ANNUAL REPORT 2013

EXPORT CREDIT INSURANCE
CORPORATION OF
SOUTH AFRICA SOC LTD

ABOUT THIS REPORT

This report covers the period 1 April 2012 to 31 March 2013, referred to as 2012/13

ABOUT THE ECIC

The ECIC is a self-sustained, state-owned national export credit agency that is supervised and regulated by the Financial Services Board (FSB). The Corporation:

- Underwrites bank loans, supplier credits and investments to enable South African firms to win capital goods and services contracts abroad.
- Is subject to normal income tax policies at corporate rates.
- Follows normal company policies and procedures in its operations.
- Conducts its business in a transparent manner.

VISION

To be leaders in the medium and long-term export credit and investment insurance business, focusing on customer needs and sound risk management.

STRATEGIC GOALS

- Facilitate export trade and investment outside South Africa.
- Strategic alliances: build mutually beneficial local, regional and global relations to advance South Africa's trade and economic development objectives.
- Promote a professional, competitive and customer focused workforce that ensures an effective and efficient service to our customers.
- Fostering risk orientation: create enterprise-wide risk awareness and apply effective risk management practices.
- Effective stewardship: consistently utilise sound business enviromental and social principles, applying international best practice.

MISSION

To facilitate and encourage South African export trade by underwriting export credit loans and investments outside South Africa, in order to enable South African contractors to win international capital goods and services contracts.

ACRONYMS

BBBEE	Broad-Based Black Economic Empowerment
BRICS	Brazil, Russia, India, China, South Africa
CEO	Chief Exective Officer
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
ECA	Export Credit Agency
ECIC	Export Credit Insurance Corporation of South Africa SOC Ltd
Exco	Executive Management Committee
FDI	Foreign Direct Investment
FSB	Financial Services Board
GDP	Gross Domestic Product
IBNR	Incurred But Not Reported
IMF	International Monetary Fund
IMU	Interest Make Up
IPAP	Industrial Policy Action Plan
IT	Information Technology
M-D package	Malzkhun-Drysdale premium pricing model
OECD	Organisation for Economic Co operation and Development
PFMA	Public Finance Management Act
SADC	Southern African Development Community
SAM	Solvency assessment and management project
SARS	South African Revenue Service
SEDA	Small Enterprise Development Agency
SMT	Small to Medium Transactions
TISA	Trade and Invest South Africa
the dti	Department of Trade and Industry

CONTENTS

Foreword by the Minister of Trade and Industry

Global Outlook and the Emerging Markets

The global economic outlook, despite some improvements, continues to remain fragile with the Euro-crisis being a major concern. However, it is encouraging to see emerging market economies becoming the new pillars of growth for the global economy leading to a significant shift in global trading patterns.

The African continent is recognized as the second fastest growing continent after Asia. Sub-Saharan Africa is set to grow by 5.6% this year, according to latest figures from the International Monetary Fund (IMF), with 18 countries expected to reach the level of 6% GDP growth and beyond.

BRICS and Africa

This year South Africa hosted the 5th BRICS summit under the theme of "BRICS and Africa: Partnership for development integration and industrialization". It is worth mentioning that this was the first BRICS summit to be held on the African continent. This heightened optimism and renewed focus on Africa coincides with the 50th celebration of the African Union, which is the successor to the Organization of African Unity that was formed in Addis Ababa in 1963.

South Africa's partnership with BRICS countries is poised to lead to more industrialization and integration on the continent. Such integration however, must not only entail institutionalized market integration, but must necessitate "Development Integration" which emphasizes cross-border infrastructure development as a means to strengthen and deepen industrialization, build productive capabilities and create manufacturing value-chains on the continent.

The importance of BRICS can never be overemphasized. From a South African perspective, we have seen significant growth in trade and economic relations with other BRICS countries. At the 5th BRICS Summit in Durban, the BRICS Trade Ministers committed to support Africa's development agenda by strengthening their cooperation in the search for synergies for investment in Africa's infrastructure, agriculture and manufacturing sectors.

A Better Africa and a Prosperous South Africa

Our National Development Plan (NDP) provides the vision and framework for reversing the frontiers of poverty, reducing inequalities and accelerating economic growth in South Africa by 2030. The NDP is supported by an Industrial Policy Action Plan (IPAP), which is focused on strategic sectors to boost the competitiveness of our manufacturing sector and drive industrial development.

The long term economic growth of our economy will benefit immensely from the industrialization of the continent and regional integration. The NDP enjoins South Africa to play a critical role in the economic development of the continent and in advancing regional integration.

In our Finance Minister's 2013 Budget Speech, Hon. Mr. Pravin Gordhan the South African government has identified various initiatives that will enhance South Africa's status as the gateway to the rest of the continent. South Africa is the largest investor in Africa and, through trade agreements, provides the platform for mutually beneficial trade and investment.

Key Role of ECIC in our Continental Initiatives

ECIC is an important vehicle in boosting export trade between South Africa and the rest of the continent. We are quite pleased that ECIC has been voted the best Export Credit Agency (ECA) in Africa by the readers of Global Trade Review magazine.

ECIC's increased role on the continent has resulted in phenomenal growth in new commitments and the overall portfolio growth rising from R11 billion to new record levels of R17 billion in the past financial year alone. The supported projects will generate no less than 15 000 job opportunities in South Africa and in the host countries where the projects are located.

Future Outlook

We are working on the development of the National Export Strategy with the aim to expand our exporter base and increase the growth and diversification of South Africa's export basket. We expect ECIC to continue to make a significant contribution to the country's export growth and facilitate access to new markets.

I would like to express my sincere appreciation to the Board and executive management for the sterling achievements in the past financial year and look forward to see ECIC scaling greater heights in the years that lie ahead.

Rob Davies

Minister of Trade and Industry

MESSAGE FROM THE CHAIRPERSON

Global Developments

After the recession in 2011, the global economy recovered to grow at 3.2% in 2012 .This was driven largely by the growth in emerging markets and improved fiscal sustainability in the European Union (EU) and the United States (US). However, the world economy is still susceptible to further vulnerabilities, including the continued weaker growth in China, the EU and the US. Prospects are for a modest acceleration of growth in 2013 and 2014.

Consistent with the global economic recession in 2012, world trade grew by 2.0% from 5.2% in 2011, and is projected to remain sluggish in 2013 at around 3.3% with global exports still constrained by weak demand in the EU.

In stark contrast to global growth and trade, the United Nations Conference on Trade and Development (UNCTAD) reports that global foreign direct investment (FDI) inflows declined by 18% in 2012, to an estimated US$1.3 trillion. This was attributed to the uncertain conditions arising from global economic developments and perceived risk factors in the policy environment by investors. Nevertheless, UNCTAD projects FDI inflows to rise moderately in 2013 and beyond.

In spite of the uncertain global economic prospects posing a challenge, closer to home, on the African continent there are new opportunities to expand intra-African trade which bodes well for the Corporation's business prospects in 2013.

Closer to Home

Despite the global economic recession, GDP growth in sub-Saharan Africa remained robust at 4.8% in 2012 . This was boosted by an increase in domestic demand, steady remittance flows, high commodity prices and increased export volumes. The region's growth is projected to continue to rise gradually and average 6% over the period 2013 to 2015, driven by the projected pick up in the global economy, the continued rise in commodity prices and increased investments.

Sub-Saharan Africa's breakneck growth in recent years reflects the status of the sub-continent as an increasingly attractive investment destination. A report by Ernst & Young shows that FDI projects into sub-Saharan Africa have grown at a compound rate of 22% since 2007 . This is further exemplified by the World Bank's assertion that the region requires US$93 billion per annum in new investment, especially in infrastructure projects such as energy, water, sanitation, roads, etc.

Increasingly, the prominence of Export Credit Agencies (ECAs) is set to rise as companies seek a slice of a raft of infrastructure projects across the region. Sub-Saharan Africa is an under-penetrated region for the credit and investment insurance community, and offers a range of opportunities and challenges for ECAs. The African growth story has brought more investment and trade opportunities. Thus, a number of international ECAs have taken an optimistic perspective on the market, and have been strengthening their capacity and expanding the scale of their activities in the region.

We foresee a significant increase in demand for our insurance products for trade and investments going into the region. Growth in intra-African trade will help our exporters to access new markets, diversify their exports and compensate for the declining exports to traditional trading markets such as the EU and the US.

With sub-Saharan Africa being the second highest fastest growing region in the world, ECIC is superbly positioned to take advantage of the new opportunities and handle the risks involved, having built up years of experience in these markets.

Regional and International Cooperation

In line with the government's aim of advancing South Africa's trade and economic development, the Corporation continues to pursue alliances with regional and multilateral institutions.

At the bilateral level, the Corporation is pursuing co-operation with other development finance institutions and export credit agencies in the continent and with other BRICS ECA's.

At a multilateral level, our participation at the Berne Union, Prague Club and the Organization for Economic Cooperation and Development (OECD) continues to serve as a platform to enhance the ability of the Corporation to be at the cutting-edge of medium to long term export credit and investment insurance business.

Strategic Initiatives

In an effort to extend its reach and expand the impact of its activities, ECIC will enhance its advocacy work and raise its profile across a broader section of the stakeholders. In this regard, we are consolidating our marketing initiatives and targeting existing and potential new clients.

In line with the objectives of the National Export Strategy to expand the exporter base, we are determined to increase the participation of SMME players in our supported transactions. To date, most SMMEs participate as sub-contractors to the major contractors, and we will explore new initiatives to increase the number of SMMEs that are benefiting directly from the export credit scheme.

The uptake for Small to Medium Transactions (US$20 million and below) – namely the SMT Program – has picked up quite well and serves as the entry point for many of the new players under the ECIC managed export credit scheme.

Bell Equipment became the first beneficiary under the SMT Program for the trucks supplied to a mining contractor in the Democratic Republic of Congo (DRC). We also approved the first boat building transaction under the SMT Program. The boat building industry is labour intensive and has been identified as one of the strategic industries under the Industrial Policy Action Plan (IPAP), which is expected to boost employment.

ECIC is reviewing its structures and processes for making credit decisions with the aim to ensure that these structures and processes are streamlined and responsive to market expectations, especially for smaller transactions and SMME players.

We are pleased to report that under our Corporate Social Investment (CSI) Plan we have offered bursaries to 24 students for university studies in the field of actuarial science, accounting and economics. In the area of basic education, we are supporting after school classes for Mathematics and Science. Through our CSI initiatives we endeavour to reach out to both rural and urban communities and schools.

The Road Ahead

The aspirations of South Africans for a better life rest on the effectiveness of our collective efforts to find appropriate incentives to facilitate enterprise development and encourage the private sector to create jobs. In the current financial year the level of supported transactions has increased substantially. The exponential increase in supported projects will make a significant contribution to job opportunities created in the South African economy.

A crucial component of the success of our export credit scheme is the interest make-up export incentive scheme that ECIC administers on behalf of government. We are pleased to announce that a new revised scheme that was negotiated with a broad group of the participating financial institutions has been finalised and will enhance the competitiveness of South Africa Incorporated in this cut-throat global trade environment.

In Appreciation

It is indeed a great pleasure to conclude this message by expressing my gratitude to my fellow Board Members for their continued support and strategic leadership. Special thanks to Dr. Patrick C. Kohlo who retired from the ECIC at the end of August 2012. We would like to thank him for his invaluable contribution during his tenure at the ECIC. We wish him well in his future endeavours.

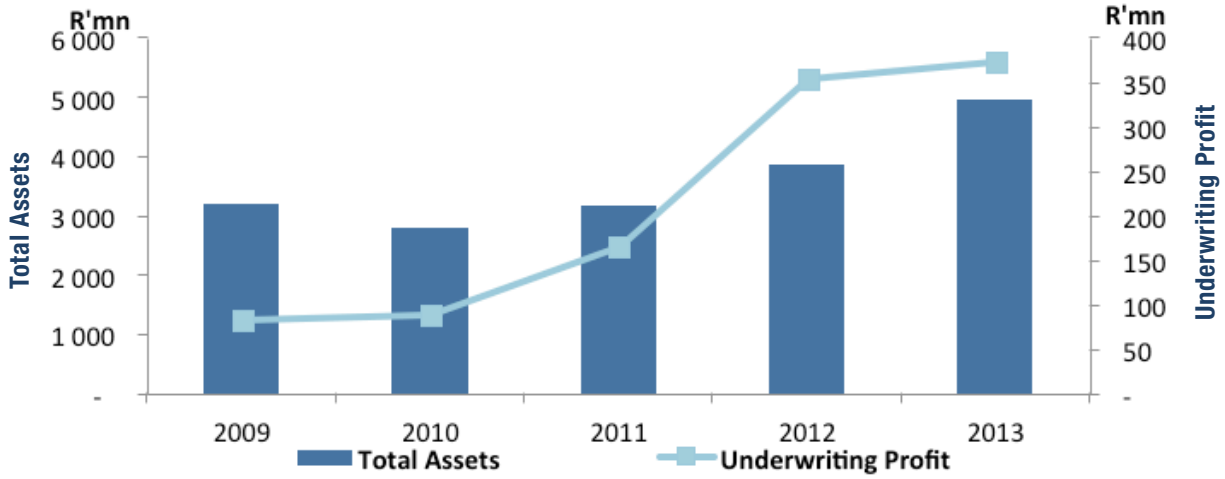
The Board extends its appreciation and gratitude to management and staff, for their dedication and contribution to the success of the Corporation.

