **the dti**
- The Corporation has accounting policies and financial statements that are appropriate and comply with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008
- The internal auditor, Outsourced Risk and Compliance Assessment (Pty) Ltd, was suitably independent
- Internal controls and risk management measures, including internal financial controls, are effective, as outlined in the internal auditor's written assessment
- Internal financial controls and risk management measures (including internal financial controls) are effective and form a sound basis for reliable financial statements
- The committee executed its duties in terms of the requirements of King IV (instances where these requirements have not been applied, if any, is provided online)
- The external auditor was appointed in line with sections 25(1)(b), (2), (3) and (4) of the Public Audit Act, 25 of 2004
- The external auditor is independent in accordance with King IV, which considers previous appointments, other work undertaken for the Corporation and possible conflicts of interest as described by the Independent Regulatory Board for Auditors
- The external auditor confirmed that internal governance processes within the Corporation do indeed support and demonstrate its claim to independence.

Risk Committee

The Risk Committee is responsible for the risk identification, evaluation, monitoring and management that vests in management. The committee assists the Board by ensuring that risk management processes and controls effectively identifies and monitors key risks in an integrated and timely manner and are implemented appropriately.

The committee supports the Board in discharging its ICT governance duties and oversees the implementation of new, applicable regulatory developments, such as the Own Risk Self-Assessment (ORSA). Committee members serve on the Audit, Finance and Investment, Remuneration, and Social and Ethics Committees for ease of collaboration on risk issues. The committee met three times during the period under review on 14 June 2018, 15 October 2018 and 28 January 2019.

Activities in 2018/19

The committee:

- Advised the Board on the overall risk appetite, tolerance and strategy within its existing and future macroeconomic and financial environments
- Advised the Board, prior to decision-making, on the risks and implications of proposed strategic transactions on the Corporation's risk appetite and tolerance levels, which included the sourcing of independent external advice, where appropriate
- Regularly reviewed and approved Risk Register measures and methodology
- Set Risk Dashboard standard to monitor critical risks accurately and timeously
- Advised the Board on existing risk exposures (Portfolio Report) and future risk strategy

- Received and considered all risk matters reported by the Board and/or committees
- Review risk limit reports
- Ensured that appropriate resources were available to manage risk and that those responsible had access to the necessary information to perform their function effectively
- Had oversight responsibility for the Business Continuity and Disaster Recovery Plan
- Evaluated the adequacy and effectiveness of the enterprise risk management system
- Reviewed risk policies, including the underwriting risk policy and operational risk policy.
- Monitored the Corporation's ICT framework and strategy.

The committee believes that it discharged its obligations adequately during the year and that all material risks were identified, quantified and, where possible, mitigated.

Finance, Investment and Insurance Committee

The Finance, Investment and Insurance Committee comprised three independent non-executive directors and one non-independent non-executive director (**the dti** representative). Meetings are also attended by the statutory actuary and fund managers on invitation. The committee met five times during the year under review on 7 June 2018, 23 July 2018, 26 October 2018, 28 January 2019 and 28 February 2019

Activities in 2018/19

The committee undertook, among others, the following activities:

- Reviewed investment policies
- Oversaw the development of the investment strategy
- Oversaw and guided the implementation of the Corporation's fund managers' mandates
- Monitored fund managers' and the statutory actuary performance
- Provided information to the Board on the achievements and challenges experienced by the Corporation's fund managers and the economic outlook locally and globally
- Monitored investments to ensure optimal returns
- Monitored the absorption of the IMU liability onto the Corporation's books
- Reviewed and oversaw the utilisation of the annual budget
- Helped the Board ensure that the Corporation's investment portfolio is adequately managed.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee is a subcommittee of the Board and consists of non-executive directors and shareholder representative and is advised by independent experts. Three meetings were held during the year on 23 July 2018, 16 October 2018 and 13 November 2018.

Areas of responsibility

The Remuneration Committee considers, among others, overall remuneration matters to ensure that these are fair and in line with the corporate remuneration philosophy. It also considers Board succession and determines the Board's induction and continuing development programme.

Activities in 2018/19

Some of the matters that the Remunerations Committee addressed during the reporting period included:

- Taking account of business performance and recommended the 2017/18 short-term incentive pay-outs
- Reviewing the Corporation's remuneration policies and monitoring their implementation and effectiveness
- Developing the year's human resources strategic plan
- Reviewing the performance of the CEO.

Social and Ethics Committee Statutory Report

The Social and Ethics Committee is constituted as a statutory committee of the Board under section 72(4) of the Companies Act, 71 of 2008 (read with Regulation 43 of the Companies Regulations). This report will be presented at the ECIC 2018 Annual General Meeting for the financial year. The committee met twice during the year on 30 May 2018 and 16 October 2018.

Responsibilities

The committee fulfils its functions and responsibilities in terms of the Companies Regulations 2011 and, from time to time, other Board-assigned functions. These responsibilities are documented in the committee's Terms of Reference and annual work plan.

Activities in 2018/19

The committee received several management reports and considered the following matters within its mandate:

- Confirmation that the Corporation's business conduct is aligned with the applicable UN Global Compact Principles and OECD Recommendations Against Corruption regarding human rights, labour standards, the environment and anti-corruption
- The corporate social investment programme
- Progress against the Corporation's employment equity plans
- Consumer relationships to ensure that industry-specific consumer protection legislation and policies (FAIS, Short-Term Insurance Act) are in place and compliance managed
- Performance against **the dti's** generic Broad-based Black Economic Empowerment scorecard to achieve the highest rating possible.
- The committee focused specifically on:
  - Stakeholder engagement (pages 42 to 44 of this report)
  - Marketing and communication initiatives (pages 70 to 71 of this report)
  - CSI, supplier and enterprise development initiatives (pages 74 to 75 of this report)
  - Remedial actions for the improved occupational health and safety of employees and visitors.

Ethical conduct overview

The Fraud Prevention Policy, Whistle-Blowing Policy and Code of Ethics and Business Conduct are in place and were reviewed to combat corruption, manage identified fraudulent activities and ensure that the essential features of ethical conduct are governed and managed effectively. These policies are communicated adequately to staff.

Compliance

The Corporation's conduct is guided by several policies, including:

- The Code of Ethics and Business Conduct
- The Honesty and Integrity Requirements Policy
- The Conflict of Interest Management Policy
- The Financial Intelligence Centre Act, 38 of 2001 (requires reporting suspicious and unusual transactions to the Financial Intelligence Centre)
- The Gifts Policy (requires employee to declare gifts above a certain threshold)
- The Procurement Policy (details conduct during supply-chain processes).

The committee is of the view that the Corporation assigned the necessary importance to its environmental, social and ethical governance responsibilities and aligned its initiatives with the Corporation's business strategy.

No substantive legislative or regulatory non-compliance or transgressions of codes of best practice that fall within the committee's mandate were brought to its attention. The committee has no reason to believe that any such non-compliance or non-adherence occurred.

The committee recognises the dynamic nature of its environmental, social and ethics mandate and will ensure that relevant policies, plans and programmes are in place to promote and sustain social and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good consumer relations. Going forward, the focus will be on ethics management, performance oversight and industry peer-benchmarking.

Other governance structures

Executive Management Committee

The Executive Management Committee (EXCO) is chaired by the CEO and includes the Chief Operations Officer (COO), Chief Financial Officer (CFO), General Counsel (GC), Chief Risk Officer (CRO) and Chief Actuarial and Investments (CAI). The Company Secretary serves as EXCO secretary. The CEO invited the Head: Marketing and Communications, Head: Human Resources, and Manager: Office of the CEO onto EXCO. The committee's five focus areas are administration, operations, projects, enterprise risk management and ICT.

REMUNERATION REPORT

The Corporation's remuneration report is set out under the following sections:

- Part 1 – Background statement
- Part 2 – Overview of the remuneration philosophy and policy
- Part 3 – Implementation report for the remuneration policy during the past year.

PART 1 BACKGROUND STATEMENT

The performance measures used to determine the payment of short-term incentives included:

- Profit;
- New business;
- Research and product development/ enhancement;
- Business systems implementation plan;
- Business process Improvement plan;
- Customer satisfaction;
- Brand visibility; and
- Capacity building.

For the year under review, the balanced scorecard reflects a weighted score of 3.93 on a 5-point scale, which equates to an 80% performance achievement (2018: 79%).

These targets and the extent to which they are achieved have a direct impact on the short-term incentives payable to employees.

Matters considered by the Committee in 2019

- Approved increases and adjustments for executives and all other employees;
- Reviewed the Corporation's Balanced Scorecard;
- Approved short-term incentives for all employees;
- Reviewed the Corporation's human resources and remuneration policies, and monitored the implementation and effectiveness of such policies;
- Contracted the services of an independent remuneration consultant to review pay scales;
- Succession planning of key positions within the Corporation; and
- The shareholder voted in favour of the remuneration philosophy and policy tabled at the annual general meeting (AGM).

Key focus areas for the 2019/20 financial year

- Continue to review remuneration practices and make adjustments as required;
- Ensure incentive schemes attract, retain and reward top talent; and
- Implementation of the long-term incentive scheme.

PART 2 REMUNERATION PHILOSOPHY, POLICY AND FRAMEWORK

1. Remuneration Governance

Remuneration policy, structures and processes at the Corporation are set within a governance framework. The diagram below outlines the main levels of authority within this framework:

SHAREHOLDER	Non-Executive Director Fees and non-binding approval of remuneration policy
BOARD OF DIRECTORS	Approval of remuneration policies
HUMAN RESOURCES & REMUNERATIONS COMMITTEE	Recommend policies to Board of Directors and monitor the implementation of remuneration policy
CEO - SUPPORTED BY OTHER EXECUTIVES	Implementation, oversight, communication, formulation of recommended policies and remuneration

Human Resources & Remunerations Committee

The Human Resources & Remunerations Committee consists entirely of independent non-executive directors and has access to independent remuneration consultants to advise them on best practices, trends and regulatory changes that are taken into account in formulating the remuneration policy .The CEO and other members of EXCO attend meetings by invitation, but do not vote and are not present when their remuneration is determined.

The Human Resources & Remuneration Committee had three meetings in 2019, with attendance set out in the table below.

Table 1: Remuneration Committee attendance record, 2018/19

Members	Meetings attended
Dheven Dharmalingam	3
Vuyelwa Matsiliza	1
Siobhain O'Mahony	3
Sisa Mayekiso	3
Lerato Mothae	3

The Human Resources and Remuneration Committee is mandated by the Board to ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term. The Human Resources and Remuneration Committee develops, maintains and oversees the implementation of the remuneration policy, which is tabled for Board approval.

In support of its mandate, the Human Resources and Remuneration Committee performs the following functions:

- Ensure alignment with the latest governance standards;
- Review and approve all short- and long-term incentive structures and monitor overall liability;
- Approve and report to the Board on all remuneration;
- Ensure succession planning for Board and executive management;
- Determine the Board's induction and continuing development programme;
- Consider the proposed average annual increase in the Corporation's guaranteed remuneration, ensuring that this reflects the relevant economic trends and affordability constraints;
- Review and approve the annual balanced scorecard to ensure that the performance measures included in the scorecard are appropriate as a basis for determining incentives;
- Oversee the process of addressing unjustified differences in income at all levels in the Corporation; and
- Review the remuneration of non-executive directors to ensure it is market-related.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

2. Remuneration Policy and philosophy

The Corporation's remuneration philosophy is to remunerate and reward employees in line with market norms. The Corporation believes that great people are the foundation of success. Remuneration, reward and recognition each plays a key role in attracting, engaging, motivating and retaining such individuals. The Corporation is committed to providing total remuneration packages that:

- Attract, retain and motivate high-calibre employees;
- Encourage performance and reward employees who exceed business objectives;
- Recognise individual and team contributions;
- Apply remuneration practices which discourage excessive risk taking outside of the Corporation's risk appetite; and
- Reward fairly and equitably.

2.1 Executive and employee remuneration

The Corporation adheres to a 'total cost-to-company' methodology, referred to as guaranteed pay. All employees, including the Executive Director, receive guaranteed pay based on their role in the Corporation and linked to individual performance. Contributions to medical aid, retirement funding and insured benefits are included in guaranteed pay. In addition to guaranteed pay, the Corporation offers annual short-term incentives to employees, based on Board approval.

2.1.1 Reward Structure

The Corporation's remuneration structure supports the business need to offer an appropriate mix of fixed and variable remuneration, depending on the level and complexity of the specific role. The remuneration structure comprises broadly of fixed guaranteed pay and short-term incentives as detailed below:

Remuneration Element	Purpose	Application
Total Guaranteed Pay- Base pay and benefits such as medical aid and provident fund.	To provide the core guaranteed element of remuneration for the role.	Total Guaranteed Pay is benchmarked against the financial services and SOE markets, targeting the 50th percentile (for general positions) and 75th percentile (for critical and scarce-skills positions). Care is taken to select appropriate peer groups, ensuring comparison to a similar market and organisations of a comparable size. Factors such as industry, revenue, profits, market capitalisation and number of employees are considered.
Short-term incentives – annual cash bonus	To support a high-performance culture within the organisation through reward for performance,	Short Term Incentives are discretionary and are awarded as a percentage of total guaranteed pay, which varies according to the level and complexity of the role. The actual award is based on a weighted mix of the level of performance achieved by the Corporation and the individual as well as the achievement of the set and agreed financial performance.

2.2 Sign-on, retention and restraint payments

The Corporation will offer sign-on bonuses and retention bonuses under exceptional circumstances and these will be preapproved by the Human Resources and Remuneration Committee. These special-purpose short-term variable remuneration arrangements are typical in the context of hiring senior and key employees to compensate for loss of certain accrued benefits or to make them whole in terms of their existing contractual obligations

The Human Resources and Remuneration Committee may, from time to time, conclude restraint of trade agreements with members of executive management. These restraint of trade agreements may be contractual only i.e. unpaid or, where appropriate, subject to an appropriate payment, and are aligned with the overall business strategy of the Corporation. Disclosure of these payments will be made in line with any applicable regulatory requirements. There are currently no restraint of trade agreements in place.

2.3 Payments on termination of employment

Upon termination of employment, the Corporation will pay employees the benefits that were due to them. The employment contracts for members of executive management do not compel the Human Resources and Remuneration Committee to make any payments in the event of termination of employment. The Human Resources and Remuneration Committee has discretion regarding all terms of such agreements (to be exercised on a case by case basis).

2.4 Board Remuneration

Board members receive a fee for each Board and committee meeting attended, both of which are determined by the Minister of Trade and Industry. Board members are also compensated for all costs incurred in carrying out their duties.