Motshwanedi J. Lesejane
Chairperson

PERFORMANCE HIGHLIGHTS

- **R17 425 million**
  Insurance portfolio (2012: R11 029 million)

- **R718 million**
  Gross written premium (2012: R199 million)



- **R591 million**
  Comprehensive Income (2012:R459 million)

- **794%**
  Solvency Ratio (2012: 2007%)

- **21.9%**
  Return on equity (2012: 19.0%)

AWARDS

- **GTR Magazine**

  Best ECA in Africa

- **Project Finance Magazine**

  African Renewables Deal of the Year 2011: Addax Bioenergy

  African Mining Deal of the Year 2012: Konkola Copper

CHIEF EXECUTIVE OFFICER'S REPORT

Financial Results

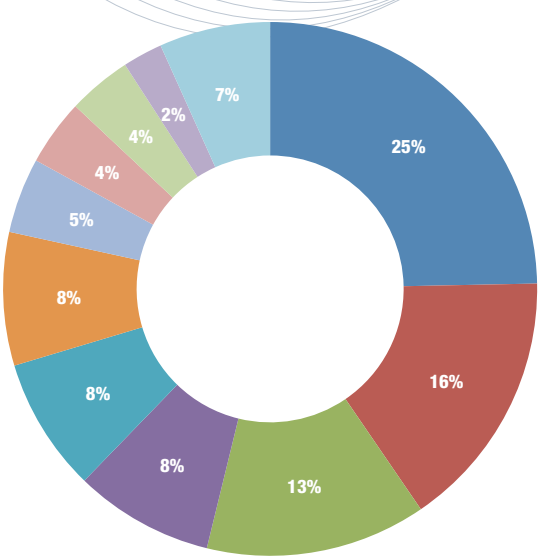
In 2012/13 the Corporation achieved phenomenal results, with the highest number of new approvals to date of USD 953 million (R8.8 billion) resulting in the highest gross premium income of R718 million since the inception of the Corporation in 2001.

The record level of approvals has been matched by a high conversion rate of the new approvals into signed policies of USD 769 million (R7.1 billion) and disbursements of USD 645 million (R5.9 billion). The level of new disbursements reflects the level of new exports facilitated by ECIC which contributes to the improvement of the balance of payments for the country.

Our requirement of 50% South African Content has been a catalyst for local procurement and serves to boost job opportunities created in the domestic economy.

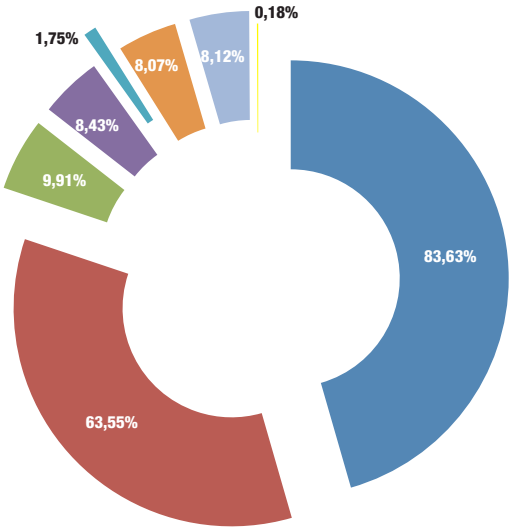
The new disbursements and policy renewals with an aggregate value of USD 1.2 billion (R11.1 billion) have contributed to the significant net growth of our portfolio from R11 billion in 2011/12 to R17 billion in 2012/13. Most of the new transactions that we have supported are located in sub-Saharan Africa.

Summary of Exposure by Country - 31 March 2013 (R'million)



- Zambia R 4,305
- Mozambique R 2,752
- Zimbabwe R 2,330
- Tanzania R 1,471
- Iran R 1,416
- Russia R 1,408
- Ghana R 795
- Sierra Leone R 699
- Angola R 674
- Malawi R 421
- other countries R 1,172

Exposure by Region - 31 March 2013



- Africa 83.63%
- North Africa 1.75%
- Southern Africa 63.55%
- Russia 8.07%
- West Africa 9.91%
- Indonesia 8.12%
- East Africa 8.43%
- MENA 0.18%

The substantial increase in exports, the positive contribution to the improvement in the balance of payments, and the leading role that the Corporation continues to play in the development of the continent by facilitating infrastructure projects and industrial development resonates quite strongly with the aspirations contained in the National Development Plan.

The conclusion of the 2012 Interest Make-Up ("IMU") Agreement, as an evergreen scheme, received positive endorsement from **the dti** and National Treasury. The IMU scheme is an integral component of the entire export credit scheme and is essential to the competitiveness and growth of our exports. The growth in the overall business of ECIC has to be matched by an increased budget allocation for this important export incentive scheme.

Strategic Objective 1: Faciliate export trade and investment outside South Africa

Generally, projects tend to follow a multi-sourcing strategy. However, increasingly, clients are looking for a one stop solution- where an export credit agency (ECA) can wrap the overall debt package and deliver a turnkey export credit solution. In the past financial year, we have underwritten large transactions and demonstrated ECIC's capacity to provide an ECA wrap.

Through our political and commercial insurance product we have enabled many South African exporters to access new markets on the African continent. Our program for small to medium transactions ("SMT") is gaining traction with a number of asset financed deals being supported. The new pricing arrangements under the 2012 IMU scheme favour transactions with a shorter repayment period which enhances the attractiveness and competitiveness of the smaller transactions in general and the SMT program in particular.

Strategic Objective 2: Engage in strategic alliances

Through our active participation in the Berne Union and the Prague Club, ECIC is able to stay abreast of the latest international developments in our line of business. Our continuing participation at OECD meetings of the Export Credit Group places ECIC among the top industry players with positive spinoffs that result from such interactions.

The emergence of the BRICS countries as a major economic bloc in the evolving trade relations between the developing and the developed economies presents us with good opportunities for closer co-operation between ECIC and other BRICS ECAs. ECIC initiated a co-operation agreement with EXIAR, the Russian ECA and we are actively sharing notes on various business opportunities.

ECIC is also collaborating with other industry players on the continent. In this regard, ECIC has concluded a co-operation agreement with African Trade Insurance ("ATI") a multi-lateral credit insurance agency based in Nairobi, Kenya. ECIC and ATI will explore co-insurance opportunities and the sharing of expertise and know-how between the two prominent credit insurers on the African continent.

Strategic Objective 3: Promote a professional, competitive and customer focused workforce

In this cut- throat global operating environment, speed of delivery is a key differentiator. Increasingly, the sponsors of projects place greater emphasis on the ability of the financing institutions to deliver the funding solution within tight time frames.

In the past financial year, we have increased our staff compliment to build capacity for our growth strategy. We have also adopted a corporate balanced scorecard to drive corporate performance. Our performance management system seeks to reward high performance, drive results and quality service. Over and above the investment in the training and development of our employees, we have made new investments to improve our IT systems.

In this financial year, the number of scheduled Board meetings has increased from four to eight resulting in a vast improvement in the turnaround time for the approval of projects. In total, 18 new projects to the value of USD 953 million (R8.8 billion) were approved in this financial year resulting in 14 new policies to the value of USD 769 million (R7.1 billion). There is a strong focus on bringing transactions to financial close sooner through a collaborative effort between ECIC and its clients.

ECIC works closely with exporters and financial institutions as an important source of deal flow and repeat business. Periodic client sessions are held to brief clients on new developments in the export credit scheme. As part of our outreach program numerous workshops and conferences were held with key industry bodies and potential clients across the nine provinces of South Africa.

Strategic Objective 4: Foster risk orientation

The substantial growth in new business has been an effective strategy in reducing over concentration of the exposure in specific geographies. As at end of March 2013, the single largest country exposure is Zambia at 24.6%, followed by Mozambique at 15.7% and Zimbabwe at 13.3%. However, our exposure to copper mining remains high and our pipeline of new projects holds good prospects for more projects in infrastructure and the energy sector.

The implementation of the newly adopted IBNR methodology will enable the Corporation to make adequate provision for projects in distress. In order to build in-house capacity to better manage transactions in distress the remit of the portfolio management unit has been expanded to include the workout function.

The Solvency Assessment Management ("SAM") project remains the key driver for better industry standards for risk management practices and capital management. In line with SAM requirements, the Corporation is building in-house actuarial expertise.

Strategic Objective 5: Provide effective stewardship

As part of the ongoing effort to enhance our corporate citizenship, we have adopted and implemented the Corporate Social Investment Plan ("CSI Plan"). Our CSI Plan focuses on education and skills development.

To date, most transactions supported by ECIC have followed the environmental guidelines enshrined in the Equator Principles. In this financial year, ECIC developed and adopted a comprehensive environmental policy for public and private sector projects. Public projects have to comply with the World Bank Guidelines and private sector projects must comply with the International Finance Corporation ("IFC") standards. In developing the new environmental policy, we worked in close collaboration with EDC, the Canadian export credit agency.

Our procurement spend has a bias towards service providers who have strong black economic empowerment credentials and this has enabled the Corporation to achieve a BBBEE spend of 93%.

In appreciation

I am grateful for the opportunity to steer the Corporation into unchartered waters and the team effort that has enabled us to deliver the sterling results.

A special gratitude to the members of the Board for their invaluable guidance and support. My sincere thanks to our staff and the members of the Credit Insurance Committee for their valued contribution. The enduring support of our clients is a source of great encouragement to deepen our partnership in the face of the tough and competitive global operating environment.

Mandisi Nkuhlu
Acting Chief Executive Officer

The Role of the Export Credit Insurance Corporation (ECIC)

Objectives

The Export Credit Insurance Corporation (ECIC) was established in 2001 to provide export credit and investment insurance for transactions outside the borders of South Africa.

The Corporation's enabling Act is the Export Credit and Foreign Investments Insurance Act (1957 as amended). ECIC is an independent, state-owned corporation, with government as the sole shareholder.

The Corporation facilitates and encourages South African export trade and participation in economic development projects abroad. To achieve this, ECIC evaluates export credit and foreign investment risks, and provides export credit and foreign investment insurance cover on behalf of government.

To meet its obligations the Corporation:

- formulates export credit and investment underwriting policies,
- evaluates potential projects,
- establishes rationale for support,
- assesses export credit risk,
- structures securities to mitigate risk,
- sets country and sector credit limits, and
- manages and diversifies the credit insurance portfolio.

Products

ECIC provides political and commercial risk insurance cover through a range of products to financial institutions, exporters and South African investors. The Corporation's products promote the export of local capital goods and services, as well as South African investment in other countries.

Political risk insurance cover

Political risk insurance protects the insured against loss suffered due to certain political acts or events in the host country, including nationalisation or expropriation, currency inconvertibility, war and civil disturbance, breach of contract, and protracted default – an undisputed payment default by government or a state-owned entity.

Commercial risk insurance cover

Commercial risk insurance protects the insured against the inability of a foreign borrower to make its debt payments due to insolvency (sequestration, liquidation or judicial management of the borrower) or an undisputed payment default by the foreign borrower.

Exporter's insurance cover

Exporter's insurance provides political risk cover to South African exporters of capital goods and/or services supplied to foreign buyers. It covers losses suffered as a result of political events in the foreign country that prevent or frustrate execution of the contract, or delivery of goods and/or services.

Supplier credit insurance cover

Supplier credit insurance provides comprehensive political and commercial risk cover for South African exporters who, in addition to supplying capital goods and/or services, also extend credit terms to foreign buyers. The cover includes losses suffered by South African exporters should foreign buyers not repay their debt obligations due to political and commercial risk events.

Buyer's credit insurance cover

Buyer's credit insurance protects financial institutions from losses suffered due to the non-payment of the export credit financing by foreign buyers as a result of political or commercial risk events.

Investment insurance cover

Investment insurance provides political risk cover for South African companies investing in foreign entities and financial institutions that have provided medium to long-term financing to foreign buyers of South African goods and/or services.

Small and medium transactions (SMT) insurance cover

Small and medium transactions insurance provides comprehensive political and commercial risk cover for transactions below US$20 million. Cover is provided to South African exporters and financial institutions. Prospective applicants must meet the pre-approved credit criteria.

Performance bond insurance cover

Performance bond insurance provides comprehensive political and commercial risk cover for performance bonds issued by South African financial institutions for the export of capital goods and/or services by South African small, medium and micro enterprises (SMMEs), as defined in the National Small Enterprise Act (1996). Cover is limited to 90% of the value of the performance bond.

Advance payment guarantee insurance

The advance payment guarantee provides assurance to the foreign buyer of South African built yachts and commercial vessels, that advance payments made to the South African boat builder will be refunded should the yacht or vessel not be delivered or not meet the agreed technical specifications due to the boat builder's failure to perform or becoming insolvent. ECIC insures the financial institution that provides the advance payment guarantee.

Pre-delivery finance insurance

The pre-delivery finance facility provides the South African boat builder with the required working capital to build the boat. The buyer only pays the purchase price once the boat has been delivered and meets the agreed technical specifications. ECIC insures the financial institution in the event the buyer refuses to pay due to the failure of the boat builder to deliver the boat or not meet the agreed technical specifications.

Conditions of cover: South African content

Specific conditions of cover apply to each ECIC product. ECIC provides comprehensive coverage of political and commercial risk if the exporter meets the minimum requirement of 50% South African content for capital goods and/or services exported to the foreign buyer. South African content includes the cost of materials and manufactured goods; wages, salaries and other remuneration; freight charges; insurance premiums; finance charges; and exporter fees and profits. Additional specific conditions apply to each of these categories. The South African content requirement is waived for projects in Africa for exporters who meet specified Broad Based Black Economic Empowerment criteria and black ownership requirements.

The ECIC Management Team

ORGANISATIONAL STRUCTURE

OFFICE OF THE CEO
Acting CEO:
Mandisi Nkuhlu
Secretary
Vacant

HUMAN RESOURCES UNIT
HR Manager
*Mmapula Madonsela
HR Administrator
Gertrude Mvula
CSI Officer
Manana Bosilong

ACTUARIAL UNIT
Actuary
Vacant
Actuarial Analyst
Jolene Phoshoko

RISK MANAGEMENT DIVISION
Chief Risk Officer
Lesego Mosupye

RISK MANAGEMENT UNIT
Senior Risk Analyst
John Omollo
Risk Analyst
Grace Chauke

IT SERVICES UNIT
Head
Nolita Cokoto
Business Analyst
*Petronella Sehlola
Help Desk Officer
Sello Chabane

INTERNAL AUDIT
Nkonki Inc.