PART 3
REPORT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2018/19

This component of the report provides details of the remuneration paid to executive and non-executive directors, including details of all awards made under the variable remuneration incentive scheme. Information on payment made on termination of employment is also included.

3.1 Total remuneration

Remuneration earned by the executive management in accordance with the remuneration disclosure guidance set out in King IV, is set out below:

Executives' remuneration for the 2017/18 and 2018/19 financial years

Name	Basic salary	Bonus	Provident fund contribution	Cell phone allowance	Acting allowance	Settlement amount	Total 2018/19	Total 2017/18
Kutoane Kutoane (CEO)	3, 693	2,090	-	36	-	-	5,819	5,453
Charles Kgoale[3]	1,156	-	118	22	-	-	1,296	1,895[6]
Mandisi Nkuhlu (COO)	2,514	1,293	227	30	-	-	4,064	3,803
Clarinda Simpson[1]	392	1,293	39	5	-	1 077	2 806	3,390
Noluthando Mkhathazo[2]	473	-	75	26	132	-	706	-
Beatrix Lemos[4]	-	-	-	-	5	-	5	48
John Omollo (CRO)	1,713	936	270	30	-	-	2,949	2,752
Ntshengedzeni Maphula[5]	1,738	936	245	30	-	-	2,949	2,752
Total	**11,679**	**6,548**	**974**	**179**	**137**	**1 077**	**20 594**	**20,093**

[1] Resigned as CFO with effect 30 May 2018

[2] Appointed Acting CFO with effect 15 May 2018 and CFO with effect 1 January 2019

[3] Company Secretary

[4] Acting Company Secretary

[5] General Counsel

[6] Remuneration paid to L Mphaphuli as Company Secretary, deceased November 2017

Termination of employment payment

As set out in the table above, Clarinda Simpson stepped down as the CFO on 15 May 2018. The terms of the mutual separation resulted in an exit payment of R1,077 million.

3.2 Disclosure of Director's remuneration

Directors' remuneration for the 2017/18 and 2018/19 financial years

Non-executive directors	2018/19 R'000	2017/18 R'000
Dheven Dharmalingam (Chairman)	176	84
Motshoanedi Lesejane	-	108
Abel Mawela[1]	41	226
Vuyelwa Matsiliza	125	162
Siobhain O'Mahony	115	180
Sisa Mayekiso	195	62
Andiswa Mosai	-	77
Lerato Mothae	136	48
Deshni Subbiah[2]	85	-
Total	**873**	**947**

[1] Term ended 31 May 2018

[2] Appointed with effect 1 September 2018

The Human Resources and Remuneration Committee is satisfied that all benefits are justified, correctly valued and suitably disclosed.

3.3 Executive contracts

Apart from the CEO, executives are employed on permanent employment contracts. The CEO is employed on a three-year fixed term contract and his notice period is three months.

Gigawatt Project, Mozambique

Directors' Responsibility Statement and approval of the Annual Financial Statements

FOR THE YEAR ENDED 31 MARCH 2019

The external auditor is responsible for auditing the financial statements whereas the Board of Directors is responsible for the preparation, integrity and fair presentation of the financial statements. The Board acknowledges its duty to ensure balanced content and fair presentation that provides a comprehensive assessment of the Corporation's performance for the financial year ended 31 March 2019.

In terms of the Companies Act (2008), the directors are required to maintain adequate accounting records and to prepare annual financial statements that fairly present the Corporation's financial position at year end and the results and cash flows for the year.

To enable the Board to discharge its responsibilities, management has developed and continues to implement standards and systems of internal controls to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain the accountability of the Corporation's assets. The Board has ultimate responsibility for this system of internal controls and reviews the effectiveness of its operations, primarily through the Audit Committee.

The internal controls include risk-based systems of accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with sound business practices and the Corporation's written policies and procedures.

As part of internal controls, the Corporation's internal audit function conducts inspections, financial and specific audits. The external auditor is responsible for reporting on the Corporation's financial statements. The financial statements were audited by the independent auditor, SNG Grant Thornton, who were given unrestricted access to all financial records and related data, including minutes of meetings of the Board and committees of the Board. The directors believe that all representations made to the independent auditor during their audit were valid and appropriate.

The Corporation's annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate responsible disclosures in line with the accounting policies. The appropriate accounting policies are consistently applied except as otherwise stated and supported by reasonable and prudent judgments and estimates.

The performance information fairly reflects the operations, actual output against planned targets for performance indicators as per the Corporation's strategic plan and annual performance plan for the financial year ended 31 March 2019. The performance information has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury.

Based on the information received from management, as well as the internal and external auditors, nothing has come to the attention of the directors to indicate a material breakdown in the systems of internal control during the year under review.

Disclosure in terms of section 55(2)(b) of the PFMA:

- Material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year (refer to note 23.1 of the annual financial statements)
- Any criminal or disciplinary steps taken because of such losses or irregular expenditure or fruitless and wasteful expenditure: there were no instances where the Corporation sustained material losses
- Any losses recovered or written off: no material losses were recovered or written off other than in the ordinary course of business.

The directors have a reasonable expectation that the Corporation has adequate resources to operate in the foreseeable future and have adopted the going-concern basis in preparing the financial statements.

The financial statements of the Corporation for the year ended 31 March 2019 that appear on pages 98 to 153 were approved by the Board of Directors on 30 July 2019 and are signed on its behalf by:

D Dharmalingam
Chairperson
30 July 2019

K Kutoane
Chief Executive Officer
30 July 2019

Audit Committee Report

FOR THE YEAR ENDED 31 MARCH 2019

The Audit Committee is an independent statutory committee whose membership is appointed at the annual general meeting.

Terms of reference

The committee adopted its formal terms of reference as approved by the Board. The committee discharged these responsibilities and conducted its affairs in compliance with these terms of reference.

Roles and responsibilities

Governance of risk

The committee fulfils an oversight role on financial reporting risks, internal financial controls, compliance risks, fraud risk as it relates to financial reporting and ICT risks as these relate to financial reporting.

Internal audit

The committee is responsible for the appointment, compensation, retention and oversight of the internal auditor, who is responsible for reviewing and providing assurance on the adequacy of the internal control environment.

This function is outsourced to Outsourced Risk and Compliance Assessment (Pty) Ltd. The committee approved the risk-based internal audit plan for 2018/19. The engagement partner of the internal audit firm has unrestricted access to anyone in the Corporation and reports the findings of the internal audit work to the committee on a regular basis. Internal audit reports functionally to the committee chairperson and operationally to the Manager: Office of the CEO. The committee is satisfied with the effectiveness of these arrangements for internal audit.

During the year under review, the committee met with the external and internal auditors without management being present. The committee considers internal audit to be functioning effectively and to have addressed material risks pertinent to the Corporation in its audit.

External audit and non-audit services

The 2019 financial year was the first year of the tenure of SNG Grant Thornton as external auditor. The committee is satisfied with the independence and objectivity of SNG Grant Thornton, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought from and provided by SNG Grant Thornton that internal governance processes within the firm support and demonstrate its claim to independence.

To assess the effectiveness of the external auditor, the committee considered the fulfilment of the agreed audit plan and variations from the plan and the robustness and perceptiveness of SNG Grant Thornton in its handling of key accounting treatments and disclosures to assess the effectiveness of the external auditor. The committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2019 financial year.

Any non-audit services to be provided by the external auditor is governed by a formal written policy and all such services are to be pre-approved by the committee to ensure that such services do not impair the independence of the external audit firm. There were no non-audit related services rendered by the external auditor during the year ended 31 March 2019.

The committee met with the external auditor to ensure there were no unresolved issues.

Financial statements and accounting practices

The committee reviewed the accounting policies and the financial statements of the Corporation and is satisfied that they are appropriate and comply with the International Financial Reporting Standards and the requirements of the Companies Act.

Internal financial controls

A high-level review of the design, implementation and effectiveness of the Corporation's internal financial controls was performed as per the internal audit plan. The review aimed to provide comfort on financial reporting controls, which are relied on in preparing the annual financial statements. Based on information and explanations given by management and the internal auditor and discussions with the independent external auditor on the results of their audit, the committee believes the system of internal control for period under review was adequate, efficient and effective.

Finance function

The committee noted the resignation of the Chief Financial Officer on 30 May 2018 and the appointment of the Chief Financial Officer.

The committee is satisfied that the Chief Financial Officer has the appropriate expertise and experience to meet the responsibilities of the role. Furthermore, the committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function.

Integrated reporting

The committee reviewed the integrated report of the Corporation for the year ended 31 March 2019 and submits that management is presenting an appropriate view of the entity's position and performance.

The quality of the in-year management and monthly/quarterly reports submitted in terms of legislation

The committee is of the opinion, based on the information and explanations provided by management as well as the results of audits performed by the internal and external auditors, that the financial information provided by management to users of such information is adequate, reliable and accurate.

Evaluation of financial statements

The committee has evaluated the annual financial statements of the Corporation for the year ended 31 March 2019. It has also reviewed:

- The external auditor's report;
- The external auditor's management report and management's responses thereto;
- Any changes in accounting policies and practices;
- The Corporation's compliance with applicable legal and regulatory provisions;
- Information on predetermined objectives included in the annual report;
- The quality and timeliness of the financial information availed to the Audit Committee for oversight purposes during the year; and
- Any significant adjustments resulting from the audit.

Significant matters that the Audit Committee has considered in relation to the annual financial statements, and how these were addressed by the committee

To address the prior year external audit compliance finding, the committee recommended that management form a task team to consider the effect of changes to IFRS and the impact these will have on the Corporation going forward. The accounting policies were considered during the annual reviews of the ECIC Finance and Accounting Policy.

Summary of main activities undertaken by the Audit Committee during the financial year under review

The committee performed the following activities during the year:

- Reviewed the Corporation's integrated report and processes and recommended the same to the Board for approval;
- Approved the engagement letters, audit plan and budget for the external audit firm and the internal audit firm;
- Considered the Corporation's annual financial statements;
- Reviewed accounting policies and practices and consider any significant changes or departure from accounting policies and practices;
- Reviewed the basis on which the Corporation has been determined a going concern;
- Reviewed the policy for non-audit services to be rendered by the external auditor to the Corporation;
- Considered and recommended the quarterly performance reports to **the dti** for the Board's approval;
- Received and investigated anonymous tip-off reports; and
- Reviewed the finance function and the Chief Financial Officer's performance.

The arrangements in place for combined assurance and the committee's views on its effectiveness

The committee reviewed, and recommended to the Board for approval, the Combined Assurance Plan in line with King IV. King IV expands on King III's combined assurance model to incorporate all assurance providers to enable an effective control environment to strengthen decision making.

It is the committee's responsibility to evaluate the adequacy of assurance provided and to increase or decrease the level of assurance to satisfy them that risks are managed appropriately.

Conclusion

Based on information provided by management, internal audit and external audit, the committee considers that these statements comply, in all material respects, with the requirements of the PFMA, and the basis of preparation as set out in the accounting policies in note 1.3 of the annual financial statements. The committee concurs that adopting the going-concern assertion in preparing the annual financial statements is appropriate.

At its meeting on 30 July 2019, the committee recommended the approval of the annual financial statements to the Board.

Vuyelwa Matsiliza
Chairperson
30 July 2019

Company Secretary's Certification

Declaration by the Company secretary in respect of Section 88(2)(e) of the Companies Act

I certify that, in respect of the reporting period, the Corporation has, to the best of my knowledge and belief, lodged with the Companies and Intellectual Property Commission (CIPC) all returns and notices required in terms of the Companies Act, 71 of 2008 as amended, except the 2018 return which remains outstanding.

C Kgoale
Company Secretary
30 July 2019

Letseng diamond mining complex, Lesotho

ANNUAL FINANCIAL STATEMENTS

- DIRECTORS' REPORT
- INDEPENDENT AUDITORS' REPORT
- STATEMENT OF FINANCIAL POSITION
- STATEMENT OF COMPREHENSIVE INCOME
- STATEMENT OF CHANGES IN EQUITY
- STATEMENT OF CASH FLOWS
- ACCOUNTING POLICIES
- NOTES TO THE FINANCIAL STATEMENTS

Directors' Report

Nature of business

ECIC is a self-sustained, state-owned, national export credit agency that is supervised and regulated by the FSCA and PA.

The Corporation's main business is to promote trade with countries outside the Republic by providing for insurance on behalf of the Government of South Africa of contracts relating to export transactions, investments and loans or similar facilities connected with such transactions.

Share capital

There has been no change in the authorised or issued share capital during the financial year.

Corporate governance

The Board of Directors embraces the principles of King IV and endeavours to comply with these recommendations as far as possible. The Corporation's adherences to these principles are outlined in the Governance section of this report.

Board of Directors

The current directors are reflected on pages 38 to 40. During the 2018/19 financial year, there were the following resignations and appointments:

- Mr Adriaan le Roux (Non-independent, Non-executive) resigned on 30 April as a Shareholder representative on the Board of Directors
- Ms Lerato Mataboge (Non-independent, Non-executive) was appointed on 30 April as a Shareholder representative on the Board of Directors
- Mr Stephanus Botes (Non-independent, Non-executive) was appointed on 30 April as alternate to Ms Lerato Mataboge as a Shareholder representative on the Board of Directors
- Mr A Mawela (Independent, Non-executive) resigned on 31 May 2018 as a member and the Chairperson of Audit Committee
- Ms Deshni Subbiah (Independent, Non-executive) was appointed on 1 September 2018 as a member of the Board

Executive management

The Board noted the resignation of the former Chief Financial Officer on 30 May 2018 and appointment of the new Chief Financial Officer.

Financial results

The financial results of the ECIC are fully disclosed on pages 98 to 153.

Performance against pre-determined objectives

The corporate strategic objectives and targets are developed and approved by the Board of Directors. The table that appears on page 66 compares the planned and related actual performance for 2018/19 on the high-level corporate strategic objectives, and indicate the degree to which the Corporation met or exceeded its strategic objectives for the year under review.

Dividends

No dividend has been declared for the current and previous financial year.

Taxation status

The Corporation pays tax in terms of the Income Tax Act of 1962, as amended. The Corporation is also subject to and complies with all other South African taxes, including employees' tax and value-added tax.

Changes in accounting policies

The accounting policies applied during the year ended 31 March 2019 are in all material respects consistent with those applied in the annual financial statements for the year ended 31 March 2018, as no changes in accounting policies were done in this financial year.

Events after the reporting period

The directors are not aware of any matters or circumstances arising since the end of the financial year, which will have a significant effect on the operations of the Corporation, the results of its operations or its financial position.

Going concern

The Board of Directors believes that the Corporation will continue to be a going concern in the foreseeable future. For this reason, the directors have adopted a going-concern basis in preparing the financial statements.

Audit Committee information

The names of the Audit Committee members and attendance records are reflected on page 79 of this annual report.

Litigation

The directors are not aware of any litigation against the Corporation.

Related-party transactions

The related-party transactions are specified in the Notes to the Annual Financial Statements on pages 147 to 148.

Independent auditors' report

To Parliament and the shareholder of Export Credit Insurance Corporation of South Africa SOC Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Export Credit Insurance Corporation of South Africa SOC Ltd, as set out on pages 98 to 153, which comprise the statement of financial position as at 31 March 2019, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Export Credit Insurance Corporation of South Africa SOC Ltd as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa.

Basis of opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Corporation in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

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

Accounting authority's responsibilities for the audit of the financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, the requirements of the Public Finance Management Act of South Africa, and the Companies Act of South Africa, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting authority is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the accounting authority either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on the audit of the annual performance report

Introduction and scope

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 we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report.

We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information which must be based on the approve performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information.

Accordingly our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance areas presented in performance in terms of the directors' report for the year ended 31 March 2019:

Key performance area	Page no
Objective – Leverage existing partnerships to generate knowledge sharing initiatives	94
Objective – Research and identify new opportunities	94
Objective – Increase premium revenue	94

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

We did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives indicated above.

Other matters

We draw attention to the matters below.

Achievement of Planned Targets

Refer to the information in the Directors' report on the performance information as set out on page 94 of the financial statements for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

We performed procedures to obtain evidence that the Corporation had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. There were no significant findings on instances of non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA.

Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report thereon and those selected key performance areas presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

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

Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with legislation, however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control.

Other reports

We draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

We were engaged to perform the following audit-related services (Agreed upon procedure engagements):

Quantitative Reporting Template in compliance with the new Insurance Act, 2017 (the Act) for the year ended 31 March 2019.

Auditor tenure

Auditor tenure In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton Incorporated has been the auditor of Export Credit Insurance Corporation of South Africa SOC Ltd for one year.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Nhlanhla Sigasa
Chartered Accountant (SA), Registered Auditor

30 July 2019
20 Morris East Street
Woodmead
2191

Annexure – Auditor's responsibility for the audit

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

Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:
   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit 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 Corporation's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
   - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Export Credit Insurance Corporation of South Africa SOC Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a company to cease continuing as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

4. We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note(s)	2019 R '000	2018 R '000
Assets			
Intangible assets	6	3 420	3 094
Equipment	7	5 770	5 684
Financial assets at fair value	8	7 461 180	6 715 775
Deferred tax	9	-	11 988
Current tax receivable	26	860	-
Trade and other receivables	10	1 816 474	1 648 511
Cash and cash equivalents	11	297 504	154 467
Total assets		**9 585 208**	**8 539 519**
Equity and liabilities			
Share capital and share premium	12	316 051	316 051
Foreign currency translation reserve		2 605 270	1 649 939
Fair value adjustment through other comprehensive income reserve		39 818	27 577
Retained earnings		2 052 463	2 036 478
Total equity		**5 013 602**	**4 030 045**
Liabilities			
Insurance contract liabilities		3 227 840	3 242 505
Provision for unearned premiums	14.1	2 664 482	2 572 262
Provision for unexpired risks	14.2	268 164	175 497
Provision for claims reserves	14.3	295 194	494 746
Deferred tax	9	25 938	-
Employee benefit liability	15	3 253	3 078
Trade and other payables	16	57 287	51 573
Liability for interest make-up	17	1 257 288	1 172 883
Current tax payable	26	-	39 435
Total liabilities		**4 571 606**	**4 509 474**
Total equity and liabilities		**9 585 208**	**8 539 519**

STATEMENT OF COMPREHENSIVE INCOME

AS AT 31 MARCH 2019

	Note(s)	2019 R '000	2018 R '000
Insurance premium revenue	19	154 278	886 948
Change in unearned premiums	14.1	477 734	(318 087)
Change in unexpired risks	14.2	(51 169)	(43 825)
Net insurance premium revenue		**580 843**	**525 036**
Assessment fees		617	222
Net investment income	20	320 224	259 570
(Loss)/Profit on exchange differences	21	(582 513)	360 795
IMU grant receipts		183 248	188 272
Other income		72	808
Net income		**502 491**	**1 334 703**
Claims incurred		**189 433**	**5 828**
Insurance benefits and claims		(124 131)	42 023
Claims paid	14.3	(206 469)	(19 968)
Salvages income		82 338	61 991
Change in claims reserves	14.3	313 564	(36 195)
Commission paid to intermediaries		(229)	(330)
Operating expenses	23	(167 773)	(163 216)
Interest expense		(4)	(2)
Expense for interest make-up	17	(101 527)	(38 904)
Corporate social investment		(13 355)	(16 137)
Profit before taxation		**409 036**	**1 121 942**
Taxation	24	(393 051)	(159 789)
Profit for the year		**15 985**	**962 153**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences	22	955 331	(529 561)
Fair value adjustments of financial assets		15 774	35 538
Deferred tax on fair value of financial assets		(3 533)	(7 961)
Total items that may be reclassified to profit or loss		**967 572**	**(501 984)**
Other comprehensive profit/(loss) for the year net of taxation		**967 572**	**(501 984)**
Total comprehensive profit for the year		**983 557**	**460 169**

STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2019

	Share capital and share premium R '000	Foreign currency translation reserve R '000	Fair value adjustment through other comprehensive income reserve R '000	Capital adequacy requirement R '000	Total reserves R '000	Retained earnings R '000	Total equity R '000
Balance at 01 April 2017	**316 051**	**2 179 500**	**-**	**417 722**	**2 597 222**	**656 603**	**3 569 876**
Profit for the year	-	-	-	-	-	962 153	962 153
Effect of translation to presentation currency		(529 561)			(529 561)		(529 561)
Fair value adjustment net of taxation			27 577		27 577		27 577
Total comprehensive income for the year	**-**	**(529 561)**	**27 577**	**-**	**(501 984)**	**962 153**	**460 169**
Transfer from capital adequacy requirement	-	-	-	(417 722)	(417 722)	417 722	-
Balance at 01 April 2018	**316 051**	**1 649 939**	**27 577**	**-**	**1 677 516**	**2 036 478**	**4 030 045**
Profit for the year	-	-	-	-	-	15 985	15 985
Effect of translation to presentation currency		955 331			955 331)		955 331
Fair value adjustment net of taxation			12 241		12 241		12 241
Total comprehensive income for the year	**-**	**955 331**	**12 241**	**-**	**967 572**	**15 985**	**983 557**
Balance at 31 March 2019	**316 051**	**2 605 270**	**39 818**	**-**	**2 645 088**	**2 052 463**	**5 013 602**
Note(s)	12			13			

STATEMENT OF CASH FLOWS

AS AT 31 MARCH 2019

	Note(s)	2019 R '000	2018 R '000
Cash flows from operating activities			
Cash generated from underwriting activities	25	57 076	516 583
Interest received		218 756	201 701
IMU grant receipts		183 248	188 272
Dividends received		61 303	36 134
IMU claims paid		(281 623)	(319 230)
Interest paid		(4)	(2)
Taxation paid	26	(398 953)	(218 909)
Net cash (outflow)/inflow from operating activities		**(160 197)**	**404 549**
Cash flows from investing activities			
Acquisition of equipment	7	(1 137)	(543)
Sale of equipment		19	-
Acquisition of intangible assets	6	(146)	(602)
Net sale/(acquisition) of financial assets		303 264	(503 883)
Net cash inflow/(outflow) from investing activities		**302 000**	**(505 028)**
Increase/(Decrease) in cash and cash equivalents		**141 803**	**(100 479)**
Cash and cash equivalents at the beginning of the year		154 467	284 614
Effect of translation on cash and cash equivalents		20 325	(44 007)
Unrealised foreign exchange (loss)/gain on cash and cash equivalents		(19 091)	14 339
Total cash and cash equivalents at end of the year	11	**297 504**	**154 467**

ACCOUNTING POLICIES

1. Presentation of Financial Statements

1.1 General Information

ECIC is a state owned entity incorporated in South Africa. The nature of risk underwritten by the Corporation is pursuant to its objectives as set out in the Export Credit and Foreign Investment Re-insurance Act of 1957, as amended are set out in note 3.

1.2 New standards, amendments and interpretations issued

(a) New standards, amendments and interpretations issued but not effective for the financial year beginning after 1 January 2018 and not early adopted.

(i) IFRS 17 Insurance Contracts. IFRS 17 addresses the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. The standard contains guidance on when to separate components in an insurance contract and account for them in terms of another standard. The components that have to be separated (subject to certain criteria) are embedded derivatives, distinct investment components and distinct goods and non-insurance services.

The standard requires an entity to identify portfolios of insurance contracts and to group them into the following groups at initial recognition:

- Contracts that are onerous
- Contracts that have no significant possibility of becoming onerous subsequently; and
- The remaining contracts in the portfolio.

Groups of insurance contracts should be measured at initial recognition at the total of the following:

- The fulfilment cash flows which comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks and a risk adjustment for non-financial risk; and
- The contractual service margin which represents the profit in the group of insurance contracts that will be recognised in future periods.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

- The liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin) and
- The liability for incurred claims (fulfilment cash flows related to past service).

An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if certain criteria is met.

The new standard will have a significant impact on the financial statements when it is initially applied which will include changes to the measurement of insurance contracts issued and the presentation and disclosure. A detailed assessment of the impact has not been made.

The standard is effective for annual periods beginning on or after 1 January 2021 and has to be applied retrospectively. Early adoption is permitted. The Corporation is expecting to adopt IFRS 17 in its financial statements for the year ending 31 March 2022. The Corporation will in future periods estimate the impact of IFRS 17 on its financial statements.

ACCOUNTING POLICIES

(ii) IFRS 16 Leases - IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The standard effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted

(iii) IFRIC 23 interpretation: Uncertainty over Income Tax Treatments. The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes. Effective for annual periods beginning on or after 1 Jan 2019.

Of the above amendments only IFRS 17 will have a material impact on the Corporation's financial statements.

(b) Newly applied standards, amendments and interpretations issued and effective for the current financial year.

(i) IFRS 4, Insurance Contracts: The following two amendments have been made to IFRS 4 to address the interaction between IFRS 4 and IFRS 9 :

- A temporary exemption from IFRS 9 has been granted to insurers that meet specified criteria; and
- An optional accounting policy choice has been introduced to allow an insurer to apply the overlay approach to designated financial assets when it first applies IFRS 9

IFRS 9, 'Financial instruments: It is expected that IFRS 9 will change the classification of financial assets to either amortised cost, fair value through profit or loss or fair value through other comprehensive income. In addition, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

ECIC have elected to defer the implementation of IFRS 9 to January 2022 when IFRS 17 is expected to be effective. A detailed assessment of the impact has not been made .

IFRS 9 provides a temporary exemption that permits ECIC to apply IAS 39 rather than IFRS 9 when accounting for financial instruments for annual periods beginning before 1 January 2022.

The Corporation is eligible to apply the temporary exemption from IFRS 9 due to the following criteria:

- it has not previously applied any version of IFRS 9; and
- its activities are predominantly connected with insurance

As at 31 March 2016, the carrying amount of the liabilities arising from contracts within the scope of this IFRS 4 were greater than 90% of the total carrying amount of all the liabilities. Since 31 March 2016, there has been no change in the Corporation's activities.

The Corporation's financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are all measured at fair value as they are managed and performance is evaluated on a fair value basis.

ACCOUNTING POLICIES

Below is the fair value balances and adjustments of financial assets that are managed at fair value or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amounts:

Financial asset	Fair value balance (R'000)	Fair value adjustments (R'000)
Financial assets at fair value	7 461 180	97 226
Trade and other receivables	1 816 474	-
Cash and cash equivalents	297 504	-
Total	**9 575 158**	**97 226**

(ii) IFRIC 22 interpretation, Foreign Currency Transactions and Advance Consideration. This interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

(c) New standards, amendments and interpretations issues and effective for the current financial year but not implemented by the Corporation.

(i). IFRS 9, 'Financial instruments: It is expected that IFRS 9 will change the classification of financial assets to either amortised cost, fair value through profit or loss or fair value through other comprehensive income. In addition, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

ECIC have elected to defer the implementation of IFRS 9 to January 2022 when IFRS 17 is expected to be effective. A detailed assessment of the impact has not been made.

IFRS 9 provides a temporary exemption that permits ECIC to apply IAS 39 rather than IFRS 9 when accounting for financial instruments for annual periods beginning before 1 January 2022.

The significant accounting policies are set out below. These policies have been consistently applied to all years presented unless otherwise stated. Current and future changes in accounting policies will include the following:

1.3 Basis of preparation

The annual financial statements of the Corporation are prepared on the going concern basis in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa. As at 31 March 2019 the Corporation was solvent with total assets exceeding total liabilities by R5 013 602 000.

The annual financial statements are prepared on the historical cost basis, adjusted by the revaluation of financial assets that are measured at fair value and translation of functional currency to the presentation currency as detailed in 1.5 below. While the Corporation is domiciled in South Africa, its functional currency is US Dollar with the Rand as its presentation currency, rounded to the nearest thousand.

ACCOUNTING POLICIES

The financial statements of Export Credit Insurance Corporation of South Africa has been authorised for issue by the Board of directors on 30 July 2019.

1.4 Critical accounting judgments ,estimates and assumptions

The preparation of the annual financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates. The most significant judgments, estimates and assumptions relate to insurance contract liabilities, valuation and tax treatment of the liability for interest make-up and the recoverability of trade and other receivables are detailed in note 2.

1.5 Recognition and measurement of insurance contracts

Insurance contracts are those contracts under which the Corporation accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if the insured event adversely affects them. Such contracts may also transfer financial risk.

1.5.1 Gross written premiums

Gross written premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are recognised in the period in which conditions to the policy are met. Premiums are disclosed gross of commission to intermediaries and exclude applicable taxes.

The earned portion of premiums written is recognised as revenue. Premiums are earned from the date of attachment of risk, over the period of the policy, based on the underlying risk underwritten.

1.5.2 Unearned premium provision

A provision for unearned premiums is created for that portion of premiums written in the current and past financial years which is attributable to subsequent years. The earned portion of premiums written is recognised as revenue, based on the exposure profile of risks underwritten. The provision is computed separately for each insurance contract.

1.5.3 Unexpired risk provision

An unexpired risk provision is made for any deficiencies where the provision of unearned premiums is expected to be insufficient, on the current pricing basis, to meet expected claims and expenses of policies in force at the reporting date. The provision is computed separately for each insurance contract. In addition, a provision is made for the concentration of risk within the insurance portfolio. This provision explicitly considers the concentration of both political and commercial risk and is determined through reference to a notionally well diversified benchmark portfolio.