FINANCE DIVISION
Chief Financial Officer
Sedzani Mudau

FINANCE UNIT
Head
Noluthando Mkhathazo
Accountant
Molefi Radebe
Assistant Accountant
Simphiwe Mthembu
Finance Officer
Tebatso Mahlaku

PROCUREMENT & OFFICE MANAGEMENT
Head
Gqamile Nkabinde
Procurement Officer
*Mpho Mmethi
Administration Officer
Donavan Jacobs
Filing Clerk
Sabelo Mkhonto
Receptionist
Mehnaaz Omar
Office Assistant
Lydia Maluleke

INVESTMENTS UNIT
Investment Officer
Vacant

OPERATIONS DIVISION
Chief Operating Officer
Mandisi Nkuhlu
Professional Assistant
Vacant

BUSINESS DEVELOPMENT & MARKETING UNIT
Head
Chris Thirion
Marketing Officer
*Odirile Ramasodi

POLITICAL & ECONOMIC ANALYSIS & RESEARCH UNIT
Head
Benoit Fugah
Senior Economist
Tshidiso Disenyana
Economists
Sindiso Mpofu
Zanele Sogoni

PORTFOLIO MANAGEMENT AND WORKOUT UNIT
Acting Head
Chris Thirion
Senior Portfolio Administrator
Thembi Mahaye
Workout Specialist
Zweli Ngcai
Portfolio Administrators
Busisiwe Cokie
Razina Daniels

UNDERWRITING UNIT
Head
Terry Makhubele
Senior Underwriter
Philemon Thobane
Senior Underwriter
Vacant
Underwriters
Thabo Mofokeng
Neil Zimmerman
Stavious Nkwashu
Environmental Officer
Glenda Baloyi

CORPORATE SERVICES DIVISION
Company Secretary & General Counsel
Lindelani Mphaphuli

CORPORATE SECRETARIAT UNIT
Assistant Company Secretary
Zanele Maseko
Senior Secretary
Kemmy Poonsamy
Secretary
Lorna Mabuza

LEGAL SERVICES UNIT
Head
Ntshengedzeni G Maphula
Senior Legal Advisor
Dianne Naicker
Legal Advisor
Lucy Nthotso

COMPLIANCE UNIT/FUNCTION

*Joined ECIC after 31 March 2013

CORPORATE GOVERNANCE

The Board of Directors is committed to aligning corporate governance with national and international best practices. Corporate governance is the set of practices, processes, customs, policies, laws and regulations that influence the way a company, is controlled, directed and managed.

The principal corporate governance procedures of the ECIC are outlined below:

Introduction

The ECIC is listed as a Schedule 3B public entity in terms of the Public Finance Management Act (1999), as amended, ("PFMA"). As, such, ECIC is subject to legislation specifically applicable to state-owned entities – notably the Promotion of Access to Information Act and the Promotion of Administrative Justice Act. The Corporation is a company reconstituted in terms of the Export Credit and Foreign Investments Insurance Act (1957), as amended, and incorporated in terms of the Companies Act (2008), as amended. Accordingly, the legislative framework applicable to corporate entities in South Africa, for instance the Companies Act, labour and tax legislation, are applicable to ECIC. The PFMA, however, supersedes all the other pieces of legislation, bar the Constitution of the country. ECIC is run on business principles under the leadership of a unitary board.

The ECIC is a registered short-term insurer and subject to the supervision and scrutiny of the Financial Services Board (FSB). We are updating our processes in anticipation of the changes envisaged under SAM.

Framework for general compliance with laws, regulations and governance codes

Compliance with all applicable legislation, regulations, standards and codes is imperative to the Board. The legislative and regulatory environment is scanned on a regular basis for purposes of preparing compliance reports to the Audit and Risk Committee. Management assesses the extent of compliance with applicable legislation, as well as how the proposed legislation and regulation could impact on ECIC's operations and business activities. Where non-compliance is identified, Management develops an action plan detailing corrective action to remedy the issue and facilitate compliance. Material regulatory issues are escalated to the Audit and Risk Committee and, with regards to the employment matters, these are escalated to the Human Resources Committee.

The Public Finance Management Act, 1999 (PFMA)

The purpose of the PFMA is to ensure transparency, accountability, and sound management of the revenue, expenditure, assets and liabilities of public entities. It prescribes requirements for the audit committee, internal controls, internal audits, risk management, the Chief Financial Officer's duties, corporate reporting, corporate planning, shareholder's compact, strategic planning and budgets. The Treasury Regulations (issued under the PFMA) impose certain requirements on the Corporation.

In terms of the PFMA an accounting authority for a public entity, in ECIC's case the Board, must take effective and appropriate steps to prevent irregular, fruitless and wasteful expenditure. It must also take effective and appropriate disciplinary steps against an employee that commits an act which undermines the entity's financial management and internal control system. The Corporation has in place a Materiality and Significance Framework which is reviewed on an annual basis. The information required to be reported in the Annual Report in terms of section 55(2)(b) of the PFMA is disclosed on page 49 of this report. ECIC reports on a quarterly basis to **the dti** the extent of its compliance with the PFMA and Treasury Regulations and has, during the year, lodged with the National Treasury all returns as are required in terms of the PFMA.

Companies Act, 2008

During the reporting period, the Corporation continued to implement its programme to ensure compliance with the new Companies Act.

Alignment to King III

The Table below reflects the areas where the ECIC practices deviate from the recommendations contained in King III report.

Table 1: ECIC practices in the context of King III recommendations

King III requirement	Explanation
Board and directors	
The chairperson and the Board should evaluate the independence of non-executive independent directors.	The Chairperson does not evaluate the independence of non-executive independent directors because the Shareholder appoints all the directors. The classification of directors as "non-executive independent" is otherwise as per definition in the King III report.
The chairperson should be appointed by the Board annually, after assessing his or her independence. The Board should ensure a succession plan for the chairperson.	The appointment of the chairman is made by the shareholder, **the dti**.
The Board should appoint the CEO.	The CEO is appointed by the shareholder on recommendation of the Board.
Every Board should have a minimum of two executive directors – one should be the CEO and the other should be the finance director.	Only the CEO is the executive director. The chief financial officer has certain responsibilities and accountabilities under the PFMA, and is designated as a prescribed officer in terms of the Companies Act.
The Board should be able to remove any director without approval.	Subject to the provisions of the Companies Act, the removal of a director must be approved by the Minister of Trade and Industry.
A nomination committee should help identify suitable Board members.	The Chairperson represents the Board in **the dti** processes for the appointment of new directors.
Audit Committee	
The audit committee must be comprised of only independent non-executive directors.	The committee has four members, three of whom are classified as independent non-executive directors. The fourth member is classified as non-independent non-executive director merely because he is a National Treasury representative. All the directors are appointed by the shareholder. The Board is satisfied that this membership is appropriate and relevant.
Sustainability disclosure	
The Board should approve a comprehensive sustainability reporting process for ECIC.	Management is considering an improvement in its integrated reporting to be implemented going forward.

Shareholding and shareholder's compact

The Government of the Republic of South Africa, through the Department of Trade and Industry (**the dti**), is the ECIC's sole shareholder. The Shareholder is represented by the Minister of Trade and Industry (the Minister). In terms of the Treasury Regulations issued in accordance with the PFMA, the Corporation must conclude a shareholder compact with the Shareholder. The shareholder's compact promotes good governance by helping to clarify roles and responsibilities of the Board and the Shareholder.

Board of Directors

The Corporation has a unitary Board of Directors whose members have broad business experience. In terms of the Memorandum of Incorporation, the Board will have a maximum of nine (9) directors who are all appointed by the Minister, with the majority being independent non-executive directors. The Memorandum of Incorporation prescribes one director representing the interests of **the dti**, another representing the interests of National Treasury (this appointment is confirmed by the Minister of Finance), the executive director and the rest are independent non-executive directors. The Chief Executive Officer is presently the sole executive director.

An executive director is considered an individual who is involved in the day-to-day management of the company and/or is a full-time salaried employee of the company.

Role

The Board has a Charter that the directors review annually, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities. The Board specifically assumes ultimate responsibility for, amongst other things approving,

- the Corporation's strategy and business plan;
- applications for insurance contracts above delegated thresholds; and
- the Corporation's annual budget.

At the beginning of each financial year, the Board develops a cycle of agenda items for its scheduled meetings, this being an annual workplan to ensure proper coverage of the matters during the year. The number, timing and length of meetings, and the agendas are determined in accordance with the annual workplan. The Board is accountable to the Shareholder for the activities and performance of the Corporation.

Independence of directors

The Board Charter provides for independent and objective input into the decision-making process, ensuring that no one director holds unfettered decision-making powers. In considering whether a director is independent, the "independence" criteria of King III are considered, and "non-independent non-executive" directors at ECIC are those directors that are representatives of government departments.

Appointment policy

In appointing the directors, the Shareholder takes cognisance of the knowledge, skills and experience of the potential director, as well as other attributes considered necessary for the role. The term of office of the non-executive directors is a period of three years, whereafter the retiring member is eligible for re-appointment. Board positions are advertised in the media to the general public. The candidates are subject to security clearance process, which is facilitated by **the dti**. The process of recruiting directors is in terms of **the dti**'s Policy Framework and Procedures on Oversight and Governance of Public Entities and the Statutory Institutions (the Policy).

The purpose of the Policy is to provide a generic set of principles, procedures and processes to promote good corporate governance and strengthen **the dti**'s oversight responsibilities over its group of entities. The appointment of directors, together with their respective qualifications is communicated to the FSB.

Chairperson and Chief Executive Officer

The roles of the Chairperson and Chief Executive Officer are separate and accordingly, different persons occupy these roles. The Chairperson of the Board is an independent non-executive director, and ensures that the Board is efficient, focused and operates as a unit, whilst the responsibility for management of the Corporation's business and affairs, is delegated to the Chief Executive Officer, who is accountable to the Board.

Board meetings

Board meetings are scheduled annually in advance. The Board meets quarterly as per the statutory requirement, and special meetings may be convened as circumstances require. The Board meets an additional four (4) times to enable a review and approval of quarterly performance reports to **the dti**, as well as other ECIC business. Directors who are unable to physically attend meetings can participate electronically in proceedings.

During the year, the Board comprised of seven non-executive directors and one executive director whose record of their Board meetings attendance is as indicated on the next page:

Table 2: ECIC Board attendance record 2012/13

Members	Apr 2012	Jun 2012	Jun 2012	Jul 2012	Jul 2012 (AGM)	Jul 2012	Sep 2012	Oct 2012	Nov 2012	Jan 2013	Mar 2013
Motshwanedi Johannes Lesejane (Chair)	√	√	√	√	√	√	√	√	√	√	√
Patrick Clinton Kohlo	√	x	√	√	√	√	-	-	-	-	-
Thembekile Thelma Ngcobo	√	√	√	√	√	√	√	x	√	√	√
Charl Higgo du Toit	√	√	√	√	√	x	√	√	√	√	x
David Daniel Mosaka	√	√	√	√	√	√	√	x	√	√	√
Ranti Mothapo	√	x	√	√	√	√	√	√	√	√	√
Pumla Ncapayi	x	√	√	√	√	x	√	x	x	√	√
Abel Makalene Mawela	√	√	√	√	√	√	√	√	√	√	√

√ Present

- Retired 31 August 2012

x Apology

Total number of meetings 11

Company secretary

Directors have unrestricted access to the advice and services of the company secretary, who is responsible, amongst other things, for ensuring that Board procedures and applicable rules and regulations are fully observed. The company secretary provides directors with guidance in their duties, responsibilities and powers and makes directors aware of all laws and regulations relevant to the Corporation. This includes advice on business ethics and good governance. The appointment of the company secretary is a matter for the Board as a whole and his/her removal is a decision of the Board.

Director induction, orientation and ongoing education

In terms of the Director Induction Policy, new directors are informed of their duties and responsibilities by way of induction sessions. The orientation programme is structured to improve their understanding of ECIC's legislative framework, governance processes, delegation of authority and business operations. On appointment, each new director receives governance manual that includes all relevant governance information such as mandates, management structures, and important legislation and Board policies. The company secretary plays a key role in the induction process of new directors and identification of training requirements of the directors. The Continuous Development of Directors Policy encourages regular briefing of Board members on new legislation and regulations to keep the Board and its committees up to date with local and international industry developments, technology issues, risk management and corporate governance best practice. The latter policy also caters for the unique needs of a single director, who may require mentoring or coaching.

Access to information

Directors have unrestricted access to the all employees of the Corporation and, subject to the law, access to all company records and information held by employees and external advisers.

Board effectiveness and evaluation

The performance of the Board and Board committees is evaluated annually. As required by **the dti**, an external consultant is engaged to facilitate the evaluation. The evaluation process this year took the form of questionnaires completed by the directors. The evaluation covered areas such as Board/Committee composition, dynamics, including the experience and knowledge of the Chairperson and the company secretary and communication between the Board and Board committees and Management.

The report was positive and recommendations will be implemented in the ensuing year. Key areas for improvement that have been or are being addressed include:

- Strengthening of Board expertise in identified areas
- Reviewing the length of Board meetings
- Managing stakeholder relationships
- Implementing a succession plan for the CEO/Chairperson/Board members
- Ethics monitoring and assessment

Delegation of authority

The Board committee structure is designed to assist the Board in the discharge of its duties and responsibilities, without mitigating or dissipating the Board's obligations. The Board has reserved certain decisions to itself to ensure that it retains proper direction and control, such as significant strategic, financial, statutory and regulatory matters. There is an internal delegation of authority framework within which the committees and management operate.

Board committees

The Board is enabled, in terms of the Memorandum of Incorporation and the Companies Act, to establish committees to assist it in carrying out its responsibilities in an effective and efficient manner. The Board committees are governed by their respective terms of reference, as approved by the Board. The terms of reference define the composition, role, responsibilities and delegated authority of each committee.

The Board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the Corporation. The terms of reference of each committee are reviewed annually. Each of the Committees is chaired by an independent non-executive director. The Board committees are presently, the Audit and Risk, Social and Ethics, Finance and Investment, Human Resources and Remuneration Committees.

Audit and Risk Committee

The committee is composed of three independent non-executive directors and one non-independent non-executive director (the National Treasury representative). Meetings are also attended by management, the representatives of the office of the Auditor-General, the Group Chief Financial Officer of **the dti**, the external auditor and the internal auditor as invitees. The committee meets with the external and internal auditors, without management being present, at least twice a year.