1.5.4 Claims incurred

Claims incurred represents:

- Claims paid (net of applicable recoveries) during the year, including related expenses,
- Changes in provisions for claims reported but not settled at the financial year-end,
- Changes in provisions for claims incurred prior to the financial year end but not yet reported.

ACCOUNTING POLICIES

A provision is made for the estimated cost of claims incurred but not settled at the financial year end less anticipated recoveries. Provision is also made for the expected cost, net of anticipated recoveries, of claims incurred at the financial year-end but not reported until after that date.

Claims outstanding are assessed on an individual contract basis, making allowance for the effect of internal and external events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Outstanding claims are not discounted.

While the directors consider that the gross provisions for claims are fairly stated on the basis of the information currently available to them, the actual liability will vary as a result of subsequent information and events which may result in significant adjustments to the amounts provided.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Corporation. Refer to note 2 for additional information.
Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material.

The methods used, and the estimates made, are reviewed annually by management and independent consultants.

1.5.5 Salvages

An asset for salvages receivable is recognised once recovery is probable. The assets are only recognised for the salvages receivable within the next twelve months, for amounts receivable beyond that period a contingent asset is disclosed as a claim in favour of the Corporation but not recognised in the statement of financial position. Otherwise, salvages are recognised only when received.

The probability of recovery is dependent on whether certain conditions are met per contract. These conditions differ based on the type of contract in place. The different contracts and their conditions are detailed below:

a) A sovereign contract is a contract in which the borrower is a government i.e. central government, central bank, municipalities, state owned entity or any government ministry.

Recovery is deemed probable when the following conditions are met:
- There is a signed salvage restructuring agreement; and
- At least two successive payments have been received by the Corporation in terms of the agreement.

b) A project finance contract is a contract where repayment of the covered loan is dependent on cash flows from the financed project structure.

Recovery is deemed probable when the following conditions have been met:
- There is a signed salvage restructuring agreement;
- The payment on the revised agreement is up to date;
- The operation generated positive cash flows for a continuous period of 12 months; and
- Performed at a minimum of 75 percent of the intended capacity.

ACCOUNTING POLICIES

c) A corporate finance contract is a contract where repayment of the covered loan amount is the responsibility of the sponsor of the transaction.

Recovery is deemed probable when the following conditions have been met:
- There is a signed salvage restructuring agreement;
- The payment on the revised agreement is up to date; and
- The loan covenants on the policy are met.

1.5.6 Liability adequacy test

The net liability recognised for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made and the Corporation recognises the deficiency in the profit or loss in that year. Liability adequacy tests are performed at reporting date.

1.5.7 Solvency capital requirement

In term of the Prudential Standard of Financial Soundness of Insurers, the Corporation is required to maintain sufficient capital to compensate for the different aspects of risk ranging from insurance risk to operational risk, as well as market risk and credit risk on assets covering its liabilities.

1.6 Foreign currency translation

Functional and presentation currency
The financial statements are presented in South African Rand, which is the presentation currency of its shareholder. The US Dollar is the functional currency for the Corporation, the functional currency being the currency of the primary economic environment in which the Corporation operates. The services offered by the Corporation are predominantly priced in US Dollars.

Reporting foreign currency transactions to functional currency
Foreign currency transactions are transactions that are denominated or requires settlement in a foreign currency.

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:
- All foreign currency monetary items are translated using the closing rate.
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

ACCOUNTING POLICIES

A monetary item is a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency. A non-monetary items are all other assets and liabilities where there is an absence of a right to receive(or an obligation to deliver) a fixed or determinable number of units of currency.

Translation from functional to presentation currency
The annual financial statements are translated from the functional currency to the presentation currency using the average rate or spot rate at transaction date for statement of comprehensive income items and the closing rate for the statement of financial position items, comprising both monetary and non-monetary items.

The resulting exchange differences are recognised in other comprehensive income and accumulated separately in a foreign currency translation reserve, which is a seperate component of equity.

1.7 Equipment and intangible assets

1.7.1 Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historic cost includes all expenditure that is directly attributable to the acquisition of an asset and to bringing it to a working condition for its intended use.

Subsequent expenditure relating to equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is calculated to write off the cost of the assets to residual value on a straight-line basis over their expected useful lives.

Equipment is depreciated over the following estimated useful lives:

Computer equipment	3 years
Furniture and fittings	6 years
Office equipment	6 years
Vehicles	5 years

The equipments' residual values, estimated useful lives and depreciation methods are reviewed at each reporting date and adjusted if appropriate at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

The carrying amount of equipment is derecognised on disposal or where no future economic benefits are expected from its use or disposal.

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

ACCOUNTING POLICIES

1.7.2 Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated to write off the cost of the intangible assets to residual value on a straight-line basis over its expected useful lives.

Intangible assets are amortised over the following estimated useful lives:
Computer software 5 years

The intangible assets' residual values, estimated useful lives and amortisation methods are reviewed at each reporting date and adjusted if appropriate at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

The carrying amount of an intangible asset is derecognised on disposal or where no future economic benefits are expected from its useor disposal.

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

1.8 Financial assets and liabilities

The Corporation recognises a financial asset or financial liability on its balance sheet when, and only when it becomes a party to the contractual provisions of the instruments.

The Corporation classified its financial assets into the following categories: financial assets designated at fair value through profit and loss (FVTPL) and financial assets available for sale.

Financial assets designated at fair value through profit and loss
These assets are managed and their performance is evaluated on a fair value basis. Information about the financial assets is provided internally on a fair value basis. The Corporation's investment strategy is to invest in fixed or variable rate instruments such as bonds and equity, and to evaluate them with reference to their fair value. Assets included in this portfolio are designated on initial recognition.

Financial assets available for sale
These assets are investments made for strategic reasons.

Financial liabilities
Financial liabilities represent liability for interest make-up and trade and other payables.

1.8.1 Initial measurement

Financial instruments are initially recognised at fair value, plus, for financial instruments not at fair value through profit and loss, any directly attributable transaction costs.

Purchases and disposals of financial assets are recognised on trade date, the date on which the Corporation commits to purchase or sell the asset. Transaction costs for FVTPL are recognised in profit or loss.

ACCOUNTING POLICIES

1.8.2 Subsequent measurement

Financial assets designated at fair value through profit or loss
Financial assets designated at fair value through profit or loss are subsequently carried at fair value.

The fair value of listed financial assets is calculated using stock exchange quoted bid prices at close of business on the reporting date.

Realised and unrealised gains and losses arising from changes in fair value of financial assets during a reporting period are recognised in the profit or loss for that period.

Unlisted financial assets are shown at fair value, which is calculated by reference to expected future cash flows, discounted by applicable risk adjusted discount rates for similar instruments. If the fair value cannot be determined for unlisted investments, it is stated at cost less impairment. Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond.

Financial assets available for sale
Financial assets available for sale are subsequently carried at fair value.

Unrealised gains and losses arising from changes in fair value of financial assets during a reporting period are recognised in the other comprehensive income for that period.

Unlisted financial assets are shown at fair value, which is calculated by reference to expected future cash flows, discounted by applicable risk adjusted discount rates for similar instruments.

Cash and cash equivalents
Cash and cash equivalents are measured at amortised cost using the effective interest method. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition.

Trade and other payables
Trade and other payables are recognised when the Corporation has a present obligation arising from past events the settlement of which is probable to result in an outflow of economic benefits.

Trade and other payables are stated at amortised cost using the effective interest method.

Liability for interest make-up
Liability for interest make-up (IMU) is measured at fair value which is determined on a discounted cash flow basis of all future IMU payments on existing agreements using a US Treasury Bills Yield Curve adjusted for credit default spread. The value is adjusted to avoid double counting for contracts for which IBNR claims reserves are already allowed for.

1.8.3 Gains and losses on subsequent measurement

Gains and losses arising from a change in fair value of financial instruments are included in profit or loss in the period in which the change arises as part of net investment income. However, for instruments classified as FVTOCI the gains and losses are recognised in other comprehensive income.

ACCOUNTING POLICIES

1.8.4 Interest and dividends

Dividends are recognised when the right to receive payment is established, meaning on the last day for registration in respect of listed securities and when declared in respect of unlisted securities. Dividend and interest accrued from financial assets designated at fair value through profit or loss are recognised in the profit or loss as part of investment income.

Interest on financial assets is accounted for using the effective interest method

1.8.5 Derecognition

Financial assets are derecognised when the Corporation loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is settled or waived.

1.8.6 Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Corporation has a legally enforceable right to set off the recognised amounts, and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.8.7 Impairment

Financial assets
Financial assets other than those carried at fair value through profit and loss, are assessed for evidence of impairment at each reporting date. If any such evidence exist the carrying value is reduced to the estimated recoverable amount by means of a charge to the profit or loss. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. The impairment is recognised through an allowance account.

For other financial assets such as trade receivables, the Corporation considers notified disputes and collection experience to determine which receivables are impaired.

If, in a subsequent period, the amount of the impairment loss relating to a financial asset carried at amortised cost or a debt instrument carried as available-for-sale decreases due to an event occurring after the impairment was originally recognised, the previously recognised impairment loss is reversed through profit or loss. Impairments relating to financial assets in availablefor- sale equity instruments are not reversed through profit or loss.

Non-financial assets
The carrying amount of the Corporation's non-financial assets, other than deferred tax assets, is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit and loss.

ACCOUNTING POLICIES

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The amount of the reversal is recognised through the profit or loss.

1.9 Trade and other receivables

Trade and other receivables consist of insurance receivables and non insurance receivables.

Insurance receivables are accounted for in terms of IFRS 4, less provision for impairment and are not discounted. Non insurance receivables are accounted for in terms of IAS 39 and are measured at amortised cost using the effective interest method, less provision for impairment.

The Corporation considers notified disputes and collection experience to determine which receivables are impaired.

1.10 Provisions

A provision is recognised in the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

A provision is measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date.

1.11 Share capital and share premium

Shares are classified as equity when there is no obligation to transfer cash or other assets. All issued ordinary shares and share premium are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds.

1.12 Taxation

Tax expenses
Taxation on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity in which case the related taxation is also recognised in equity.

Taxable income used to calculate the tax expense is based on ZAR functional currency (See note 37)

Current tax assets and liabilities
Current tax is calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the reporting date, and any adjustment of tax payable for previous years. 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.

ACCOUNTING POLICIES

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 that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities
Deferred tax is recognised in full, using the balance sheet method, providing for temporary differences, except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates enacted or substantially enacted at the reporting date. Deferred tax is charged to the statement of comprehensive income except to the extent that it relates to a transaction that is recognised directly in equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised.

1.13 Assessment fees

Assessment fees are recognised as income on approval of an application for cover by executive management. These are fees received for assessing applications for insurance cover.

1.14 IMU grant receipts

IMU Grant is recognised as income when received.

1.15 Employee benefits

Pension obligation
The Corporation uses a defined contribution pension plan. Under a defined contribution pension plan the Corporation pays a fixed contribution into a separate entity. The Corporation has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Leave pay
Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. Provision is made for the estimated liability of this leave as a result of services rendered by employees up to the reporting date.

Performance bonus
Short term incentives in the form of an annual cash bonus, is linked to achieving financial, strategic and operational objectives. Short term incentives are discretionary and depend on business performance and individual contribution. The pool available for short-term incentives is determined by financial performance against previously set and agreed targets.

Employee entitlements to bonuses are recognised when they accrue to employees. Provision is made for the estimated liability of this bonus as a result of past performance by the employees up to the reporting date.

1.16 Corporate social investment

Corporate social investment (CSI) encompasses projects that are external to the normal business activities of the Corporation and not directly for purposes of increasing profit. These projects have a strong developmental approach and utilise Corporation resources to benefit or uplift communities and are not primarily driven as marketing initiatives.

ACCOUNTING POLICIES

CSI expenses are recognised as an expense when paid.

1.17 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is accounted for according to the nature of the expense and disclosed separately in the notes to the financial statements. Measures are implemented to ensure that such expenditure does not re-occur and where possible the expenditure is recovered. Cases of a criminal nature are reported to the responsible authorities.

In instances where recovery is not possible, such fruitless and wasteful expenditure will be written-off and removed from the note on approval by the accounting authority.

1.18 Irregular expenditure

When confirmed, irregular expenditure must be recorded in the notes to the financial statements. The amount to be recorded in the notes must be equal to the value of the irregular expenditure incurred unless it is impracticable to determine the value thereof.

Irregular expenditure is removed from the note when it is either (a) condoned by the relevant authority; (b) transferred to receivables for recovery. A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and must be de-recognised when the receivable is settled or subsequently written off as irrecoverable.

In instances where recovery is not possible, such irregular expenditure will be written-off and removed from the note on approval by the accounting authority.

1.19 Contingent liabilities

Contingent liabilities are disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Corporation; or when there is a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources will be required to settle the obligation; or
- the amount of the obligation cannot be measured reliably.

1.20 Commitments

Commitments are disclosed when there is a contractual arrangement.

1.21 Events after the reporting date

Recognised amounts in the financial statements are adjusted to reflect significant events arising after the reporting date, but before the financial statements are authorised for issue, provided there is evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

1.22 Contingent assets

Contingent assets are disclosed when the Corporation has a possible asset, as a result of a past event, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation.

Contingent assets are only recognised as assets in the financial statements where the realisation of income is virtually certain. If the inflow of economic benefits is only probable, the contingent asset is disclosed as a claim in favour of the Corporation but not recognised in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

2. Critical accounting judgements, estimates and assumptions

Critical estimates and judgements in applying the accounting policies are described below:

Insurance contract liabilities
The Corporation's estimates for reported and unreported losses are continually reviewed and updated, and adjustments resulting from this review are reflected in profit or loss. The process relies on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

The underlying risks are highly variable due to unpredictable political and commercial factors and the heterogeneity of risks by country, size, term and sector.

In addition, although claim amounts are high, the number of contracts issued is low. Therefore standard statistical techniques, such as the chain ladder method, are inappropriate and estimates are made on a contract by contract basis.

The Corporation's process for determining significant reserving assumptions is outlined in note 14.4.

Unearned Premium Provision (UPP)
The UPP refers to the amount of premium booked that remains unearned at the reporting date. It is therefore intended to cover against future claims incurred and is dependent on the policy's earning pattern. To the extent that a contract's risk profile change, the UPP might be insufficient to cover the future claims risk of the unexpired period. In this case an additional reserve must be established in the form of the Unexpired Risk Provision (URP) to cover the shortfall in UPP.

The UPP calculation is calculated on a policy-by-policy level according to the risk profile of each policy.

While the risk of concentration manifests at a portfolio level, premium reserves would be the first port of call in mitigating such risk. If the premiums are insufficient to cover the total claims risk (i.e. including the risk stemming from concentration) the reserve shortfall should then be addressed through the URP.

The UPP for credit insurance is earned through the determination of earning curves for the credit insurance contracts such that these curves reflect the risk profile of the contracts in place at the reporting period.

The UPP for the investment guarantee policies is determined by applying the standard 365th's method, assuming the risk profile is uniform over the term of the contract.

Therefore, the extent to which the Concentration Risk Provision (CRP) can form part of the URP depends on the overall sufficiency of premiums. Furthermore the Corporation cannot defer more premiums than it has actually written.

Incurred But Not Reported (IBNR) claims provision
ECIC holds an IBNR for contracts where management, on the basis of information gathered during the monitoring process, believes that there is a probability of a claim occurring and being reported.

Indicators that a claim will arise are often triggered by events such as:

- The occurrence or a high probability that a non-payment of a scheduled instalment under the insured contract (protracted default) would occur,
- The occurrence or high probability that a political cause of loss (e.g, war, change in law sabotage, transfer restriction, inconvertibility) will occur,

NOTES TO THE FINANCIAL STATEMENTS

- The occurrence or a high probability that commercial causes of loss (e.g. insolvency or an act of insolvency) will occur. A rating scale is applied in assigning the probability of loss.

The loss given default (LGD) assumptions have been made for the different risk events covered by the Corporation. The IBNR is calculated by taking the sum at risk at the point in time multiplied by the likelihood factor and multiplied by the LGD.

Salvages

Management considers the amount of salvages at reporting date. Each potential salvage is assessed individually and where the recognition criteria are met, an appropriate amount is recognised as receivable after careful consideration.

Liability for interest make-up

Interest make-up was an export incentive scheme. This allowed local banks and other financiers to offer buyers of South African export goods and services financing for projects at internationally competitive rates.

The fair value of the liability is determined on a discounted cash flow basis of all future IMU payments on existing agreements. The IMU payments stretch out to 2029, and discounted to allow for time value of money using a US Treasury Bills Yield Curve adjusted to allow for credit default spread.To avoid doubling counting in anticipation of a default event, the IMU liability is adjusted to isolate the portion of IMU housed within the Incurred But Not Report (IBNR) insurance reserve. This is done by recalculating the fair value of the IMU liability on the contracts which carry IBNR and applying the corresponding LGD and claim likelihood. This eliminates the exact portion of the IMU liability held within the insurance provisions The projected IMU payments are determined by multiplying the IMU rate with the projected outstanding balance of the facility. The IMU rate is a function of the applicable liquidity premium, funding margin, earnings margin and the statutory costs

The liability is not tax deductible as it is an existing liability which was taken over from **the dti**. However, foreign exchange gains and losses arising from currency movement are taxable or deductible for taxation purposes.

Recoverability of trade and other receivables

The Corporation assesses its trade and other receivables for recoverability at the end of each reporting period. In determining whether a provision for doubtful debts should be recorded in profit or loss, the Corporation makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The provision for doubtful debts is calculated on a project basis, based on indicators present at the reporting date. However, for future premiums the adjustment is made to unearned premium reserve (see premium refund in note 14.1)

3. Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

3. 1 Nature of risk covered

The principal objective of the Corporation is to facilitate and encourage South African export trade by underwriting loans issued by financial institutions and financial assets outside the country, in order to enable foreign buyers to purchase capital goods and services from South Africa.

NOTES TO THE FINANCIAL STATEMENTS

The Corporation thus enters into contracts of insurance with, or for the benefit of, persons carrying out business in South Africa in the course of trade with countries outside South Africa, primarily for medium to long-term export credit and investment insurance.

Cover is provided on capital contracts for political risks, and where unavailable in the private sector, commercial risk. Two main types of policies available are:

- a contractor's policy, which protects the contractor against buyer default during the development phase, and
- a financier's policy, which protects the lender against buyer default during the loan repayment phase.

The majority of the Corporation's exposure is to financier policies.

In addition to the policies described above, the Corporation also provides investment guarantees to cover political risk on South African offshore financial assets. The insured amount equals the capital investment less dividends to date.

Furthermore, political risk cover is provided to financiers who finance non-shareholders' loans to foreign entities.

Underwriting is complex and requires specialised staff. The same applies to claims assessors, where staff are not only required to process complex claims, but are also involved in recovering losses from collateral securities and litigation.

The nature of claims and the longer tail nature of business make the calculation of provisions a critical element in the Corporation's financial reporting process.

The return to shareholders under this business arises from the total premiums charged to policyholders less the amounts paid to cover claims (net of recoveries) and the expenses incurred by the Corporation. There is scope for the Corporation to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim typically occurs with the insolvency, liquidation and protracted default of a buyer or a political event in a foreign country that gives rise to default payment. Claims are notified to the Corporation in terms of specific policy conditions.

Risk factors include:

- Country,
- Industry,
- Private company, government or parastatal,
- Length of repayment term,
- Source of financing the repayment,
- Guarantees provided,
- Whether initial repayments have already been met.

4. Insurance risk management

The risk under any one insurance contract is the possibility that a policyholder suffers a loss due to the occurrence of an insured event to trigger a claim. By the very nature of an insurance contract, the amount and likelihood of the claim is uncertain.

NOTES TO THE FINANCIAL STATEMENTS

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insured events are uncertain and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the Board by a change in any subset of the portfolio. The Corporation has developed its insurance underwriting strategy to diversify the spread of insurance risk accepted to reduce the variability of the expected outcomes.

The Corporation manages its insurance risk through underwriting processes, approval procedures for transactions, pricing guidelines and monitoring of emerging issues including claims development. An explicit provision is held for the concentration of political and commercial risk in the ECIC portfolio.

Underwriting risk is the risk that actual claims experience varies from expected claims due to fluctuations in timing, frequency and severity of claims. This risk is managed primarily through sensible pricing, product design and risk selection. The Corporation therefore monitors and reacts to changes in the general economic and business environment in which it operates. An additional liability is regnised for contracts which are onerous and are recorded in the URP.

When there are indicators that claims might arise, an IBNR is raised for the expected claim amount. The legal unit would assess a claim once it has been lodged, and the Board approves the claim for settlement. The amount settled on a claim is limited to exposure of unpaid amounts as per the repayment schedule.

Risk relating to salvages is managed by engaging the client and entering into a restructuring agreement after the claim has been settled; other viable legal options are followed. The legal unit follows up on the signed agreements to ensure compliance.

NOTES TO THE FINANCIAL STATEMENTS

4.1 Concentrations of insurance risk

The total country exposure (Sum at risk) of the insurance portfolios is as follows:

	2019 R'000	2018 R'000
Angola	-	14 296
Democratic Republic of Congo	-	5 512
Ghana	8 569 552	7 109 915
Iran	6 568 560	5 315 760
Ethiopia	177 351	143 526
Malawi	2 098 060	1 533 282
Republic of Congo	48 726	-
Mozambique	5 316 477	4 817 755
Mauritius	23 909	-
Liberia	869 531	892 693
Lesotho	1 133 524	980 795
Sudan	295 504	230 655
Tanzania	414 549	777 282
Uganda	346 949	272 873
Zambia	1 792 928	2 598 307
Zimbabwe	2 343 203	2 038 403
Cote d' Ivoire	37 349	-
	30 036 172	**26 731 054**

4.2 Claims development

The Corporation takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for claims notified but not yet paid, and a provision for claims incurred but not reported.

In terms of IFRS 4, an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claims payments not resolved within one year. The Corporation only has one unpaid reported claim and to date the actual run-off of the claims has been more than the initial estimate, due to an increase in the payable interest that is linked to LIBOR.

For the sensitivity analysis and change in assumptions on the insurance liabilities refer to note 14.4

NOTES TO THE FINANCIAL STATEMENTS

5. Financial risk management

Financial risk management

The Corporation is exposed to a range of financial risks through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts.

The Corporation's risk management objective is to ensure that risk is managed prudently. The Corporation has established a risk management strategy. Appropriate risk limits have been set and approved by the Board of directors.

The Risk Committee is responsible for providing oversight over the effectiveness of the Corporation's risk management system.

Transactions in financial instruments result in the Corporation assuming financial risks. These include market risk, liquidity risk and credit risk. Each of these financial risks is described below, together with ways in which the Corporation manages these risks.

The categories and classes of assets and liabilities have been disclosed in note 18.

5.1 Market risk

Market risk can be described as the risk of a change in the fair value of a financial instrument brought about by changes in interest rates, equity prices and foreign exchange rates. The objective of market risk management is to manage market risk exposures within acceptable parameters.

The Corporation would be exposed to market risk in instances where the proceeds from its financial assets are not sufficient to fund insurance obligations.

The Board has established the Finance, Investment and Insurance Committee to provide oversight over the Corporation's investment management activities. The investment policy statement sets out the investment strategy and investment guidelines that must be followed to ensure that the Corporate Strategy is achieved within its risk appetite.

NOTES TO THE FINANCIAL STATEMENTS

The fair values of financial assets and liabilities with the carrying amounts in the statement of financial position are as follows:

	2019 R'000		2018 R'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value	7 461 180	7 461 180	6 715 775	6 715 775
Listed equities	1 121 648	1 121 648	1 166 352	1 166 352
Listed preference shares	1 205	1 205	1 723	1 723
Money market	324 064	324 064	518 531	518 531
Unlisted equities	643 559	643 559	508 050	508 050
Listed bonds	5 370 704	5 370 704	4 521 119	4 521 119
Trade and other receivables	1 816 474	1 816 474	1 648 511	1 648 511
Cash and cash equivalents	297 504	297 504	154 467	154 467
Liability for interest make-up	(1 257 288)	(1 257 288)	(1 172 883)	(1 172 883)
	8 317 870	**8 317 870**	**7 345 870**	**7 345 870**

5.1.1 Currency risk

Currency risk is the risk arising from fair value and /or changes in future cash flows of financial instruments fluctuating from their expected values as a result of changes in exchange rates. This arises from a mismatch between the currencies of assets and liabilities of the Corporation.

The Corporation is exposed to currency risk for transactions that are denominated in a currency other than the Corporation’s functional currency of US Dollar. This is due to the Corporation’s revenues being denominated in US Dollar. To minimise the impact of currency risk, the Corporation matches the currency of liabilities with the currency of assets.

The Corporation is exposed to fluctuation in the balances or transactions that are denominated in Rand. This is due to the Corporation's functional currency being the US Dollar, though its operations are domiciled in South Africa.

The Corporation’s exposure to Rand foreign currency risk at the reporting date was as follows:

	2019 R’000	2018 R’000
Cash and cash equivalents	141 886	66 250
Financial assets at fair value	2 322 948	2 606 339
Trade and other receivables	7 837	10 903
Insurance contract liabilities	(4 051)	(3 571)
Other liabilities	(18 418)	(18 582)
	2 450 202	**2 661 339**

NOTES TO THE FINANCIAL STATEMENTS

The exchange rates used is sourced from South African Reserve Bank and the following were applied:

	2019	2018
US Dollar to South African Rand exchange rates:		
Closing rate	14,5968	11,8128
Average rate	13,7511	13,0026

A 10 percent increase or decrease in the Rand against the US Dollar at the reporting date would have increased or decreased equity and profit or loss by amounts reflected below. The analysis assumes all other variables stay the same.

	Profit/(loss) after tax		Equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
2019	(707 252)	863 994	447	(447)
2018	(727 977)	889 286	(322 499)	322 499

5.1.2 Interest rate risk

Interest rate risk is the risk arising from fair value and/or future cash flows of a financial instruments fluctuating from their expected values as a result of changes in market interest rates.

The Corporation has exposure to fixed-rate financial assets whose value is impacted by changes in interest rates. The Corporation's insurance liabilities are also impacted by changes in the interest rates because it provides insurance cover for loan agreements whose values are also impacted by changes in interest rates. The Finance , Investment and Insurance Committee continuously monitor this risk and advises the Board where a change in investment strategy is warranted. The Corporation's fixed interest rate portfolio is managed by external fund managers who are continuously monitored.

The sensitivity analysis for interest rates illustrates how changes in the interest rates will impact on the fair values of assets and liabilities.

A change of 100 basis points in the interest rate at the reporting date would have increased or decreased equity and profit or loss after tax by amounts reflected below, the analysis assumes that all other variables remained the same.

	Profit/(loss) after tax		Equity	
	100 BP Increase R'000	100 BP Decrease R'000	100 BP Increase R'000	100 BP Decrease R'000
2019	(173 840)	178 524	(173 840)	178 524
2018	(89 882)	91 944	(89 882)	91 944

NOTES TO THE FINANCIAL STATEMENTS

5.1.3 Market (or equity) price risk

Market price risk is the risk that actual fair values of equities may fluctuate from expected values as a result of changes in market prices. The Corporation's exposure to equities is capped and defined in the investment policy. The Corporation's exposure to equities is set at a maximum level of investment assets. The Finance, Investment and Insurance Committee actively monitors the equity investment portfolio to ensure that there is no breach of the set parameters. The Committee contracts the services of fund managers to manage the equity investment portfolio.

Financial liabilities are not impacted by changes in the market or equity price.

The table below reflects the Corporation exposure to equity risk.

	2019 R'000	2018 R'000
Basic resources	322 713	240 865
Industrials	76 402	90 762
Consumer goods	82 339	74 797
Telecommunications	7 369	12 207
Financials	914 343	822 331
Health	21 943	50 909
Consumer services	202 833	209 514
Technology	1 920	5 064
Commodity-linked	2 902	4 351
Energy	1 759	760
Real estate	130 683	162 842
Note 8 (listed and unlisted equities only)	**1 765 206**	**1 674 402**

A 5 percent increase or decrease in equities at the reporting date would increase or decrease equity and profit or loss after tax by amounts as reflected below.

	Profit/(loss) after tax		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
2019	40 354	(40 354)	65 324	(65 324)
2018	40 180	(40 180)	59 892	(59 892)

5.2 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation is exposed to daily cash requirements to meet operational expenses as well as claims as they fall due.

The Corporation has established an operational cash task team which meets on a weekly basis to review weekly and rolling monthly cash forecasts. The task team is mandated to ensure that funds which are intended to meet operational expenses are made available when required.

NOTES TO THE FINANCIAL STATEMENTS

The Corporation's investment strategy is set on the principles of matching the term of financial liabilities and assets. The finance and investment task team monitors adherence to liquidity requirements.