Table 3: Audit and Risk Committee attendance record

Members	April 2012	May 2012	June 2012	July 2012	Sept 2012	Nov 2012	Jan 2013	Mar 2013
Abel Makalene Mawela (Chair)	√	√	√	√	√	√	√	√
Thembekile Thelma Ngcobo	√	√	√	√	x	√	√	√
Charl Higgo du Toit	√	√	√	x	√	x	√	√
Ranti Mothapo	√	x	x	√	√	√	√	x

2012/13

√ Present

x Apology

Total # of meetings 8

The committee assists the Board in discharging its duties including:

- reviewing external and internal audit reports to ensure that where major deficiencies or breakdown in controls or procedures have been identified, management takes appropriate and prompt remedial action;
- monitoring the integrity of the financial statements of the Corporation;
- reviewing the Corporation's internal financial control systems; and
- monitoring the establishment of, and compliance with, the enterprise-wide risk management policies and procedures.

A separate report by the Audit and Risk Committee appears on page 44.

Social and Ethics Committee

The ECIC, as a state owned company has established the Social and Ethics Committee. Its terms of reference are as prescribed in terms of Section 72 of the Companies Act (2008) and regulation 43. The committee is responsible for monitoring the Corporation's activities relating to:

- Social and economic development, including the Corporation's standing in terms of the goals and purposes of:
  - The 10 principles set out in the UN Global Compact Principles
  - OECD Recommendations against Corruption
  - Employment Equity
  - Broad-Based Black Economic Empowerment

- Good Corporate Citizenship including the Corporation's
  - promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - record of sponsorship, donations and charitable giving.

- Environment Health and Public Safety, including the impact of the Corporation's activities and of its products or services.

- Consumer relationships including the Corporation's advertising, public relations and compliance with consumer protection laws.

- Labour and Employment including
  - the Corporation's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
  - the Corporation's employment relationships, and its contribution towards the educational development of its employees.

- Drawing matters within its mandate to the attention of the Board as occasion requires;
- Reporting to the Shareholders at the Corporation's Annual General Meeting on the matters within its mandate;
- Considering any other matters as requested by the Board,
- Ethical Conduct of the Corporation.

The committee comprises of one independent non-executive director, the Chief Financial Officer and the CEO.

This being the first year in operation, several special meeting of the committee had to be convened to see to the implementation of a few projects and processes, especially with regard to the corporate social investment matters as mentioned in more detail in the Corporate Social Responsibility Report on page 39.

As from the next financial year ending 31 March 2014, the Committee will report at the Corporation's Annual General Meeting on the matters within its mandate.

Table 4: Social and Ethics Committee attendance record

Members	May 2012	Sept 2012	Nov 2012	Jan 2013	Mar 2013
Thembekile Thelma Ngcobo	√	√	√	√	√
Patrick Clinton Kohlo (CEO)	√	-	-	-	-
Sedzani Mudau (CFO)	√	√	√	√	x
Mandisi Nkuhlu (Acting CEO)		√	√	√	√

2012/13

√ Present

- Retired 31 August 2012

x Apology

Total # of meetings 5

Finance and Investment Committee

The Finance and Investment Committee comprises two independent non-executive directors and one non-independent non-executive director (**the dti** representative). Meetings are also attended by management, the Corporation's investment managers and the asset consultant on invitation.

The committee, inter alia,

- reviews and oversees the execution of the annual budget;
- reviews and recommends to the Board an investment policy appropriate to the Corporation's strategy and risk appetite;
- reviews the actuarial report on the adequacy of technical reserves; and
- monitors the implementation of the investment strategy and investment policy statement.

Table 5: Finance and Investment Committee attendance record

Members	May 2012	Aug 2012	Nov 2012	Mar 2013
Pumla Ncapayi	x	x	x	x
Ranti Mothapo	√	√	√	√
David Daniel Mosaka	√	√	√	√

2012/13

√ Present

x Apology

Total # of meetings 4

Human Resources Committee

The Human Resources Committee consists of three independent non-executive directors and the CEO. This committee,

- oversees succession planning of key positions within the Corporation.
- has overall overview of the human resource policies.
- ensures that the ECIC complies with labour legislation and regulations, and advises the Board on human resources and labour relations issues;
- formulates the Human Resources Strategic Plan that supports the achievement of the strategy of the Corporation and business plans.

Table 6: Human Resources Committee attendance record

Members	Apr 2012	Jun 2012	Jun 2012	Sep 2012	Nov 2012	Mar 2013
Motshwanedi Johannes Lesejane	√	√	√	√	√	√
Thembekile Thelma Ngcobo	√	x	√	√	√	√
Patrick Clinton Kohlo	√	√	√	-	-	-
David Daniel Mosaka	√	√	√	√	√	√

√ Present

- Retired 31 August 2012

x Apology

Total # of meetings 6

Remuneration Committee

The committee is comprised of the chairpersons of the Audit and Risk, Human Resources, Finance and Investment Committees and the chairperson of the Board. The committee considers overall remuneration levels to ensure that these are fair and in line with the corporate remuneration philosophy. The committee, inter alia, reviews and makes recommendations on remuneration policies for the Corporation; and approves the disclosure on the remuneration of executive and non-executive directors and the prescribed officers in the remuneration report. The remuneration report is set out on page 41.

Other Structures Within The Corporation Credit Insurance Committee

The Credit Insurance Committee is established in terms of the enabling piece of legislation, that is, the Export Credit and Foreign Investments Insurance Act (1957) as amended to independently evaluate applications for contracts of insurance, claims and salvage action. The committee is chaired by a member of the executive management and the Board is represented by the CEO. Members of the committee are appointed in consultation with the Minister of Trade and Industry. These members include representatives of National Treasury, the South African Reserve Bank and the Department of International Relations and Cooperation. Industry experts may be co-opted to the committee.

The committee has the authority to evaluate and approve applications for insurance contracts within set thresholds subject to ratification by or notification to the Board. The committee also reviews, evaluates and approves amendments to contracts of insurance, claims and salvage actions. The Credit Insurance Committee meets every three weeks or as the need arises.

Executive Management Committee (EXCO)

EXCO is chaired by the CEO and comprises members of executive management and other heads of business units co-opted by the CEO. It generally meets every month and assists the CEO to guide and control the overall direction of the business.

Technical Committee

The Technical Committee is chaired by a member of EXCO. Its members consist of heads or representatives of the business units. It evaluates applications for, or amendments to, insurance contracts by taking into account the likely risk exposure and ensuring appropriate risk mitigation. It recommends applications for insurance contracts that meet the acceptable risk criteria to the Credit Insurance Committee for consideration, and also evaluates and reviews claims and salvage actions before consideration by the Credit Insurance Committee. The Committee meets as required.

Operations Committee

The Operations Committee comprises of all the heads of business units (and/or senior officers representing those Units) and any other staff members co-opted by the CEO. The committee is responsible for:

- Monitoring the progress in achieving the objectives of the respective units' business plans;
- Evaluating and implementing recommendations to improve the interface between the different business units;
- Making recommendations to EXCO on strategic and policy issues.

The committee meets once a month, with additional meetings held as required.

Information technology governance

The Board is responsible for information technology (IT) governance and ensures that the IT strategy is aligned with strategic objectives and performance targets. The IT governance is on the agenda of meetings of both the audit and risk committee and the Board.

Risk management

For a detailed discussion of risk management, see page 24.

Sustainability

Sustainability overview is covered on page 33.

Code of Conduct

There is a code of ethics and business conduct for the directors in terms of which members of the Board, if they have any direct or indirect personal or private business interest must withdraw from the proceedings when the matter is being considered. The directors are required to declare their private interests upfront when an interest arises and update their declarations annually. Formal registers of declarations of interest and related party disclosures by the Board and its committees are maintained by the company secretary.

Fraud prevention

The Corporation has a fraud prevention plan, which encourages employees to report any suspected corrupt, fraudulent, criminal or unethical practices. The Corporation's anonymous tip-offs hotline administered by an independent external service provider is in place to facilitate the reporting of such activities. During the year, the Corporation implemented various activities in terms of the fraud prevention communication plan for the year 2012 which included encouraging employees, clients and suppliers to report any fraudulent, unethical or corrupt activities. There were no reportable activities during the financial year.

Conclusion

ECIC Board believes that good corporate governance is a dynamic process which requires continual review and improvement. As such, the ECIC will continue to regularly review and update its governance practices and structures and to provide continuous development for its directors and employees on governance and related issues.

Bell equipment supported by ECIC - Democratic Republic of the Congo

RISK MANAGEMENT

The effective management of risk within the stated risk appetite is fundamental to the insurance activities of the ECIC. The ECIC seeks to achieve a measured balance between risk and reward as described below. In this regard, the ECIC continues to build and enhance the risk management capabilities that assist it in delivering on its strategic plan.

Risk management is at the core of the operations and management of the ECIC. Managing and controlling risks, and in particular avoiding undue concentration of insurance exposure, limiting potential losses from insured events and avoiding investment positions in less quantifiable risk areas are essential elements of risk management and the control framework which serve to protect the ECIC's reputation and business.

Overall responsibility for risk management within the ECIC rests with the Board of Directors (the Board). Accountability for risk management resides at all levels within the ECIC from the executive down through the organisation to each business manager and staff member. The Board has delegated to the Audit and Risk Committee the responsibility of reviewing the effectiveness of the risk management system.

The ECIC adopts the three lines of defence approach for managing risk.

In the first line of defence, business unit management is primarily responsible for risk management. The assessment, evaluation and measurement of risks is an on-going process which is integrated into the day-to-day business activities. This includes the identification of material issues and the implementation of remedial action where required.

The second line of defence is represented by the risk management function which is independent of line management within the business areas. The risk function is primarily accountable for establishing and maintaining the risk management framework, standards and supporting policies, as well as for providing risk oversight and independent reporting of risk to executive management, board level committees and to the Board.

The third line of defence consists of internal audit which provides an independent assessment of the adequacy and effectiveness of the ECIC's overall system of internal control and risk governance structures. The audit function reports independently to the Audit and Risk Committee.

Risk management framework, policies and procedures

The ECIC has developed a risk management framework which outlines policies for mitigating major risk type to which it is exposed. The policies set out minimum control requirements and are designed to ensure alignment and consistency in the manner in which the major risk types are dealt with, from identification to reporting. It is the responsibility of the executive and business unit managers to ensure the implementation of risk management policies. Compliance with risk policies is monitored through annual self-assessments and independent reviews by the second line of defence risk function.

Current Developments

The FSB is in the process of developing a new risk-based solvency regime for South Africa, known as Solvency Assessment and Management (SAM), SAM is based on the principles of the International Association of Insurance Supervisors (IAIS) and European Solvency II developments, but adapted to South African specific circumstances where necessary. This represents a fundamental change and will result in a more sophisticated economic risk-based capital approach. The objective is to better align the capital requirements of insurers to the true risks taken and to enable the FSB to better protect policyholder interests. The FSB has currently set an implementation date of January 2016 with 2015 being a parallel run year. The ECIC is progressing well with the project to align current practices with the risk management principles contained in SAM.

Risk appetite

Risk appetite is an expression of the amount and type of risk the ECIC is willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due in a range of different stress conditions. The Board has

developed a framework to articulate risk appetite.

The Board establishes the parameters for risk appetite by:

- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts; and
- regularly reviewing and monitoring the ECIC's performance in relation to the risk appetite dashboard through quarterly Board reports.

The Chief Risk Officer (CRO) in conjunction with executive management develops and recommends to the Audit and Risk Committee and the Board the level of risk appetite.

The ECIC's risk appetite is defined by the following five metrics:

- Consistent growth in the insurance portfolio;
- Financial self-sustainability;
- Regulatory capital;
- Wasteful, fruitless and irregular expenditure; and
- Clean audit.

These metrics are then converted into limits and triggers across the relevant risk types, through an analysis of the risks that impact them.

Key risk categories

The principal risks to which the ECIC is exposed and which it manages are defined as follows:

Insurance risk

Insurance risk comprises political risk and commercial risk which arise as a consequence of providing insurance cover to policyholders. It includes:

Political risk

Political risk is the risk that a policyholder suffers a loss due to a counter-party including the relevant sovereign (government entities) not fulfilling its obligations to the policyholder as a result of political events in the host country. Political events comprise either of the following:

- Nationalisation or expropriation;
- War, insurrection or civil disturbance;
- Government action that restricts the transfer of hard currency from the host country;
- Currency in-convertibility;
- Breach of contract by the host government; and
- Protracted default by a sovereign (government entities).

Commercial risk

Commercial risk is the risk that a policyholder suffers a loss due to a counterparty not fulfilling its financial and/or contractual obligation to the policyholder in terms of an insured contract other than as a result of political risk events.

Political risk and commercial risk events are mutually exclusive in that a claim may either arise from a political risk event or a commercial risk event and not both.

Underwriting risk

Underwriting risk is the risk of loss due to actual claims experience being higher than anticipated as a result of either pricing and/or reserving assumptions being incorrect. It includes:

Premium pricing risk

- The risk of loss due to actual claims experience exceeding the level of premiums charged for the risks assumed.

Reserve risk

- The risk of loss due to reserves set aside being insufficient to meet the Corporation's liabilities to the policyholder.

Concentration risk

The insurance portfolio is mainly composed of low-volume, high-value policies. This introduces the risk of a significant financial loss should any single large policy exposure or a series of similar policy exposures (in a country or sector) materialise into a claim.

Market risk

Market risk is the risk of a change in the actual or effective market value, earnings or future cash flows of a portfolio of financial instruments caused by adverse movements in the market variables such as equity and bond prices, currency exchange and interest rates.

Credit risk

Credit risk is the risk of loss due to a payment default by a counterparty on fixed-income securities, cash deposits, accounts receivable and associated interest income.

Liquidity risk

Liquidity risk arises when the ECIC, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms.

Operational risk

Operational risk is the risk of loss due to the inadequacy or breakdown of controls, systems or processes, people, damage or loss of property and the effect of unanticipated external events.

Strategic risk

Strategic risk is the risk that the ECIC fails to implement effective business plans and strategies that are relevant to achieve government's stated priorities and objectives.

Reputational risk

Reputational risk is the risk of loss due to a deterioration of the ECIC's reputation or standing among customers, counterparties, government and other stakeholders.

Regulatory risk

Regulatory risk is the risk of loss as a consequence of non-compliance with legislation, and the associated burden and costs of regulation that may result in the escalation of operating costs and the consumption of management time.