The liquidity profile of all financial assets and liabilities is reflected below:

2019	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Financial assets at fair value	2 998 550	2 002 616	2 460 014	7 461 180
Trade and other receivables	306 278	891 963	618 233	1 816 474
Cash and cash equivalents	297 504	-	-	297 504
	3 602 332	**2 894 579**	**3 078 247**	**9 575 158**
Financial liabilities				
Trade and other payables	15 165	-	-	15 615
Insurance contract liabilities	579 923	1 219 255	1 428 662	3 227 840
Liability for interest make-up	283 775	720 833	430 037	1 434 645
	878 863	**1 940 088**	**1 858 699**	**4 677 650**

2018	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Financial assets at fair value	2 385 319	2 019 408	2 311 048	6 715 775
Trade and other receivables	185 210	959 434	503 867	1 648 511
Cash and cash equivalents	154 467	-	-	154 467
	2 724 996	**2 978 842**	**2 814 915**	**8 518 753**
Financial liabilities				
Trade and other payables	15 504	-	-	15 504
Insurance contract liabilities	547 288	1 611 855	1 083 362	3 242 505
Liability for interest make-up	243 941	695 440	465 199	1 404 580
	806 733	**2 307 295**	**1 548 561**	**4 662 589**

5.3 Credit risk

Credit risk is the risk of financial loss resulting from a counterparty or customer's failure to meet its contractual obligations. The Corporation is exposed on the following levels:

- Amounts due from insurance policyholders and other trade debtors;
- Salvages receivable; and
- Financial assets and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

The Corporation limits the levels of credit risk that it accepts by placing limits on its exposure to a single counterparty or group of counterparties.

Exposures to third parties are monitored as part of the credit control process which takes into account among other things sector limits, counterparty limits and country limits. Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash and cash equivalents are placed with institutions that have long term credit ratings.

Financial assets placed with fund managers are governed by investment mandates which provide for counterparty limits, counterparty type, concentration limits and investment grade. The carrying amount of assets included on the statement of financial position represents the maximum credit exposure.

Accounts receivable

The Corporation's insurance debtors are limited to parties with a valid insurance policy. These are followed up on a regular basis. Another component of accounts receivable relates to assessment fees which are only charged to policies which have been assessed to avoid high volumes of bad debts. Impairment allowance is raised only after an assessment of each individual balance.

Financial assets and cash and cash equivalents

Where possible, the Corporation has defined minimum acceptable counterparty credit ratings on financial assets being managed by fund managers. The Finance, Investment and Insurance Committee also fulfils an oversight role in ensuring adherence to defined credit ratings.

5.3.1 Credit rating

The following table provides information on the credit quality of the Corporation's financial and insurance assets.

2019	AAA-A+ R'000	A-BBB+ R'000	BBB and lower R'000	Not Rated R'000	Total R'000
Financial assets at fair value	5 252 811	1 078 046	7 471	1 122 852	7 461 180
Trade and other receivables	-	-	-	1 816 474	1 816 474
Cash and cash equivalents	297 444	60	-	-	297 504
	5 550 255	**1 078 106**	**7 471**	**2 939 326**	**9 575 158**

2018	AAA-A+ R'000	A-BBB+ R'000	BBB and lower R'000	Not Rated R'000	Total R'000
Financial assets at fair value	4 437 794	930 425	177 588	1 169 968	6 715 775
Trade and other receivables	-	-	-	1 648 511	1 648 511
Cash and cash equivalents	66 939	87 528	-	-	154 467
	4 504 733	**1 017 953**	**177 588**	**2 818 479**	**8 518 753**

NOTES TO THE FINANCIAL STATEMENTS

A National rating was applied to all South African investments, while a National equivalent of the International ratings were applied to all foreign investments. Credit ratings on an instrument level is reflected, and where not available the issuer rating. Where available, credit ratings from Standard & Poor's are used, and applies to the majority of the US dollar instruments. Where not available, a credible equivalent is used such as Moody's or Fitch. Credit sourcing availability depends on a rating agency's coverage of instruments, and in particular in South Africa where rand instruments are not always rated by all the rating agencies.

5.3.2 Financial and insurance assets are neither past due nor impaired

The analysis for financial instruments that are neither past due nor impaired and/or individually impaired at the reporting date was as follows:

2019	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Provision for doubtful debt R'000	Net carrying amount R'000
Trade and other receivables	1 804 603	11 804	522	(455)	1 816 474
2018					
Trade and other receivables	1 610 521	37 934	524	(468)	1 648 511

5.3.3 Age analysis of trade and other receivables and premium debtors that are past due but not impaired

2019	<30 days R'000	31- 90 R'000	91-120 R'000	Greater than 120 R'000	Total R'000
Trade and other receivables	9 437	1 371	-	996	11 804
2018					
Trade and other receivables	4 735	723	-	32 476	37 934

5.3.4 Reconciliation of the provision for doubtful debt

2019	Opening balance R'000	Additions R'000	Recovered R'000	Write off R'000	Closing balance R'000
Provision for doubtful debt	(468)	-	11	2	(455)

2018	Opening balance R'000	Additions R'000	Recovered R'000	Write off R'000	Closing balance R'000
Provision for doubtful debt	(450)	(18)	-	-	(468)

NOTES TO THE FINANCIAL STATEMENTS

5.4 Regulatory solvency management

The Corporation recognises share premium, retained earnings and other reserves as capital. For internal management purposes the Corporation refers to the statutory solvency requirements as prescribed by the Prudential Authority (PA). Refer to solvency ratio in note 32.

The Corporation submits quarterly and annual returns to the PA in terms of the Insurance Act, 2017 (the Act). The Corporation is required to maintain, at all times, a sufficient eligible own funds as defined in the Act. The returns submitted by the Corporation to the regulator showed that the Corporation met the minimum capital requirements throughout the year.

The Corporation defines its capital as share capital, statutory reserves and retained earnings. The Corporation is required to raise additional capital to compensate for the different aspects of risk ranging from market risk, credit risk and liquidity risk on assets and liabilities.

6. Intangible assets

	2019			2018		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Computer software, other	5 426	(2 006)	3 420	4 142	(1 048)	3 094

Reconciliation of intangible assets - 2019

	Opening balance R'000	Additions R'000	Amortisation R'000	Translation effect R'000	Closing balance R'000
Computer software, other	3 094	146	(669)	849	3 420

Reconciliation of intangible assets - 2018

	Opening balance R'000	Additions R'000	Amortisation R'000	Translation effect R'000	Closing balance R'000
Computer software, other	3 653	602	(724)	(437)	3 094

Pledged as security

None of the intangible assets are pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

7. Equipment

	2019			2018		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Furniture and fittings	9 021	(6 087)	2 934	7 601	(4 213)	3 388
Motor vehicles	193	(162)	31	156	(108)	48
Office equipment	3 508	(2 096)	1 412	3 171	(1 726)	1 445
Computer equipment	4 868	(3 475)	1 393	3 286	(2 483)	803
Total	**17 590**	**(11 820)**	**5 770**	**14 214**	**(8 530)**	**5 684**

Reconciliation of equipment - 2019

	Opening balance R'000	Additions R'000	Write-off R'000	Depreciation R'000	Translation effect R'000	Closing balance R'000
Furniture and fittings	3 388	-	-	(1 038)	584	2 934
Motor vehicles	48	-	-	(26)	9	31
Office equipment	1 445	98	(44)	(405)	318	1 412
Computer equipment	803	1 039	(8)	(654)	213	1 393
	5 684	**1 137**	**(52)**	**(2 123)**	**1 124**	**5 770**

Reconciliation of equipment - 2018

	Opening balance R'000	Additions R'000	Write-off R'000	Depreciation R'000	Translation effect R'000	Closing balance R'000
Furniture and fittings	4 787	229	-	(1 042)	(586)	3 388
Motor vehicles	84	-	-	(29)	(7)	48
Office equipment	2 082	9	(31)	(412)	(203)	1 445
Computer equipment	1 057	305	(4)	(452)	(103)	803
	8 010	**543**	**(35)**	**(1 935)**	**(899)**	**5 684**

Pledged as security

None of the equipment are pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

8. Financial assets at fair value

	2019 R'000	2018 R'000
Through profit or loss		
Listed equities	1 121 647	1 166 352
Bonds	5 370 705	4 521 119
Money market	324 064	518 531
Preference shares	1 205	1 723
	6 817 621	**6 207 725**
Available for sale		
Unlisted equities	643 559	508 050
Total financial assets	**7 461 180**	**6 715 775**

8.2 Maturity profile of financial assets

2019	Within 1 year R'000	1 to 5 years R'000	More than 5 years R'000	Total R'000
Financial assets				
Bonds	975 722	1 950 742	2 444 240	5 370 704
Unlisted equities	-	-	643 559	643 559
Money market	272 190	51 874	-	324 054
Listed equities	1 121 648	-	-	1 121 648
Preference shares	1 205	-	-	1 205
	2 370 765	**2 002 616**	**3 087 799**	**7 461 180**

2018	Within 1 year R'000	1 to 5 years R'000	More than 5 years R'000	Total R'000
Financial assets				
Bonds	779 192	1 969 047	1 772 880	4 521 119
Unlisted equities	-	-	508 050	508 050
Money market	438 053	50 361	30 117	518 531
Listed equities	1 166 352	-	-	1 166 352
Preference share	1 723	-	-	1 723
	2 385 320	**2 019 408**	**2 311 047**	**6 715 775**

NOTES TO THE FINANCIAL STATEMENTS

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

	2019 R'000	2018 R'000
Level 1		
Listed equities	1 121 648	1 166 352
Bonds	5 360 929	4 521 119
Listed preference shares	1 205	1 723
Money market	174 373	265 465
	6 658 155	**5 954 659**
Level 2		
Bonds	9 775	-
Money market	149 691	253 066
	159 466	**253 066**
	6 817 621	**6 207 725**

Included in the level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arms-length basis.

Included in the level 2 category are financial assets measured using valuation techniques based on assumptions supported by prices from an observable current market transaction. However, these prices are not determined in an active market. Inputs used in the valuation techniques include quoted market prices, interest rates, observable yield curves and credit spreads.

Reconciliation of financial assets at fair value through profit or loss

2019

	Opening balance R'000	Interest and dividends net off management fees R'000	Total gains in statement of comprehensive income R'000	Net sales R'000	Foreign exchange gain and currency translation R'000	Total R'000
Financial assets	6 207 725	245 018	40 225	(548 282)	872 935	6 817 621

2018

	Opening balance R'000	Interest and dividends net off management fees R'000	Total gains in statement of comprehensive income R'000	Net sales R'000	Foreign exchange loss and currency translation R'000	Total R'000
Financial assets	6 685 902	215 105	22 516	(284 482)	(431 316)	6 207 725

NOTES TO THE FINANCIAL STATEMENTS

Fair value hierarchy of financial assets available for sale

	2019 R'000	2018 R'000
Level 3		
Unlisted equities	643 559	508 050

Included in level 3 are financial assets whose fair value is determined using valuation techniques based on assumptions neither supported by prices from observable current market transactions in the same instrument nor based on available market data. The instruments classified in this level were valued by discounting future cash flows from the instruments

The following is the qualitative information about the significant unobservable inputs and their relationship to fair value, used in level 3 fair value measurements:

2019	Total value R'000	Change %
Reported value	643 559	
Discount rate of 14,1% - higher by 1%	517 684	(19,6%)
Discount rate of 14,1% - lower by 1%	850 602	32,2%
Terminal Growth rate of 3,9% - higher by 0,5%	720 932	12,0%
Terminal Growth rate of 3,9% - lower by 0,5%	582 946	(9,42%)
Minority discount of 15,0% - higher by 1%	634 366	(1,4%)
Minority discount of 15,0% - lower by 1%	652 753	1,4%
Marketability discount of 15,0% - higher by 1%	634 366	(1,4%)
Marketability discount of 15,0% - lower by 1%	652 753	1,4%

2018	Total value R'000	Change %
Reported value	508 050	
Discount rate - higher by 1%	443 592	(12,7%)
Discount rate - lower by 1%	594 732	17,1%
Terminal Growth rate - higher by 0,5%	527 609	3,8%
Terminal Growth rate - lower by 0,5%	490 294	(3,5%)
Minority discount - higher by 1%	500 792	(1,4%)
Minority discount - lower by 1%	515 308	1,4%
Marketability discount - higher by 1%	500 792	(1,4%)
Marketability discount - lower by 1%	515 308	1,4%

Valuation process

The Income Approach was used as a primary valuation approach to determine the fair value of the instrument. The Net Asset Approach and listed price of the comparable shares were used to cross check the results of the Income Approach.

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of financial assets available for sale

2019

	Opening balance R'000	Interest and dividends net off management fees R'000	Total gains in statement of other comprehensive income R'000	Dividends received R'000	Foreign exchange gain and currency translation R'000	Closing balance R'000
Financial assets	508 050	14 095	15 774	(14 095)	119 735	643 559

2018

	Opening balance R'000	Total gains in statement of comprehensive income R'000	Purchases R'000	Foreign exchange loss and currency translation R'000	Closing balance R'000
Financial assets	-	35 538	573 260	(100 748)	508 050

9. Deferred tax

	2019 R'000	2018 R'000
Deferred tax (liability)/assets	(25 938)	11 988
Reconciliation of deferred tax (liability)/assets		
Deferred tax through profit and loss	-	-
Provisions	9 931	9 575
Unexpired risk reserve	-	1 400
Fair value gain on financial assets	(28 535)	(13 479)
Unrealised foreign exchange (gain)/loss on equities	(4 253)	22 568
Carry-forward of CGT losses	9 245	-
Payment received in advance	160	149
Other	(992)	(264)
Deferred tax through other comprehensive income	-	-
Fair value gain on financial assets throught other comprehensive income	(11 494)	(7 961)
	(25 938)	**11 988**

NOTES TO THE FINANCIAL STATEMENTS

10. Trade and other receivables

	2019 R'000	2018 R'000
Insurance receivables		
Premium receivables	1 733 384	1 574 318
Salvage receivable	67 430	60 192
Trade receivables due from related parties	7 552	5 868
Other receivables	3 483	94
	1 811 849	**1 640 472**
Non-Insurance receivables		
Trade receivables due from related parties	40	2 514
Other receivables	4 585	5 525
	4 625	**8 039**
	1 816 474	**1 648 511**

11. Cash and cash equivalents

	2019 R'000	2018 R'000
Cash at bank and on hand	152 380	75 103
Short-term deposits	145 124	79 364
	297 504	**154 467**

The aggregate interest rate on cash at bank and on hand at the reporting date was 3,62 percent. (2018 1.94 percent). The percentage is low because the Corporation holds significant cash in foreign currency , which does not earn interest.