Insurance Risk

Insurance risk arises from day to day underwriting activities of the ECIC through a range of products to financial institutions, exporters and South African investors. The nature of products and the political and commercial risk events are fully described under the role of the ECIC on page 12.

Framework and governance

Insurance risk is ECIC's most significant risk as measured by the absolute amount of capital consumed. It is managed in accordance with the ECIC's risk management control framework. The ECIC's underwriting risk guidelines sets out the principles under which it is prepared to assume insurance risk.

Insurance risk exposure and claims payment decisions are made by the Board and in certain instances by the Credit and Insurance Committee (CIC). The CIC was established in terms of the Export Credit and Foreign Investments Insurance Act, 1957 (as amended) to evaluate insurance applications. The ECIC has also established the Technical Committee (TC) which consists of business and risk representatives to screen and review new transactions and proposals prior to a formal credit assessment by the CIC. The TC is the first step in the insurance risk sanctioning and approval process as well as the claims process and ensures that transactions are aligned to agreed business strategy, risk limits and pricing.

In addition to the above mentioned committees, the Executive Management Committee (EXCO) has established specific forums that meet quarterly to review key performance indicators in the portfolio (e.g. probability of default (PD), loss given default (LGD), claims and salvages) with a view to initiating management action where it is necessary to curtail the insurance risk tendency to levels within the stated risk appetite.

Methodology to assign political and commercial risk ratings

The ECIC uses internal models and practices to measure and manage political and commercial risk. Internal models are continuously updated and the results compared with those of reputable rating agencies to validate the consistency of the model.

- **The Country Risk Assessment Model (CRAM)** - evaluates a host country's ability and willingness to fulfil its financial obligations. This assessment is based on both political and economic factors and inputs with various weightings that are aggregated to a country classification grid ranging from 1-7. A political risk rating of 1 would denote a country with the highest score (best) and 7 being the country with the lowest score (worst).

- **The Commercial Risk Assessment Model ("COMRAM")** – is used to assess the probability of a policyholder's counterparty not making full and timely repayment of financial obligations over a specific time horizon. The model uses a combination of forward looking qualitative factors and quantitative inputs. Each policy is assigned an internal COMRAM rating.

Reinsurance

The ECIC does not have any re-insurance arrangement with third parties to reduce its exposures to insurance risk. The ECIC provides insurance on behalf of the government of the Republic of South Africa. In terms of the Export Credit and Foreign Investments Insurance Act, 1957 (as amended) (the "Act"). The government underwrites the ECIC's exposure which is in excess of it's capital and raises a contingent liability in this regard. In the event of an insurance claim, the ECIC may obtain advances from the government in order to meet temporary deficits in its capital reserves. Any loss incurred by the government as a result of such advances shall be met out of moneys appropriated by Parliament.

Insurance risk exposure by product line

The table below summarises the total insurance exposure by product line.

	2013 R'000		2012 R'000	
	Commercial risk exposure[1]	Political risk exposure	Commercial risk exposure	Political risk exposure
Export Credit Insurance	7 929 186	10 526 332	4 645 734	5 752 937
Investment Insurance	-	6 899 557	-	5 276 103
	7 929 186	17 425 889	4 645 734	11 029 040

[1]Political risk and commercial risk events are mutually exclusive in that a claim may arise either from a political risk event or a commercial risk event and not both.

Underwriting Risk

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claim. For a pool of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risks are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserve set aside for policyholders' liabilities may prove to be insufficient.

Premium pricing risk

Premium Pricing risk is managed by carefully establishing criteria by which each potential policy of insurance is allocated to the appropriate risk rating, applying the underwriting guidelines, and by establishing prices appropriate to each risk rating. The ECIC's pricing model is benchmarked to the OECD minimum pricing model which is based on the consolidated claims experience of all ECA members of the OECD. Underwriting performance is measured by monitoring the 3-year rolling claims loss ratio which is the ratio of claims expenses to premiums over a three year rolling period. The actual claims experience is monitored quarterly so that deteriorating experience can be identified in time.

Reserving risk

For a typical short-term insurer, experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of 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. This approach does not apply in the case of ECIC due to the low volume and high value nature of the insurance portfolio, underlying risks being highly variable due to unpredictable political and the commercial factors and the heterogeneity of risks by country, size, term and sector. It therefore arises that ECIC is not able to fully benefit from diversification due to the heterogeneous risks that it faces.

The ECIC does not apply standard statistical reserving techniques, such as the chain ladder method or claim triangles, but uses reserving estimates on a contract by contract basis taking into account the probability of default (PD) of the underlying policy. With the exception of the investment insurance product lines, the reserving methods to estimate Unexpired Premium Provision (UPP) is different from that prescribed by the FSB. The UPP reserving estimates for the investment insurance product lines is based on the 365th method prescribed by the FSB as the premium under this product line is received annually and the associated PD is assumed to remain constant throughout the year. The ECIC also applies an Incurred But Not Reported (IBNR) methodology that is different from that prescribed by the FSB. The FSB has given approval to the ECIC to use alternative reserving methods as they better reflect the risks faced by the ECIC.

Executive Management exercises oversight over the adequacy and reasonableness of reserve estimates. An independent Actuary provides independent assurance to the ECIC over the underwriting risks faced by the ECIC by undertaking the following key activities:

- Reviewing the methodology used in the calculation of its reserves;
- Reviewing of the reserve calculations;
- Performing on test basis independent calculations to verify the reserves that are held;
- Performing stress tests to assess the adequacy and reasonableness of reserves held; and
- Assessing the solvency position of the ECIC as at the valuation date.

Further details on the assumptions that are applied in calculating reserves are detailed in paragraph 12.4 of the Notes to the Annual Financial Statements on page 100.

Concentration Risk

The ECIC insurance portfolio is subject to significant concentration risk should a single large transaction or group of transactions in a specific country or sector materialise into a claim. The Board approves the country risk appetite limit within which individual country exposure limits and single large exposure limits must conform. The Country Exposure Limit ("CELM") model is used to determine maximum exposure that ECIC can viably take in a particular country. Country exposure limits are set to force diversification and to avoid a build-up of concentration risk. In this regard, the country limits are monitored against the risk appetite set by the Board which constrains the level of unexpected loss in the portfolio.

The ECIC quantifies its concentration risk exposure through the Concentration Risk Reserving (CRR) model that was developed to manage concentration risks, and specifically manage the capital required in respect of concentration risk. This model already adopts the principle for consideration of concentration risk in the calculation of capital which is being proposed by the SAM project. This development shows the commitment of the ECIC to aligning itself with international best practice in reserving, implementing effective risk management, and optimally managing the capital invested in the business.

The table on paragraph 4.1 of the Notes to the Annual Financial Statements on page 80, illustrates the insurance exposure by geographical segment.

Market Risk

The object of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The ECIC is exposed to market risk arising from policyholder asset-liability mismatch risk which occurs if the investment portfolio does not move in the same direction or by the same magnitude as the obligations arising under insurance contracts. The key components of market risk are as follows:

- **Market price risk:** is the risk arising from a change in the value and/or future cash flows of an asset or liability, as a result of equity price and/or dividend changes;
- **Interest rate risk:** is the risk arising from a change in the value and/or future cash flows of an asset or liability, as a result of interest rate changes; and
- **Currency risk:** is the risk arising from a change in the value and/or future cash flows of an asset or liability as a result of changes in exchange rates. This can either be in the form of a mismatch between currencies of assets and liabilities, on assets supporting capital, or the difference in the functional currency and the reporting currency.

Market price risk

The maximum amount of market price risk assumed within the ECIC is defined by the risk appetite framework. The market risk appetite guides the setting of market price risk limits for strategic asset allocation in the investment portfolio.

The ECIC determines the long-term asset mix of its investment portfolio by applying a strategic asset allocation methodology with a medium to long-term investment horizon that seeks to match liabilities and invests excess funds to generate a risk adjusted return. The typical asset classes included are equity, fixed income and cash in local currency and cash in foreign currency (hence there is exposure to exchange rate movements as well as movements in the underlying asset class). The ECIC is in the process of obtaining the necessary approvals from **the dti** to increase the duration of foreign currency assets by investing in medium to long term fixed income instruments. The ECIC has mandated four asset managers to manage the underlying local currency assets in the portfolio.

On a through-the-cycle basis, this conservative, diversified portfolio was constructed to protect capital while maximising the after-tax returns for a level of risk consistent with the risk appetite statement. In the short term, market movements will contribute to some earnings volatility. The diversified nature of the portfolio should, however, shield against significant earnings volatility.

Market price risk exposure in line with the risk appetite is monitored on a quarterly basis and reported to the Finance and Investment Committee. The Audit and Risk Committee oversees the management of market risk within the approved risk appetite framework. It also monitors market price risk exposure alongside other exposures and overall risk appetite limit.

Currency risk

The functional currency of the Corporation is US dollar while its reporting currency is South African Rand. Foreign currency risk exposure arises on unmatched US dollar denominated liabilities or assets and on unmatched Rand denominated assets or liabilities when reporting on a functional currency basis. The foreign currency risk management policy of the ECIC is to hold US Dollar denominated assets that match US Dollar denominated liabilities. It is also the policy of the ECIC to hold open exposures on unmatched Rand denominated assets or liabilities. The ECIC does not hold or use any derivatives to manage any of its foreign currency risk exposure. Paragraph 5.1.1 of the Notes to the Annual Financial Statements on page 83 provides details of the net foreign currency risk exposure on an IFRS reporting basis.

The ECIC policy to accept an open foreign currency risk exposure on Rand denominated assets or liabilities contributes to high net foreign currency risk exposure and the significant volatility of its IFRS reported earnings. Supplementary financial information is provided in paragraph 30 of the Notes to the Annual financial Statements on page 113 which disclose the annual results on a South African functional currency basis.

The table below illustrates the overall foreign exchange exposure to Rand and US dollar at the reporting date.

	2013		2012	
	Rand R'000	US dollar R'000	Rand R'000	US dollar R'000
Cash and cash equivalents	126 401	2 097 009	141 370	1 509 764
Financial assets through profit and loss	2 180 082	0	2 023 888	0
Trade and other receivables	37 890	519 200	53 116	140 868
Insurance contract liabilities	(80 168)	(1 539 289)	(108 405)	(896 122)
Other liabilities	(116 220)	(555)	(190 757)	(27 800)
	2 147 985	1 076 365	1 919 212	726 710

Interest rate risk

Paragraph 5.1.2. of the Notes to the Annual Financial Statements page 84 provides more details on interest rate exposure of the Corporation.

Credit risk

Paragraph 5.3 of the Notes to the Annual Financial Statements provides on page 87 more details on credit risk exposure of the Corporation.

Liquidity risk

Paragraph 5.2 of the Notes to the Annual Financial Statements on page 86 provides more details on liquidity risk exposure of the Corporation.

Operational risk

The ECIC Operational Risk Policy seeks to ensure that risk owners are clearly accountable for the risk inherent within business activities. The key elements in the Operational Risk Policy include methodologies and tools to identify, assess, monitor and manage operational risks.

The executive and business managers are required to identify risks that could threaten the achievement of business objectives and, together with the required set of controls and actions, to mitigate the risks as appropriate. Risk assessment incorporates a regular review of identified risks to monitor significant changes. Key risk indicators are used in conjunction with the risk appetite framework to monitor the relevant risks and controls highlighted in the risk and control self-assessment process. Risk registers are produced by each business unit on a quarterly basis to monitor and track progress of risk actions. The key components of operational risk comprise:

People risk

The ECIC operates a niche business which requires specialist skills. It is therefore highly dependent on its employees to achieve on its strategic objectives. The risk of loss or inability to attract the right skills and experience is likely to disrupt the operations of the Corporation. The ECIC developed a number of interventions including employee surveys, performance management and succession planning in order to ensure that it attracts and retains the right skills within the business.

Please refer to page 35 for further details on ECIC's labour practices and remuneration.

Weak internal controls and systems (including Fraud Risk)

The ECIC Board is required by the PFMA to ensure that it maintains an effective, efficient and transparent system of financial and risk management and internal controls. The PFMA further requires the Board to take effective and appropriate disciplinary action against employees who commit an act to undermine the financial management and internal control systems. In this regard the ECIC has documented its internal control processes and procedures and has established an internal audit function which is outsourced to a firm of auditors. The engagement partner of the internal audit firm has direct access to the Chairperson of the Audit and Risk Committee. Internal audit provides written assessment of the internal control system to the Audit and Risk Committee. There were no actions that required disciplinary action to be taken against employees during the current financial year.

The ECIC is committed to carrying out business fairly, honestly and openly and adopts a zero tolerance approach to fraud, bribery and corruption. In terms of the ECIC's anti-fraud policy, executive management is responsible for ensuring that controls at all stages of a business process are adequate for the prevention and detection of fraud. The ECIC has a stated code of ethics and to assist in the maintenance of the code, an independent and externally managed fraud hotline (0800 20 35 75) and email facility (ecic@tip-offs.co.za) are in place. These provide the means to ensure that actual and/or suspected fraud or irregularities can be confidentially and promptly reported, investigated and acted upon. For the financial year under review no reports were made to the fraud hotline.

Disaster/Facilities risk

The ECIC relies on technology and physical infrastructure to operate its business. A significant damage to or the unavailability of IT infrastructure will result in loss due to the loss of records and assets required for operations. The ECIC has developed a business continuity and disaster recovery plan which is reviewed by the Audit and Risk Committee on an annual basis.

Strategic Risk

Strategic risk is the risk that ECIC fails to implement effective business plans and strategies that are relevant to achieve government's stated priorities and objectives. This may arise due to a weak competitive position or from a poor choice of strategy, markets, products, activities or structures. Major potential sources of strategic risk include the limitations of the budget available for IMU, factors such as macroeconomic conditions, inflexible cost structures, ECIC's reputation or brand, uncompetitive products or pricing and structural inefficiencies.

The Board is accountable for setting objectives and the strategies and plans to achieve such objectives. The Board approves any subsequent material changes in strategic direction. Executive Management is responsible for proposing the strategic plan within the risk appetite and aligning it to government's stated priorities and objectives, as well as implementing the approved strategic plan and the annual business plan. On a quarterly basis, the Board reviews corporate performance relative to the approved strategy and ensures that management takes corrective action to address any risks that may impact on the achievement of the strategy. Progress against the annual business plan is also reported quarterly to the Minister of Trade and Industry.

A major strategic risk for ECIC is the availability and adequacy of the IMU budget to keep up with the growth in the business. For the current year, IMU payments to financial institutions increased by 71% from R115 million to R197 million. The table below illustrates the projected shortfall in approved MTEF budget for the IMU by the end of the current MTEF period.

	Within 1 year R'000	Within 2 years R'000	Within 3 years R'000	Total R'000
IMU MTEF Budget	110 293	110 370	115 447	336 110
Projected IMU Commitments	(323 346)	(380 110)	(554 822)	(1 258 278)
	(213 053)	(269 740)	(439 375)	(922 168)
IMU Fund balance	550 918	337 865	68 125	550 918
IMU Fund surplus/(Deficit)	337 865	68 125	(371 250)	(371 250)

Management has initiated discussion with **the dti** and National Treasury to review the budget allocated to the IMU scheme so as to ensure that is able to keep up with the growth in the business.

Reputational Risk

Reputational risk is the risk caused by damage to an organisation's reputation, name or brand. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the ECIC's reputation is of paramount importance to its continued success and is the responsibility of every member of staff. As an insurance company, ECIC's good reputation depends upon the way in which it conducts its business, but it can also be affected by the way in which clients, to whom it provides financial services conduct themselves.

Regulatory Risk

The ECIC maintains a centralised compliance function led by the General Counsel and Company Secretary, who reports to the Chief Executive Officer. The ECIC has adopted a Compliance Charter in terms of which it is the responsibility of the executive and the business units they lead to ensure that their respective areas are acting in compliance with the relevant legislation. Each business unit has a responsibility to ensure that the compliance function receives the necessary support for reporting compliance matters to compliance where required.

Key regulatory changes include the Insurance Laws Amendment Bill (ILAB) which is anticipated to be tabled in Parliament in 2013. The ILAB is part of the SAM project and it is intended to address interim gaps in the insurance regulatory framework and enhance the powers of the Registrar, including providing for enhanced governance, risk management and internal control requirements for insurers, as well as introducing insurance group regulatory requirements.

A new Insurance Act is being developed concurrently with the SAM project which will combine the current Short-term and Long-term Insurance Acts into one act. The FSB will undertake further public consultation in respect of the existing draft Bill in 2013 and intends to table this in Parliament in 2014.

SUSTAINABILITY OVERVIEW

Sustainability overview

The ECIC continues to integrate the principles of sustainability in its business conduct as it acknowledges the need to balance its economic, financial, operational, environmental and social performance imperatives to remain sustainable. This underscores the importance of taking sound and responsible decisions from the outset. The Corporation takes note of, and where applicable implements, international agreements that relate to sustainable development, environmental, social and human rights matters, anti-bribery measures, and sustainable lending practices. The Corporation also complies with relevant labour and other legislation, as well as applicable government policies.

Governance

Sound corporate governance standards underpin the ECIC's sustainable development programme. These arrangements are discussed in some detail in the "Corporate Governance" section of this report.

Legal and compliance risk

The Board acknowledges that failure to comply with applicable laws and regulations may have regulatory, financial and reputational consequences for the ECIC. Therefore, the Board fosters a culture of compliance with relevant laws, not only as a legal requirement but also as good business practice. We also maintain an ongoing engagement with the regulators and assurance providers to ensure compliance with all relevant statutory requirements. The Corporation believes that its legal and compliance risks are within acceptable levels.

Environmental sustainability

We recognise the need to prioritise environmental sustainability in our activities. This environmental stewardship commitment is also visible in the adoption of the environmental sustainability target in the corporate score card for the year under review.

Underwriting activities

The Corporation supports environmentally sound projects and requires monitoring of environmental impacts in terms of both international best practice and host countries laws and regulations.

During the year, the Environmental and Social Impact Policy was approved by the Board to formalise the practice of assessing and evaluating environmental and social considerations when an export credit or investment cover is requested to determine whether a project is eligible for support. The policy was developed with the assistance of Export Development Canada (EDC), the Canadian export credit agency, and follows the approaches taken by the International Finance Corporation (IFC) and the World Bank on environmental and social impact issues on projects.

Social sustainability

During the reporting period, the ECIC stepped up its interactions with all major stakeholders, indicating its commitment to openness, transparency and growing our business.

Stakeholder engagement

In line with the King III recommendations, we have identified key stakeholder groups who may impact or be impacted upon by our strategic objectives. Our stakeholder ownership and engagement occurs at different levels within the Corporation. The Business Development and Marketing Unit is the focal point for ensuring consistent engagement with the various stakeholders. The principal stakeholders identified include the Government, **the dti**, Parliament, the South African Reserve Bank (SARB), the Financial Services Board (FSB), the Board of Directors, employees, clients, creditors, peers, suppliers and the community at large.

Some of the numerous stakeholder engagement initiatives took place during the financial year are as set out below:

The shareholder

Regular communication with **the dti** is part of our responsibility in improving our relationship with the Shareholder. The Shareholder representative attends, either personally or by proxy, the Annual General Meeting (AGM). Other matters are communicated to the Corporation by the Shareholder through the Public Entity Oversight Unit, a specially dedicated unit responsible for coordinating governance and oversight issues on the public entities reporting to **the dti**, located in the office of the Director-General in **the dti**. The Board reports on performance and related matters to the Shareholder by way of quarterly and annual reports. A formal meeting is held between the Chairperson, the CEO and the Minister at least once a year prior to the approval of the Corporate Strategic Plan.

Government and other public sector partners

As an entity reporting to **the dti**, the ECIC frequently responds to Parliamentary questions through **the dti**. We are also called upon to present the Corporate Strategic Plan (the Plan) to the Trade and Industry Portfolio Committee in Parliament when the Plan is being tabled. Other engagements with public sector stakeholders include National Treasury, the SARB and the Department of International Relations and Cooperation, whose representatives are members of the Credit Insurance Committee. We furthermore take part in broader consultations with other governmental entities/structures in showcasing our contribution towards national priorities.

Management

The Board has unrestricted access to senior management of the Corporation who have a standing invitation to attend Board and Board Committee meetings.

Business community

Client communication takes place through various mechanisms. We hold a client session once a year when we give our clients an overview of key developments and achievements of the Corporation. We work closely with TISA (on outward investment and trade initiatives) and SEDA (export awareness workshops). We held various workshops in all of South Africa's nine provinces and met with identified relevant export councils during the year. These engagements presented us with an opportunity to interact with different businesses throughout the country. In this way we strive to align our products, processes and initiatives to clients' needs and expectations. The initiative to raise the profile of the ECIC was accelerated during the year, through the printed media, namely various newspapers and magazines.

Mining Indaba

The ECIC is a regular sponsor of the Mining Indaba, and continued to support the event this year. The forum brings together governments, commercial banks, exporters and advisors to discuss the mining landscape and opportunities both in and outside South Africa. The ECIC uses this platform to showcase its products and raise it's profile. The mining sector comprises the largest sector we are exposed to, in our insurance portfolio.

Peers

Even though South Africa is a not a member of the OECD, the Corporation is invited to attend OECD meetings as an observer. We continued to have regular contact with other export credit agencies both on a bilateral basis and at meetings of the OECD, the Prague Club and Berne Union. The meetings offered workshops on OECD's approaches on the environment, sustainable lending, human rights, corruption, bribery and related matters. We also seek to contribute to policy development, project-co-ordination and capacity-building initiatives through our active participation in the Prague Club and Berne Union. The objective of these bodies is to promote the interests of their members, foster collaborative partnerships in exports, and to work towards best practice on a wide range of technical and policy issues affecting the future direction of the export credit and investment insurance business. ECIC as a company and some of its employees are members of a range of professional organisations in the professional, accounting and legal areas.

Annual Report

Our annual report is distributed to a variety of our stakeholders who include, the Shareholder, National Treasury, members of Parliament, the Auditor-General, our clients and peers. The report is available on our website, and/or on request by the general public.

Dispute resolution

The Corporation attaches importance to clients' complaints as a valuable source of client feedback which is communicated to the business for attention and action. We have in place a complaints management process encouraging a speedy resolution of disputes with clients, which allows for escalation to senior management for resolution. In addition, all our policies stipulate that the policyholders have the right to approach the Ombudsman for Short-Term Insurance for any matters unresolved or not resolved to client's satisfaction. The details of ECIC FAIS compliance officer as well as that of the ombudsman are also reflected in our policies. The Board approved the Dispute Resolution Policy this year which adopts the Alternate Dispute Resolution (ADR) processes in preference to litigation.

Corporate social responsibility (CSR)

The Corporation approved its CSR policy during the year. The initiatives undertaken are reported in the Corporate Social Responsibility Report on page 39.

Procurement

The ECIC is committed to maintaining a transparent, open and fair procurement process. Our governance model for procuring goods and services include the following requirements:

- obtaining competitive bids from suppliers in respect of goods or services;
- requiring suppliers to furnish SARS tax clearance certificates; and
- evaluation teams staffed with individuals from different units and levels within the Corporation to evaluate and make recommendations on bids which, depending on value, may require approval of the executive committee and/or the Board of Directors.

Preferential Procurement

Our procurement policies and procedures are aligned with the codes of good practice for broad-based black economic empowerment (BBBEE). The Corporation's performance for this year on its BBBEE overall spend for the year stands at 93% as compared to last year's spend of 80%.

The Corporation also supports emerging small, medium and micro enterprises by targeting them in the procurement process.

Labour practices

The Corporation's labour practices are critical to ensuring its internal sustainability.

Human capital management

Human capital management involves managing talent and preserving critical skills. Our aim is to ensure that we have the people and skills required to achieve our mandate and goals over the long term.

Employment equity

In September 2012, the Board approved the Employment Equity Plan for the period 1 October 2012 to 30 September 2014. The new Employment Equity Plan, building up on the achievement made under the previous plans, has been adopted for implementation during the period of the Corporate Strategic Plan 2013/2014 - 2016/2017. The Corporation will continue to monitor these targets closely and institute corrective measures when challenges are identified.

Veecrafts' commercial vessel supported by ECIC - Nigeria

The table below shows the composition of the workforce as at 31 March 2013. The Corporation had 42 (2012: 36) employees, of which 26% are in management and 74% in operational and support functions. At 31 March 2013, 100% of executive management were black and 50% were women.

EMPLOYMENT EQUITY ACHIEVEMENTS		
OVERAL STAFF COMPLEMENT		%
MALE	18	43
FEMALE	24	57
BLACKS	31	74
COLOUREDS	1	2
ASIAN	4	10
WHITES	2	5
FOREIGN NATIONALS	4	10
DISABLED	1	2
EXECUTIVE MANAGEMENT		%
MALE	2	50
FEMALE	2	50
BLACK FEMALES	2	50
BLACKS	4	100
MANAGEMENT	4	100
OPERATIONAL MANAGEMENT		%
MALE	3	43
FEMALE	3	43
BLACK FEMALE	3	43
BLACKS	5	71
OPERATIONAL	7	16
OVERALL MANAGEMENT		%
SUPPORT AND PROFESSIONALS	31	74
BLACKS IN MANAGEMENT	9	82
WOMEN IN MANAGEMENT	5	45
BLACK WOMEN IN MANAGEMENT	5	45

Human resources project

This year we began implementing the performance management system, succession planning and remuneration and reward policies that were approved last year. The highlights are as follows: -

Performance review

During the year, the Corporation utilised the Balanced Scorecard (BSC) methodology for the first time in terms of which employees underwent performance assessments, a process that involves regular feedback and review sessions which provides for performance and development plans.

Succession planning

The scope and parameters of our succession planning process consists of two segments – leadership pipeline and critical skills pipeline. The purpose is to develop and maintain a succession plan and provide training and skills development to identified employees to ensure that they are suitably qualified and appropriately experienced and able to fill key positions when these become vacant.

Climate survey and employee engagement

During the course of 2012, we had a 78% completion rate of the climate survey and employees had an opportunity to propose solutions that they felt would make a difference. Management have put processes in place to address the required actions to increase engagement levels. This process will continue into the next financial year.

Employee wellness programme (EWP)

During the year an Employee Wellness Programme for our employees and their immediate families was provided. The purpose of the EWP is to enhance the wellness of the our employees through:

- Assisting employees to seek professional help in order to deal with the challenges that impact on their personal and interpersonal work relationships.
- Providing life skills, awareness and education programmes to promote healthy lifestyle choices and coping skills.
- Building capacity for heads of business units to use the service as well as identifying stressed employees and referring them to appropriate resources.
- Addressing organisational risk factors that impact on employee wellness.

Training and skills development

The ECIC strive to build skills internally through up-skilling, on-the-job training and job rotation. Personal development plans are in place for all staff. Gap analysis is performed for each employee to focus training in the required skills. Employees completed shadow-match assessments which provided the Corporation feedback with which it could accurately identify employees' personal development needs. The senior managers also completed a Saville Wave psychometric assessment. This provided feedback on

developmental areas and will help the Corporation to profile positions for succession planning. Employee development is supported and encouraged through internal and external formal learning institutions. The mentorship programme by and between employees was launched during the year.

We also have a graduate training programme in conjunction with the Insurance Sector Education and Training Authority to help new graduates develop expertise and acquire experience. Two new graduates participated in this programme during the year.

HIV/AIDS and other life-threatening diseases

We are sensitive to the scourge of HIV/AIDS disease that continues to ravage our country. A policy is in place to address HIV/AIDS in the workplace in a positive, supportive and non-discriminatory manner. Employees who are afflicted with life-threatening diseases can continue working for as long as they are medically able to do so.

Union membership

None of ECIC's staff is covered by any collective bargaining agreements. Staff engagement sessions are held where executive management provides feedback on Board meetings, strategic matters and other initiatives. Further informal sessions occur regularly in the form of business units meetings and face-to-face meetings.

Occupational health and safety

Our occupational health and safety programme is led by an internal committee which considers and identifies health and safety hazards and ensures that corrective action is taken. The members meet as required to empower the workforce, through awareness sessions on what to do in case of emergency and related measures.