12. Share capital and share premium

	2019 R'000	2018 R'000
Authorised		
10 000 000 ordinary shares of R1 each	10 000	10 000
Issued		
100 ordinary shares at R 1 each	-	-
Share premium (100 ordinary shares issued at a premium of R3 160 504 each)	316 051	316 051

The unissued shares are under the control of the directors until the forthcoming annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

13. Solvency capital requirement

	2019 R'000	2018 R'000
Balance at the beginning of the year	-	417 722
Transfer (from) solvency capital requirement	-	(417 722)
	-	-

The Corporation is required to raise additional capital to compensate for the risk of loss arising from insurance, market, credit, operational and liquidity risk on assets covering its insurance liabilities.
Regulatory capital is based on the standard formula capital calculation as per the Prudential Standards. The solvency capital requirement is included in the statement of financial position for the prior year.

The solvency capital requirement is calculated as the higher of the solvency capital requirement and the minimum capital requirement and was transfered to the retained earnings.

The Corporation no longer discloses the capital adequacy requirement separately, and this is not required in terms of IFRS.

14. Insurance contract liabilities

14.1 Provision for unearned premiums

	2019 R'000	2018 R'000
Balance at beginning of year	2 572 262	2 552 331
Amount transferred (to)/from the statement of comprehensive income	(477 734)	318 087
Premium refund	(4 165)	(6 854)
Foreign exchange gain	(3 540)	(2 914)
Foreign currency translation loss/(gain)	577 659	(288 388)
Balance at end of year	**2 664 482**	**2 572 262**

Maturity profile	Within 1 year R'000	1 to 5 years R'000	More than 5 years R'000	Total R'000
2019	569 303	1 219 255	875 924	2 664 482
2018	529 651	1 134 746	907 865	2 572 262

14.2 Provision for unexpired risks

	2019 R'000	2018 R'000
Balance at beginning of year	175 497	159 109
Amount transferred from the statement of comprehensive income	51 169	43 824
Foreign exchange (gain)/loss	(810)	642
Foreign currency translation (gain)/loss	42 308	(28 078)
Balance at end of year	**268 164**	**175 497**

Due to the nature of the gross provision for unexpired risks, no maturity profile is presented.

NOTES TO THE FINANCIAL STATEMENTS

14.3 Provision for claims reserves

	2019 R'000	2018 R'000
Balance at beginning of year	494 746	525 079
Outstanding claims reserve	26 202	-
Incurred but not reported claims reserve	468 544	525 079
Amount transferred (to)/from the statement of comprehensive income	(313 564)	36 195
New claims incurred	-	50 500
Outstanding claims reserve	-	50 500
Change in estimate	(107 085)	5 663
Outstanding claims reserve	(468)	108
Incurred but not reported claims reserve	(106 617)	5 555
Payments of claims previously provided for	(206 469)	(19 968)
Outstanding claims reserve	(20 630)	(19 968)
Incurred but not reported claims reserve	(185 839)	-
Foreign currency translation loss/(gain)	114 013	(66 528)
Outstanding claims reserve	5 516	(4 438)
Incurred but not reported claims reserve	108 497	(62 090)
Balance at end of the year	295 194	494 746
Outstanding claims reserve	10 620	26 202
Incurred but not reported claims reserve	284 574	468 544

The claim payments made relate to underwritten exposures in Zimbabwe and Nigeria.

Maturity profile	Within 1 Year R'000	1 to 5 years R'000	More than 5 years R'000	Total R'000
2019	10 620	284 574	-	295 194
2018	17 637	477 109	-	494 746

NOTES TO THE FINANCIAL STATEMENTS

14.4 Assumptions, change in assumptions and sensitivity

The methods and assumptions that have the greatest effect on the measurement of insurance contracts provisions are:

- Claim provisions are not discounted for the time value of money.
- The cost of claims incurred but not yet reported is individually assessed for each contract. The probability of default is estimated by experienced underwriters using systematic processes taking into account updated information on specific country and project risk.
- The unearned premium provision reflects the risk profile of contracts and is a function of the amount at risk and the probability of default. The probability of default is dependent on the country risk rating, project risk rating and the unexpired period.
- A concentration risk provision is held; this is calculated by comparing the distribution of exposures by country and industry in the Corporation's portfolio with that of a well diversified portfolio.
- The unexpired risk provision allows for inadequacy in the unearned premium provision, which might occur where the risk factors considered in the pricing basis change from that used in pricing the contract initially. It is thus appropriate to allow for a change in the unexpired risk provision as soon as the unearned premium provision is insufficient to cover the future claims risk of the unexpired period. This would occur if the pricing process is updated or if political or commercial risk on a contract is changed.

Change in assumptions

The assumptions and methodologies used in the calculation of the technical provisions are reviewed at the reporting date and the impact of any resulting changes in estimates is reflected in the statement of comprehensive income as they occur.

Sensitivity analysis

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Corporation's estimates. The Corporation believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based on certain variables and assumptions which could differ when claims arise.

The table presented below demonstrates the sensitivity of insurance contract liabilities estimates to particular movements in assumptions used in the estimation process:

2019	Insurance Contract Liability R'000	Change %
Reported value	3 227 840	
CRR LGD at 90%	3 199 713	(0,8)
Exchange rate set 10% higher	3 546 962	10,0
Exchange rate set 10% lower	2 904 059	(10,0)
IBNR "Upwards" stress	3 229 828	0,1
IBNR "Downwards" stress	3 003 883	(6,9)

NOTES TO THE FINANCIAL STATEMENTS

2018	Insurance Contract Liability R'000	Change %
Reported value	3 242 505	
CRR LGD at 90%	3 223 300	(0,6)
Exchange rate set 10% higher	3 562 696	9,9
Exchange rate set 10% lower	2 918 005	(10,0)
IBNR "Upwards" stress	3 448 403	6,3
IBNR "Downwards" stress	3 130 976	(3,4)

15. Employee benefit liability

2019

	Opening balance R'000	Additions R'000	Leave taken R'000	Leave paid R'000	Closing balance R'000
Other provisions	3 078	5 972	(4 256)	(1 541)	3 253

2018

	Opening balance R'000	Additions R'000	Leave taken R'000	Leave paid R'000	Closing balance R'000
Other provisions	3 627	5 659	(4 726)	(1 482)	3 078

16. Trade and other payables

	2019 R'000	2018 R'000
Sundry creditors and accruals	15 165	15 504
VAT	13 833	9 369
Bonus provision	28 289	26 700
	57 287	**51 573**

17. Liability for interest make-up

The dti offered the interest make-up dispensation in order to allow local banks and other financiers to offer buyers of South African export goods and services financing for projects at internationally competitive rates. The IMU dispensation was administered by the Corporation on behalf of **the dti** until 01 October 2016 when it took over as the principal. The approvals were obtained from the FSB, **the dti** and the Minister of Finance.

The fair value of the liability is determined on a discounted cash flow basis of all future IMU payments on existing agreements.

The IMU payments stretch out to October 2029; hence, discounting the cash flows to allow for time value of money is appropriate. The cash flows are denominated in US Dollars, hence a US Treasury Bills Yield Curve is used and allows for credit default spread.

NOTES TO THE FINANCIAL STATEMENTS

The projected drawdown and repayment schedules used in calculating the future IMU payments, is as per the relevant loan agreement.

	2019 R'000	2018 R'000
Opening balance	1 172 883	1 633 022
Expense for interest make-up	101 527	38 904
Change in estimate	43 138	1 437
Unwind of interest	58 389	37 467
Payments	(281 623)	(319 230)
Foreign exchange loss/(gain) and currency translation	264 501	(179 813)
	1 257 288	**1 172 883**

The contractual amount to be paid is R 1,434,644,000 (2018: R1,404,580,000) which is R 177,356,000 (2018: R231,697,000) higher than the carrying amount.

Sensitivity analysis

The table presented below demonstrates the sensitivity of liability estimates to particular movements in assumptions used in the estimation process:

2019	Liability R'000	Change %
Base IMU Liability	1 257 288	
Increase discount rates by 10%	1 249 041	(0,7%)
Decrease discount rates by 10%	1 265 637	0,7%

2018	Liability R'000	Change %
Base IMU Liability	1 172 883	-
Increase discount rates by 10%	1 135 496	(3.2%)
Decrease discount rates by 10%	1 212 700	3.4%

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

This liability has been classified as a level 3 as the fair value is determined using valuation techniques based on assumptions neither supported by prices from observable current market transactions in the same instrument nor based on available market data. The instruments classified in this level were valued by discounting future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

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

Reconciliation of financial liabilities at fair value through profit or loss measured at level 3 - 2019

	Opening balance R'000	Unwind of interest R'000	Change in estimate R'000	Settlements R'000	Foreign exchange loss and currency translation R'000	Closing balance R'000
Liability for interest make-up	1 172 883	58 389	43 138	(281 623)	264 501	1 257 288

Reconciliation of financial liabilities at fair value through profit or loss measured at level 3 - 2018

	Opening balance R'000	Unwind of interest R'000	Change in estimate R'000	Settlements R'000	Foreign exchange gain and currency translation R'000	Total R'000
Liability for interest make-up	1 633 022	37 467	1 437	(319 230)	(179 813)	1 172 883

NOTES TO THE FINANCIAL STATEMENTS

18. Categories of assets and liabilities

Categories of assets and liabilities - 2019	Note(s)	Financial assets and liabilities at fair value through profit or loss R'000	Financial asset available for sale R'000	Financial assets and liabilities at amortised cost R'000	Other non-financial assets and liabilities R'000	Total R'000	Current assets and liabilities R'000	Non-current assets and liabilities R'000
Assets								
Equipment	7	-	-	-	5 770	5 770	-	5 770
Intangible assets	6	-	-	-	3 420	3 420	-	3 420
Financial assets at fair value	8	6 817 621	643 559	-	-	7 461 180	2 370 765	5 090 415
Current tax receivable	26	-	-	-	860	860	860	-
Trade and other receivables	10	-	-	155	1 816 319	1 816 474	306 278	1 510 196
Cash and cash equivalents	11	-	-	297 504	-	297 504	297 504	-
		6 817 621	**643 559**	**297 659**	**1 826 369**	**9 585 208**	**2 975 407**	**6 609 801**
Liabilities								
Provision for unearned premiums	14.1	-	-	-	2 664 482	2 664 482	569 303	2 095 179
Provision for unexpired risks	14.2	-	-	-	268 164	268 164	-	268 164
Provision for claims reserves	14.3	-	-	-	295 194	295 194	10 620	284 574
Deferred tax	9	-	-	-	25 938	25 938	-	25 938
Employee benefit liability	15	-	-	-	3 253	3 253	3 253	-
Trade and other payables	16	-	-	15 165	42 122	57 287	57 287	-
Liability for interest make-up	17	1 257 288	-	-	-	1 257 288	278 662	978 626
		1 257 288	**-**	**15 165**	**3 299 153**	**4 571 606**	**919 125**	**3 652 481**

NOTES TO THE FINANCIAL STATEMENTS

Categories of assets and liabilities - 2018	Note(s)	Financial assets and liabilities at fair value through profit or loss R'000	Financial asset available for sale R'000	Financial assets and liabilities at amortised cost R'000	Other non-financial assets and liabilities R'000	Total R'000	Current assets and liabilities R'000	Non-current assets and liabilities R'000
Assets								
Equipment	7	-	-	-	5 684	5 684	-	5 684
Intangible assets	6	-	-	-	3 094	3 094	-	3 094
Financial assets at fair value	8	6 207 725	508 050	-	-	6 715 775	2 385 320	4 330 455
Deferred tax	9	-	-	-	11 988	11 988	-	11 988
Trade and other receivables	10	-	-	8 039	1 640 472	1 648 511	185 210	1 463 301
Cash and cash equivalents	11	-	-	154 467	-	154 467	154 467	-
		6 207 725	**508 050**	**162 506**	**1 661 238**	**8 539 519**	**2 724 997**	**5 814 522**
Liabilities								
Provision for unearned premiums	14.1	-	-	-	2 572 262	2 572 262	529 651	2 042 611
Provision for unexpired risks	14.2	-	-	-	175 497	175 497	-	175 497
Provision for claims reserves	14.3	-	-	-	494 746	494 746	17 637	477 109
Employee benefit liability	15	-	-	-	3 078	3 078	3 078	-
Trade and other payables	16	-	-	15 504	36 069	51 573	51 573	-
Liability for interest make-up	17	1 172 883	-	-	-	1 172 883	243 941	928 942
Current tax payable	26	-	-	-	39 435	39 435	39 435	-
		1 172 883	**-**	**15 504**	**3 321 087**	**4 509 474**	**885 315**	**3 624 159**

NOTES TO THE FINANCIAL STATEMENTS

19. Insurance premium revenue

	2019 R'000	2018 R'000
Credit insurance	27 280	743 675
Investment guarantee	126 998	143 197
Performance bonds	-	76
	154 278	**886 948**

20. Net investment income

	2019 R'000	2018 R'000
Dividends income - Foreign	14 095	-
Dividends income - Local	47 208	36 134
	61 303	**36 134**
Other investment income		
Interest received	217 994	199 641
Realised (loss)/gain on disposal of financial assets	(41 226)	28 537
Change in fair value of financial assets	81 452	(6 021)
Sundry income	64	27
Interest received on cash and cash equivalents	637	1 252
	258 921	**223 436**
	320 224	**259 570**

21. (Loss)/Profit on exchange differences

The foreign exchange differences arise as a result of revaluing rand monetary net assets from historic rates to closing rate.

	2019 R'000	2018 R'000
Effect of translation on cash and cash equivalents	(19 091)	14 339
Effect of translation on net assets (excluding insurance contract liabilities and cash and cash equivalents)	(5 530)	1 379
Effect of translation on financial assets at fair value	562 243)	342 805
Effect of translation on insurance contract liabilities	4 351	2 272
	(582 513)	**360 795**

NOTES TO THE FINANCIAL STATEMENTS

22. Currency translation differences

The currency translation difference arises because the presentation currency (ZAR) is different to the functional currency (USD). This difference represents the changes in the foreign exchange movement between the historic or average rate and the closing rate on net assets.