Ethical conduct

The ECIC has a Code of Ethics and Business Conduct which relates to governing ethical conduct, which is acknowledged by employees when joining ECIC and on an annual basis. Other related policies include:

- Honesty and Integrity Requirements Policy;
- Conflicts of Interest Management Policy;
- FICA Guidelines;
- Gifts Policy; and
- Anti-Bribery Policy.

Honesty and Integrity Requirements Policy

As a registered financial services provider, we are committed to the highest professional standards of product quality and business integrity in our dealings with our clients and potential clients. All our representatives are expected to conduct themselves with the highest standards of honesty, fairness and personal integrity. Any representative who fails to comply with this policy may face a disciplinary hearing which could result in then being debarred as a representative or dismissed. All our representatives identified during the year, wrote and passed the FAIS regulatory exams.

Conflicts of Interest Management Policy

This policy addresses how situations would and should be managed where conflicts of interests exist or may exist. We are also required to report to the Registrar of FSB on the monitoring, compliance and accessibility of this policy.

Financial Intelligence Centre Act (FICA) Guidelines

The guidelines set out how the Corporation and its employees should report a suspicious or unusual activity to the Financial Intelligence Centre.

Gifts Policy

This policy regulates and controls the acceptance, receiving and giving of gifts by ECIC employees.

Anti-Bribery Policy

The ECIC's insurance policies and exporter's undertaking agreements contain anti-bribery clauses, whereby insured entities (lenders, exporters and investors), expressly undertake and warrant that they have not and will not engage in corrupt activities in connection with the transaction on which ECIC support is provided.

The Anti-Bribery policy in ECIC supported transactions was approved last year and seeks to ensure that ECIC does not knowingly support transactions – particularly export contracts and investments contracts – that involve bribery, including bribery of foreign public officials. The policy is benchmarked to the 2006 OECD Recommendation and the 2006 Survey on Measures Taken to Combat Bribery in Officially Supported

Export Credit (as amended in November 2010) conducted on OECD Export Credit Agencies (OECD ECAs) by the Working Party on Export Credit and Credit Guarantee (ECG).

The application forms for insurance cover by the Corporation now include the legal consequences of bribery in international business that can be imposed under the Prevention and Combating of Corrupt Activities Act 14 of 2004 (PRECCA). The underwriting process now requires the pre-screening of exporters and applicants as well as their agents in the transactions. Underwriters verify the listing of exporters and applicants for bribery in the debarment lists published by international financial institutions such as the World Bank Group (WBG), the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IDB). Underwriters are also required to check public sources for any indicators of bribery or allegations of bribery in connection with the transaction.

Financial sustainability

The Corporation has integrated a comprehensive risk management framework (which also determines the risk appetite) to mitigate the financial and market risk aspects of its financial sustainability. The Corporation is aligning its processes in anticipation of the proposed solvency measures under the SAM project. We are actively involved in the discussions and are preparing ourselves for the coming into operation of the SAM requirements.

Conclusion

The Corporation recognises that the identification and management of sustainability issues is not only a social imperative, but is of increasing importance for ensuring business continuity in a changing business environment.

The ECIC Staff

CORPORATE SOCIAL RESPONSIBILITY REPORT

Introduction

In November 2012 the Board of Directors approved the Corporate Social Investment (CSI) policy and implementation framework of the Corporation. The Corporation acknowledges the need to play a more meaningful role in the society and as such through its CSI policy identified three areas where it can contribute. These areas are education, skills development and staff volunteerism (welfare).

These focus areas have been selected to support the government in dealing with some of the nine problems which our country is facing as indicated in the National Development Plan (NDP). The NDP noted the quality of education and unemployment as some of the challenges faced by our country which should be addressed.

Thus, through the education and skills development focus areas in the CSI, the Corporation is making a contribution towards addressing the problems noted above.

Not withstanding the limited timeframes for implementation, a total of R2.3 million was spent on education.

A brief account of each of the focus areas is also detailed below.

Education

CSI has identified that basic and tertiary education require different strategies and therefore addresses them separately.

Basic education

For basic education, four key subjects were identified namely Mathematics, Science, English and Accounting. During the year under review a partnership was formed with Sci-bono, an Non-Governmental Organisation (NGO) owned by the Gauteng Department of Education. Through this partnership two ECIC funded after-school learning centres have been established in the Tshwane area for Grade 12 learners. These centers cater for approximately 300 learners four days a week for the subjects stated above with the exception of English. The Corporation is currently looking to form similar learning support centers across the various provinces in South Africa.

The Corporation has also contributed towards a project which develops teaching material for poor performing schools through a Secondary School Improvement Programme (SSIP) with Sci-bono.

Though infrastructure is also a priority for this level, the Corporation is currently selecting potential beneficiaries and these will be reported in the ensuing year.

Tertiary education

For the tertiary education level, it was found appropriate that financial support be extended to previously disadvantaged students that are following career paths where there are a limited number of qualified black professionals. This is especially applicable to the Chartered Accountant (CA) and Actuary fields, where the ratio for blacks is limited to 14% and 6% in these fields respectively. A 2012 report from PricewaterhouseCoopers (PWC) noted that Actuarial professionals are among the sought after professionals.

To achieve this objective, the Corporation has partnered with two non-profit organizations (South African Actuarial Development Program and Thuthuka) whose mandate is to increase the number of black Actuaries and CAs respectively. Through these partnerships, a total of eighteen students have been awarded bursaries. The identified students will be funded until completion of their studies.

Engineering and Economics fields of study have also been incorporated in the bursary scheme as these are also critical for the economy. A total of six students have been awarded bursaries in these fields.

A total of twenty-four students were awarded bursaries during the period under review.

Skills development

Another critical focus area is skills development as this directly contributes to reducing the current unemployment rate which is at 25%. Potential partners to provide artisans training are currently being selected.

A graduate program is in place, this program is used to impart working experience to graduates. The graduate program has been in existence since 2009 and six graduates (two of them in the current financial year) have been trained over a period of twelve months in areas such as accounting, political analysis and risk management to mention a few. The intention is to increase the intake under this program to accelerate skills development.

Staff volunteerism (welfare)

South Africa is classified among the highly unequal societies in the world, and as such a focus on welfare funding was considered necessary. The needs of the disadvantaged members of the community will be catered for through this program. This will also facilitate opportunities for employees to make a difference in the society through volunteerism and as such building values by upholding the principles of "ubuntu" (humanity). The Corporation will also support welfare organisations which cater for people with disabilities, women, children, the elderly and distressed animals.

For the period under review, the Corporation is still in the process of selecting organisations which may be supported in this area. The details of the support will be reported in the ensuing year.

Students participating in the ECIC supported after-school program in Mamelodi.

REMUNERATION REPORT

The principles and policies governing the remuneration of employees differ from those of the non-executive directors. Employees, along with the executive director, in his capacity as the Chief Executive Officer (CEO), receives a salary and may receive other benefits. The CEO's contract contains the normal employee terms and conditions of employment. Non-executive directors receive a set fee per annum for their attendance of meetings of the Board and/or the Board Committees.

Remuneration of employees/executives

The Remuneration, Recognition and Reward Policy was approved last year by the Board and endorsed by the Shareholder at the Annual General Meeting in July 2012, as required in terms of the King III report recommendations.

Remuneration Philosophy

The demands of the Corporation's business dictate that the Corporation should at all times have in its employ individuals who perform at the highest level. Remuneration, reward and recognition play a key role in facilitating the attraction, engagement, motivation and retention of such individuals. In addition, they serve to align the goals of teams and individuals with those of the Corporation to achieve continuous sustainable improvement.

Total Remuneration & Reward approach

All staff are remunerated on a total-cost-to-company basis ('the guaranteed package'), which includes a basic salary, 13th cheque (if selected), allowances and contributions to benefit funds, i.e. the provident fund and the medical fund. Annual increases on guaranteed remuneration are performance and market-related, based on the local rate of inflation, individual performance and affordability. Performance which exceeds expectations and agreed targets is rewarded through the performance linked bonus scheme. The discretionary bonus payments are recommended by the Remuneration Committee for approval by the Board.

All remuneration, reward and recognition practices are aligned to the Corporate strategy and support it directly.

Total guaranteed package is determined by the need to attract and retain the skills and competencies required in the organisation.

Performance reward and recognition are determined by the need to engage staff fully and motivate them to reach and maintain the levels of performance required to support continuous sustainable improvement, at the corporate, team and individual levels.

The total remuneration and reward approach adopted by ECIC is summarised in the Table on the following page.

Total remuneration & reward approach

#	COMPONENT	PURPOSE
1	REMUNERATION	
1.1	Base Pay (Cash)	Attraction of skilled high-performance people
1.2	Base Pay (Non-cash) Medical aid, retirement fund, risk assurance	Attraction Retention
1.3	Allowances (Cash)	Compensation or reimbursement for specific situations that arise (e.g. acting in a higher position)
2	REWARD	
2.1	Performance Linked Bonus Scheme	Motivation Retention Corporation, team and individual performance improvement
3	RECOGNITION	
3.1	Informal Business Unit recognition and celebration of achievement	Identification/belonging Role models for others Motivation
3.2	Formal awards for recognition of achievement	Team spirit Role models for others Motivation

The remuneration of the CEO and the executive managers is disclosed on pages 110 to 111.

Non-executive directors' remuneration

The non-executive directors' remuneration for services rendered is determined by the Minister of Trade and Industry, with the agreement of the Minister of Finance.

The governing principle with regard to the remuneration of non-executive directors is a combination of an annual retainer and attendance fees for the members of the Board and its Committees. The annual retainer is payable to an independent non-executive director if they have attended at least 75% of the predetermined meetings in the year. Directors are also fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties. In accordance with the provisions of the Public Service Act (1994), Government Department representatives on the Board, are not remunerated for their services as non-independent non-executive directors. Details of all the fees and expenses paid to the members of the Board during the year are reflected on page 110.

Directors' interest in contracts

The directors are required to declare their interest in any transaction with the Corporation in terms of the Companies Act (2008). None of the directors declared an interest in any contract during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

The Board of Directors ("Board" or "Directors") is responsible for the preparation of the annual financial statements. The Board acknowledges its duty to ensure balanced content and fair presentation that provides a comprehensive assessment of the performance of the Corporation for the financial year ended 31 March 2013.

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 and Risk 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. These controls are implemented by skilled staff, with clearly defined lines of accountability and appropriate segregation of duties. The controls are monitored by Management.

As part of internal controls, the Corporation's internal audit function conducts inspections, financial and specific audits. The external auditors are responsible for reporting on the Corporation's annual financial statements.

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 of the Corporation. The Corporation's annual financial statements are based on appropriate accounting policies which are consistently applied except as otherwise stated and supported by reasonable and prudent judgements and estimates.

Based on the information received from Management, internal and external auditors, nothing has come to the attention of the Directors to indicate a material breakdown in the systems of internal controls during the year under review.

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 2013, that appear on pages 58 to 114 were approved by the Board of Directors on 20 June 2013 and are signed on its behalf by:

Motshwanedi J. Lesejane
Chairperson
2013

Certification by the Company Secretary

In terms of Section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, I certify that in respect of the year ended 31 March 2013, the Corporation has lodged with the Companies and Intellectual Property Commission all such returns as required of the Corporation, and that all such returns are true, correct and up to date.

L Mphaphuli
Company Secretary
Pretoria
2013

REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee presents its report for the financial year ended 31 March 2013. The committee is an independent statutory committee appointed by the Board.

Terms of reference

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

Members, meeting attendance and assessment

The committee is independent and consists of four non-executive directors, three of whom are independent. It meets at least four times a year. The chief executive officer, chief operating officer, chief financial officer, chief risk officer, general counsel, external auditor, internal auditor, a representative from the office of the Auditor General, the group chief financial officer of **the dti**, and other assurance providers attend meetings by invitation only.

During the reporting period the committee met eight times.

The effectiveness of the Audit and Risk Committee and its individual members is assessed annually.

Role and responsibilities – statutory duties

The Audit and Risk Committee's role and responsibilities include statutory duties in terms of the Companies Act, the PFMA and additional responsibilities assigned by the Board.

The committee executed its duties consistent with the requirements of King III. Instances where the King III requirements have not been applied are explained in the corporate governance statement on page 16.

External auditor appointment and independence

The Audit and Risk Committee is satisfied that the external auditor was appointed in line with Sections 58, 59, 60 and 61 of the PFMA. The committee is satisfied that the external auditor was independent in accordance with King III, which includes consideration of the auditor's previous appointments, the extent of other work undertaken by the auditor for the Corporation and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. The auditor provided assurance that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for 2012/13.

A formal procedure governs the process whereby the auditor is considered for non-audit services. PWC was hired to perform non-audit services under which they supplied IT equipment to the ECIC. The committee was satisfied that this engagement by PWC would not impair the independence of the external auditors.

The Audit and Risk Committee has nominated, for election at the annual general meeting, PWC Incorporated as the external audit firm and Ms. Gugu Mtetwa as the designated auditor responsible for performing the functions of auditor for 2013/14.

Financial statements and accounting practices

The committee has 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

The Audit and Risk Committee has overseen and reviewed internal audit's written assessment of the effectiveness of internal controls and risk management, including internal financial controls. Nothing has come to the committee's attention that causes it to believe that the system of internal financial controls and risk management is not effective, or that

the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

Duties assigned by the Board

In addition to the statutory duties of the Audit and Risk Committee, the Board has determined further functions for the committee to perform, as set out in the terms of reference. These include the following:

Integrated reporting

The committee fulfils an oversight role for the ECIC's integrated report.

Going concern

The committee has reviewed a documented assessment including key assumptions prepared by management on the going concern status of the Corporation. It has made recommendations to enable the Board to report on the going concern status as set out on page 50.

Governance of risk

The Board has assigned oversight of the Corporation's risk management function to the Audit and Risk Committee. The committee oversees financial reporting risks, internal financial controls, and fraud and IT risk.

Internal audit

The Audit and Risk Committee is responsible for ensuring that the internal audit function is independent and has the necessary resources, standing and authority within the Corporation to enable it to discharge its duties. In addition, the committee oversees co-operation between the internal and external auditors, and serves as a link between the Board and these functions.