For monetary assets currency translation difference arises as a foreign exchange movement

	2019 R'000	2018 R'000
Foreign exchange gain/(loss) on monetary assets and liabilities	951 563	(552 141)
Gross unearned premium reserve	(174)	5 455
Equipment and intangible assets	1 973	(1 292)
Payments in advance	319	(786)
Technical reserves movements	1 650	19 203
	955 331	**(529 561)**

23. Net operating expenses

Net operating expenses are arrived at after taking into account:

	2019 R'000	2018 R'000
External auditors' remuneration		
Audit fees for the current year	1 911	1 359
Other services	325	-
	2 236	**1 359**
Internal auditors' remuneration	972	933
Depreciation and amortisation		
Equipment	2 123	1 935
Intangible assets	669	724
	2 792	**2 659**
Directors' emoluments		
Remuneration paid to executive directors	5 783	5 421
Remuneration paid to non-executive directors	873	946
	6 656	**6 367**
Employee costs		
Salaries	66 088	60 743
Prior year over provision	(707)	(3 255)
Provision for bonus for current year	26 199	24 763
	91 580	**82 251**

NOTES TO THE FINANCIAL STATEMENTS

	2019 R'000	2018 R'000
Operating leases		
Equipment	336	380
Property rental	5 336	5 336
	5 672	**5 716**
Remuneration to non-employees		
Actuarial services	529	790
Consulting services	3 904	3 965
Legal services	178	708
	4 611	**5 463**
General administrative expenses	32 743	37 512
Total operating expenses (excluding portfolio fees)	**147 262**	**142 260**
Investment portfolio management fee	20 511	20 956
Total operating expenses	**167 773**	**163 216**

23.1. Disclosure as required by section 55 of PFMA

	2019 R'000	2018 R'000
Fruitless and wasteful expenditure		
Opening balance	2	11
Additions	2	3
Recovered	(4)	(12)
	-	**2**

The additions result from changing dates of travel after the booking was confirmed

	2019 R'000	2018 R'000
Irregular expenditure		
Opening balance	431	4 860
Add: Irregular expenditure – relating to current year	405	431
Condoned	(431)	(4 860)
	405	**431**

All the expenditure incurred was for variations approved after spending.

NOTES TO THE FINANCIAL STATEMENTS

24. Taxation

	2019 R'000	2018 R'000
Major components of the tax expense		
Current		
Local income tax - current period	359 575	200 696
Local income tax - recognised tax for prior periods	(917)	2 085
	358 658	**202 781**
Deferred		
Deferred tax - current year	34 393	(23 867)
Deferred tax - adjusted tax for prior periods	-	(19 125)
	34 393	**(42 992)**
	393 051	**159 789**
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Current year's charge as a percentage of profit before taxation	96,09%	14,24%
Disallowable expenses - IMU	(2,09)%	(1,85)%
Disallowable expenses - other	(0,30)%	(0,65)%
Exempt income - dividends	0,94%	1,38%
Translation effect	(67,24)%	12,89%
Prior year adjustment	0,07%	2,89%
Other	0,53%	(0,90)%
	28,00%	**28,00%**

NOTES TO THE FINANCIAL STATEMENTS

25. Cash generated from operations

	2019 R'000	2018 R'000
Profit/(loss) before taxation	409 036	1 121 942
Adjustments for:		
Net book value write-off	52	33
Interest received	(218 756)	(201 701)
IMU grant received	(183 248)	(188 272)
Interest paid	4	2
Dividends received	(61 303)	(36 134)
Depreciation and amortisation	2 792	2 659
Other non-cash items	32	44
Fair value (gain)/loss on financial assets	(81 452)	6 021
Realised loss/(gain) on disposal of financial assets	41 226	(28 537)
Loss/(profit) on foreign exchange	582 513	(360 795)
Movements in provision for unearned premiums	(477 734)	318 087
Movements in provision for unexpired risks	51 169	43 824
Movements in provision for outstanding claims	(313 564)	36 195
Expenses for interest make-up	101 527	38 904
Movements in trade and other receivables	201 261	(248 444)
Movements in trade and other payables	3 346	13 304
Movements in provisions	175	(549)
	57 076	**516 583**

26. Taxation paid

	2019 R'000	2018 R'000
Balance at beginning of the year	(39 435)	(55 563)
Current tax for the year recognised in profit or loss	(358 658)	(202 781)
Balance at end of the year	(860)	39 435
	(398 953)	**(218 909)**

27. Commitments

	2019 R'000	2018 R'000
Operating leases		
Minimum lease payments due		
- within one year	4 036	5 336

NOTES TO THE FINANCIAL STATEMENTS

Operating lease payments represent rentals payable by the Corporation for its office properties. The current rental agreement expires at the end of September 2019.

28. Retirement benefits

Defined contribution plan

The Corporation contributes to the Sanlam Umbrella Fund, which is a defined contribution plan registered in terms of the Pension Funds Act, 1956. Membership is compulsory for all full-time employees. As with all defined contribution funds, the liabilities equal the assets at all times and therefore no actuarial valuation is required.

	2019 R'000	2018 R'000
The total contribution	6 432	6 139

29. Related parties

Identity of related parties

The Corporation has a related party relationship with its shareholder, fellow government entities and its directors and executive officers. The sole shareholder is the government of South Africa through the Department of Trade and Industry (**the dti**).

Transactions with key management personnel

Details of directors' emoluments are disclosed in the directors' report. Key management personnel for purposes of related party information are defined as directors.

South African Reserve Bank

Guaranteed rates of foreign exchange are obtained from the South African Reserve Bank (SARB) and provided to South African contractors to eliminate the impact of currency fluctuations in their pricing during the delivery phase of projects. Exchange risk premiums are charged by the SARB for this cover. The Corporation, on behalf of the SARB, administers exchange risk policies. The Corporation no longer market this product due to lack of demand. The movement in the account is reconciled as follows.

	2019 R'000	2018 R'000
Balance at beginning of year	-	92
Payment	-	(92)
Balance at end of year	**-**	**-**

Government guarantee

In terms of Export Credit and Foreign Investments Insurance Act 1957, as amended, the Government of South Africa acts as a guarantor for the liabilities of the Corporation.

NOTES TO THE FINANCIAL STATEMENTS

Other related party transactions

The following transactions were entered into with the government of South Africa through its various departments and entities on commercial terms and conditions:

	2019 R'000	2018 R'000
Statement of comprehensive income effects:		
Premium		
Industrial Development Corporation of South Africa SOC Ltd	9 208	18 990
Development Bank of Southern Africa SOC Limited	45 264	39 688
Assessment fees		
Industrial Development Corporation of South Africa SOC Ltd	106	-
IMU grant receipts		
Department of Trade and Industry **(the dti)**	183 248	188 272
Other income		
South African Revenue Service (Interest)	59	808
Training cost recovery		
Insurance Sector Education and Training Authority (INSETA)	188	162
Taxation		
South African Revenue Service (Income tax)	358 658	202 781
Statement of financial position effects:		
Financial assets		
Bonds - Parastatals	35 049	70 306
Bonds - National government	558 836	629 795
Trade and other receivables		
Industrial Development Corporation SOC Ltd	7 142	5 673
Development Bank of Southern Africa SOC Limited	398	183
Insurance Sector Education and Training Authority (INSETA)	40	40
Public Investment Corporation (PIC)	11	11
SEDA Gauteng (Supplier development)	-	2 350
SEDA (Enterprise development)	-	124
South African Revenue Service (Current tax receivable)	860	-
Total assets	**602 336**	**708 482**
Liabilities		
Trade and other payables		
South African Revenue Service (Value added tax)	13 833	9 369
South African Revenue Service (Current tax payable)	-	39 435
	13 833	**48 804**

NOTES TO THE FINANCIAL STATEMENTS

30. Directors' and executives' emoluments

Non-executive	2019 R'000	2018 R'000
D Dharmalingam	176	84
MJ Lesejane	-	108
A Mawela	41	226
S Mayekiso	195	62
S O'Mahony	115	180
V Matsiliza	125	162
A Mosai	-	77
L Mothae	136	48
S Subbiah	85	-
	873	**947**

Executive remuneration 2019	Basic salary R'000	Bonus paid R'000	Provident fund R'000	Cellphone allowance R'000	Acting allowance R'000	Settlement amount R'000	Total R'000
K Kutoane - Chief Executive Officer (Director)	3 693	2 090	-	36	-	-	5 819
C Kgoale - Company Secretary (appointed May 2018)	1 156	-	118	22	-	-	1 296
M Nkuhlu - Chief Operations Officer	2 514	1 293	227	30	-	-	4 064
C Simpson - Chief Financial Officer (resigned May 2018)	392	1 293	39	5	-	1 077	2 806
N Mkhathazo - Chief Financial Officer (appointed January 2019	473	-	75	26	132	-	706
B Lemos - Acting Company Secretary	-	-	-	-	5	-	5
N Maphula - General Counsel	1 738	936	245	30	-	-	2 949
J Omollo - Chief Risk Officer	1 713	936	270	30	-	-	2 949
	11 679	**6 548**	**974**	**179**	**137**	**1 077**	**20 594**

NOTES TO THE FINANCIAL STATEMENTS

2018	Basic salary R'000	Bonus paid R'000	Provident fund R'000	Cellphone allowance R'000	Acting allowance R'000	Total R'000
K Kutoane - Chief Executive Officer (Director)	3 484	1 937	-	32	-	5 453
L Mphaphuli - Company Secretary (Deceased: November 2017)	974	763	143	15	-	1 895
M Nkuhlu - Chief Operations Officer	2 368	1 187	218	30	-	3 803
C Simpson - Chief Financial Officer	2 250	889	221	30	-	3 390
B Lemos - Acting Company Secretary	-	-	-	-	48	48
N Maphula - General Counsel	1 636	851	235	30	-	2 752
J Omollo - Chief Risk Officer	1 611	851	260	30	-	2 752
	12 323	**6 478**	**1 077**	**167**	**48**	**20 093**

31. Contingent asset and liability

Contingent asset

The Corporation has a possible salvage relating to the claims settled in the previous years. A portion of the possible salvage did not meet the recognition criteria as at the reporting date. The total amount which may be recognised in future is R 522 million.

32. Solvency

	2019	2018
Regulatory solvency ratio	266%	635%

The degree to which the available capital can cover the capital adequacy requirement. On 1 July 2018 the new Insurance Act became effective, which introduced a significant change in the regulatory capital requirement. This is reflective in the significant change in the cover ratio from the previous year. The cover under the new more onerous regime remains strong and above the regulatory required cover of 100%.

33. Events after the reporting period

There were no other events that have occurred subsequent to the financial year-end that materially affected the annual financial statements of the Corporation.

34. Dividend payable

No dividends were paid or declared in the current financial year

35. Going concern

We draw attention to the fact that at 31 March 2019, the Corporation had accumulated profit of R2 052 463 000 and that the Corporation's total assets exceed its liabilities by R5 013 602 000.

NOTES TO THE FINANCIAL STATEMENTS

The 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.

36. Underwriting results

	2019 R'000	2018 R'000
Insurance premium revenue	154 278	886 948
Change in unearned premiums	477 734	(318 087)
Change in unexpired risks	(51 169)	(43 825)
Net insurance premium earned	**580 843**	**525 036**
Claims incurred	**189 433**	**5 828**
Claims paid net of salvages	(124 131)	42 023
Claims paid	(206 469)	(19 968)
Salvages received	82 338	61 991
Change in claims reserves	313 564	(36 195)
Assessment fees	617	222
Commission paid to intermediaries	(229)	(330)
Operating expenses	(147 262)	(142 260)
Underwriting results	**623 402**	**388 496**
Investment income	320 224	259 570
Portfolio management fees	(20 511)	(20 956)
Foreign exchange (loss)/gain	(582 513)	360 795
Other income	72	808
IMU grant receipts	183 248	188 272
Interest expense	(4)	(2)
Corporate social investment	(13 355)	(16 137)
Expense for interest make-up	(101 527)	(38 904)
Profit before taxation	**409 036**	**1 121 942**
Taxation	(393 051)	(159 789)
Profit for the year	**15 985**	**962 153**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Foreign currency translation reserve	955 331	(529 561)
Fair value adjustments of financial assets	15 774	35 538
Deferred tax on fair value of financial assets	(3 533)	(7 961)
Total items that may be reclassified to profit or loss	**967 572**	**(501 984)**
Other comprehensive income for the year net of taxation	**967 572**	**(501 984)**
Total comprehensive income for the year	**983 557**	**460 169**

NOTES TO THE FINANCIAL STATEMENTS

37. Financial results based on South African rand functional currency

The financial statements are prepared based on the US dollar functional currency. Below is the statement of financial position and statement of comprehensive income on the rand functional currency basis for information purposes:

Statement of financial position

	2019 R'000	2018 R'000
Assets		
Intangible assets	2 761	3 142
Equipment	3 355	4 535
Financial assets at fair value	7 461 180	6 715 775
Deferred tax	-	11 988
Current tax receivable	860	-
Trade and other receivables	1 816 338	1 648 693
Cash and cash equivalents	297 505	154 467
Total assets	**9 581 999**	**8 538 600**
Equity and liabilities		
Equity		
Share capital and share premium	316 051	316 051
Fair value adjustment through other comprehensive income reserve	39 818	27 578
Retained earnings	4 656 854	3 687 652
Total equity	**5 012 723**	**4 031 281**
Liabilities		
Insurance contract liabilities	3 225 510	3 240 350
Provision for unearned premiums	2 662 152	2 570 107
Provision for unexpired risks	268 164	175 497
Provision for outstanding claims	295 194	494 746
Deferred tax	25 938	-
Employee benefit liability	3 253	3 078
Trade and other payables	57 287	51 573
Liability for interest make-up	1 257 288	1 172 883
Current tax payable	-	39 435
Total liabilities	**4 569 276**	**4 507 319**
Total equity and liabilities	**9 581 999**	**8 538 600**

NOTES TO THE FINANCIAL STATEMENTS

Statement of comprehensive income

	2019 R'000	2018 R'000
Insurance premium revenue	154 278	886 948
Change in unearned premiums	476 767	(315 518)
Change in unexpired risks	(51 959)	(42 444)
Net insurance premium revenue	**579 086**	**528 986**
Assessment fees	617	222
Net investment income	320 224	259 570
Other income	72	808
IMU grant receipts	183 248	188 272
	1 083 247	**977 858**
Claims incurred	**194 085**	**3 123**
Claims paid net of salvages	(124 131)	42 023
Claims paid	(206 469)	(19 968)
Salvages income	82 338	61 991
Change in claims reserves	318 216	(38 900)
Expenses		
Commission paid to intermediaries	(229)	(330)
Operating expenses	(167 773)	(163 216)
Interest expense	(4)	(2)
Profit/(loss) on exchange differences	367 805	(173 389)
Corporate social investment	(13 355)	(16 137)
Expense for interest make-up	(101 527)	(38 904)
	1 362 249	589 003
Taxation	(393 051)	(159 789)
Profit for the year	**969 198**	**429 214**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Fair value adjustments of financial assets	15 774	35 538
Deferred tax on fair value of financial assets	(3 533)	(7 961)
Total items that may be reclassified to profit or loss	**12 241**	**27 577**
Other comprehensive income for the year net of taxation	**12 241**	**27 577**
Total comprehensive income for the year	**981 439**	**456 791**

Notes

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