The Audit and Risk Committee approved internal audit's annual audit plan.

The execution of the internal audit work is outsourced to a firm of internal auditors who report to management and the Audit and Risk Committee and are responsible for reviewing and providing assurance on the adequacy of the internal control environment. The engagement partner of the internal audit firm reports the findings of the internal audit work to the committee on a regular basis. The engagement partner has direct access to the committee, primarily through its chairperson.

The Audit and Risk Committee also assesses the performance of the internal audit firm and the internal audit function. During the year, the committee met with the external auditors and with the internal auditors without management being present.

The Audit and Risk Committee is satisfied that it complied with its legal, regulatory and other responsibilities.

Finance function

The Audit and Risk Committee is satisfied that the chief financial officer has appropriate expertise and experience. Furthermore, the committee has considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function, and experience of the senior members of management responsible for this function.

Abel Makalene Mawela
Chairperson: Audit and Risk Committee
2013

DIRECTORS' REPORT
for the year ended 31 March 2013

Nature of business

The ECIC ("the Corporation") is a self-sustained, state-owned national export credit agency that is supervised and regulated by the Financial Services Board (FSB).

The Corporation underwrites credit and political risks associated with capital goods and services export projects undertaken by South African contractors, as well as investment insurance in respect of outward investments, shareholder and commercial loans. The Corporation also issues foreign exchange risk cover policies on behalf of the South African Reserve Bank, which provides guaranteed rates of exchange to South African exporters. Furthermore, the Corporation manages the disbursement of interest make-up payments to financial institutions on behalf of **the dti**.

Share Capital

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

Corporate Governance

The Board of Directors ("Directors") embraces the principles of the King III Code on Corporate Governance and endeavours to comply with these recommendations as far as possible. The Corporation's adherences to these principles are outlined in the Corporate Governance section of this Report.

Board of Directors

The Directors are reflected on page 55 to 57, which also provides brief biographical details. Other than the retirement of Dr Patrick Kohlo, who was the Executive Director and the Chief Executive Officer, there were neither resignations nor new appointments during this financial year. Subsequent to the year end, one director who was also a member of the Audit and Risk Committee and the Finance and Investment Committee, Mr Ranti Mothapo, resigned.

Financial Results and Activities

The financial results of the Corporation are fully disclosed on pages 58 to 114.

Performance Against Pre-Determined Objectives

The corporate strategic objectives and targets are developed and approved by the Board of Directors. The tables below compare the planned and related actual performance for 2012/13 on the high-level corporate strategic objectives. The Corporation met or exceeded its strategic objectives for the year as set out in on the following page

Performance against pre-determined objectives

OBJECTIVE	PERFORMANCE/ KEY INDICATOR MEASURE	2012/13 TARGET	2012/13 RESULT	COMMENT
Facilitate Export Trade and Investment Outside South Africa				
The value of insurance applications approved by the ECIC Board in order to support the export of South African goods and services or investments outside South Africa	USD Value of export credit and/or investment insurance applications approved by the ECIC Board	US$ 600 million being the value of export credit/ investment insurance applications be approved by the ECIC Board	18 (eighteen) new projects to the value of US$ 953 million were approved by the ECIC Board	Target exceeded by US$353 million
The value of export credit and/ or investment insurance policies signed by ECIC to support the export of South African goods and services or investments outside South Africa	USD Value of export credit and/or investment insurance policies signed by ECIC during the financial year	US$ 200 million being the value of export credit/ investment insurance policies to be signed by ECIC in this specific financial year	14 (fourteen) new policies to the value of US$ 769 million were signed	Target exceeded by US$569 million
The value of loans disbursed and/ or investment insurance exposures declared under insurance policies signed by ECIC to support the export of South African goods or investments outside South Africa	USD Value of loans disbursed and/or investment insurance exposures declared under insurance policies that are effective under the ECIC insurance/re-insurance portfolio	US$ 180 million being the value of loans disbursed and/or investment insurance exposures declared for the specific financial year under insurance policies that are effective under the ECIC insurance/re-insurance portfolio	US$ 1,240 billion of loans disbursed and investment insurance exposures were declared	Target exceeded by US$1,060 billion
Strategic Alliances: Build mutually-beneficial local, regional and global relations to advance South Africa's trade and economic development objectives				
Initiate cooperation agreements or arrangements with ECAs or DFIs in Africa, Middle East or other members of BRICS and other developing nations	The number of Co-operation agreements or arrangements initiated with ECAs or DFIs in Africa, Middle East or other members of BRICS and other developing nations	Initiate draft co-operation agreements or arrangements with two of the targeted ECAs or DFIs	Two co-operation agreements were initiated with ATI and EXIAR.	Target achieved

OBJECTIVE	PERFORMANCE/ KEY INDICATOR MEASURE	2012/13 TARGET	2012/13 RESULT	COMMENT
Promote a professional, competitive and customer focused workforce that ensures an effective and efficient service to our customers				
Raise awareness of ECIC and/or ECIC products by engaging with various export promotion agencies and/or economic development agencies or through conferences in the various provinces in South Africa	The number of ECIC product presentations or awareness sessions held with export promotion agencies and/ or with economic development agencies or through conferences in the various provinces in South Africa	12 ECIC product presentations or awareness sessions held with export promotion agencies and/ or with economic development agencies or through conferences in the various provinces in South Africa	Twenty nine presentations to conferences and export promotion workshops covering all nine provinces were held	Target exceeded by seventeen (17) presentations
Raise awareness of the ECIC and/ or ECIC products through print media advertisement campaign	The number of provinces in which the ECIC ran a print media advertising campaign	Run a print media campaign based on the ECIC Marketing Plan in 2 provinces	Print media campaign with newspapers and magazines that have national and international coverage	Target exceeded as the print media campaign included publications that had a national and international coverage
Fostering risk orientation: Create an enterprise wide risk awareness and effective corporate governance and risk management practices				
Reduce the concentration of the ECIC insurance and re-insurance portfolio with reference to country exposure	The single largest country exposure as a percentage of the total ECIC insurance portfolio not exceeding the target	The single largest country exposure as a percentage of the total ECIC insurance portfolio not exceeding 34%	The single largest country exposure as at 31 March 2013 is Zambia at 25% of the portfolio which is within the 34% target range	Target exceeded as the largest exposure was below the target by 11%
Effective stewardship; Consistently utilize sound business environment and social principles, applying international best practice.				
Develop and implement a Social Responsibility Investment Plan for ECIC	Progress achieved against the agreed milestones for the development and implementation of the Social Responsibility Investment Plan	Development and approval of the Social Responsibility Investment Plan	The Social Responsibility Investment Policy was approved by the Board. Implementation of the Social Responsibility Investment Plan has already commenced as fully set out on page 39	Target exceeded as the implementation of the Social Responsibility Investment Plan has already commenced with R2 million already spent on qualifying projects.

OBJECTIVE	PERFORMANCE/ KEY INDICATOR MEASURE	2012/13 TARGET	2012/13 RESULT	COMMENT
Increase the value of procurement spend from BBBEE certified suppliers or service providers when measured against the total procurement spend of ECIC	The percentage value of procurement spend from BBBEE certified suppliers or service providers when measured against the total procurement spend of ECIC	70% being the target percentage value of the ECIC procurement spend from BBBEE certified suppliers or service providers when measured against the total procurement spend of ECIC in this financial year	The percentage value of BBBEE spend was 93%	Target exceeded by 23%
Develop and implement an environmental and social policy to regulate ECIC approach to the management of environ-mental and social risks in transactions supported by the ECIC	Progress achieved against agreed milestones for the development and implementation of the environmental and social policy to regulate ECIC approach for the management of environmental and social risks in transactions supported by the ECIC	Development and approval of an ECIC environmental and social policy.	The Environmental and Social Policy was approved by the ECIC Board	Target achieved

Dividends

No dividends are paid by the Corporation and the after tax profits generated are re-invested in the business.

Materiality and Significance Framework

Materiality levels for reporting

In terms of section 55(2)(b)(i) of the PFMA, the annual report and financial statements should include particulars of any material losses through criminal conduct and irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. As the term "material" has not been defined in the PFMA, the ECIC adopted definition of materiality is equivalent to a monetary loss of R100,000 and above.

Significance levels

Sections 51(1)(g) and 54(2) of the PFMA read in conjunction with the related National Treasury practice note, requires the use of a significance framework. Based on the guidelines in the practice note and after evaluating the total assets, total revenue and profit after tax for the ECIC, the "significance levels" have been determined in the framework for purposes of these sections.

Information presented in terms of section 55(2)(b) of the PFMA

Particulars of material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year: there were no instances where the Corporation sustained material losses.

Particulars of any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure: there were no instances where the Corporation sustained material losses.

Particulars of any losses recovered or written off: no material losses were recovered or written off other than in the ordinary course of business.

Particulars of any financial assistance received from the state and commitments made by the state on behalf of the ECIC: no such financial assistance was received.

Taxation status

The Corporation pays tax in terms of the Income Tax Act, No. 58 of 1962, as amended. The Corporation is also subject to and complies with all other South African taxes, including Value Added Tax.

Changes in accounting policies

The accounting policies applied during the year ended 31 March 2013 are in all material respects consistent with those applied in the annual financial statements for the year ended 31 March 2012, as no changes in accounting policies were effected 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, other than those disclosed in note 28 of the annual financial statements, which will have a significant effect on the operations of the company or its financial position.

Going concern

The Directors believe 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 annual financial statements.

Audit Committee Information

The names of the Audit Committee are reflected on page 19. The meetings held and attendance records are outlined in an earlier section 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 Note 26.6 of the annual financial statements.

Directors' fees

During the financial year, the Directors received fees as reported on page 110 of this report.

Preparer of annual financial statements

The annual financial statements were prepared by Ms Noluthando Mkhathazo CA (SA) and reviewed by Ms Sedzani Mudau CA (SA).

Auditors

PWC will continue in office in accordance with section 90 of the Companies Act No. 71 of 2008.

Company Secretary

L Mphaphuli

Business address

36 Ingersol Road
Lynnwood Glen
Pretoria
0081

Postal address

PO Box 528
Menlyn
0063

Rolling Stock - Tonkolili iron ore mine - Sierra Leone

Veecrafts' commercial vessel supported by ECIC - Nigeria

REPORT OF THE INDEPENDENT AUDITOR

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT AND THE DIRECTORS OF EXPORT CREDIT INSURANCE CORPORATION LIMITED OF SOUTH AFRICA SOC LTD

Introduction

We have audited the financial statements of the Export Credit Insurance Corporation of South Africa SOC Ltd as set out on pages 58 to 112, which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for 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 International Financial Reporting Standards and 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Export Credit Insurance Corporation of South Africa SOC Limited as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2013, we have read the Chief Executive Officer's Report, Directors' Report, the Audit & Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers.

Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the performance against predetermined objectives as set out on page 47 to 49 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

There were no material findings on the performance against predetermined objectives concerning the usefulness and reliability of the information.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements, performance against predetermined objectives and compliance with laws and regulations. We did not identify any deficiencies in internal control that we considered sufficiently significant for inclusion in this report.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Director: G. Mtetwa
Registered Auditor
Johannesburg
29 July 2013

BOARD OF DIRECTORS

The Directors in office during the financial year are:

Board

Chairperson – Mr M J Lesejane (Independent non-executive)
Dr P C Kohlo (Executive Director)*
Mr H du Toit (Non-independent, non-executive)
Mr A M Mawela (Independent non-executive)
Ms T T Ngcobo (Independent non-executive)
Mr D D Mosaka (Independent non-executive)
Mr R Mothapo (Independent non-executive)
Ms P Ncapayi (Non-independent, non-executive)

Audit & Risk Committee

Chairperson – Mr A M Mawela (Independent non-executive)
Mr H du Toit (Non-independent, non-executive)
Ms T T Ngcobo (Independent non-executive)
Mr R Mothapo (Independent non-executive)

Finance & Investment Committee

Chairperson – Mr R Mothapo (Independent non-executive)
Mr D D Mosaka (Independent non-executive)
Ms P Ncapayi (Non-independent, non-executive)

Company Secretary

Ms L Mphaphuli

*Retired on 31 August 2012

Human Resources Committee

Chairperson – Ms T T Ngcobo (Independent non-executive)
Dr P C Kohlo (Executive Director)*
Mr M J Lesejane (Independent non-executive)
Mr D D Mosaka (Independent non-executive)

Social & Ethics Committee

Chairperson – Ms T T Ngcobo (Independent non-executive)
Dr P C Kohlo (Executive Director)*
Ms S Mudau (Chief Financial Officer)
Mr M Nkuhlu (Acting Chief Executive Officer)

Remuneration Committee

Chairperson – Mr M J Lesejane (Independent non-executive)
Ms T T Ngcobo (Independent non-executive)
Mr R Mothapo (Independent non-executive)
Mr A M Mawela (Independent non-executive)

EXECUTIVE DIRECTOR

Dr. Patrick C Kohlo

Gender: Male

Race: Black

Qualifications: BCompt, MBA, PhD

Areas of Expertise: Finance, Small Business Management, Auditing and Commercial Law

Years of service: 11

Position on other Boards

Name of Company and Position Held

1. SAB Caddies Educational Trust
   Trustee
2. PEONET (Pty) Limited
   Director

Retired on 31 August 2012

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Motshwanedi J. Lesejane

Gender: Male

Race: Black

Qualifications: Bcom(Hons), Bcompt, CA(SA), FCMA (Fellow Chatered Management Accountant), Certificate in Control Self (CCSA)

Areas of Expertise: Auditing, Corporate Governance, Finance, Risk Management and Finance Management

Years of service: 3 years, 6 months

Position on other Boards

Name of Company and Position Held

1. National Electricity Regulator of SA
   Non-Executive
2. Small Enterprise Development Agency
   Audit Committee Member
   Chairperson
3. Mokwalo Training and Consulting Services Executive Director
4. Mokwalo Securities and Investments
   Executive Director
5. National Treasury
   Audit Committee Member

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Higgo du Toit

Gender: Male

Race: White

Qualifications: BCom - Economics, Bcom(Hons) Economics, Bproc

Areas of Expertise: Governance & Financial Analysis

Years of service: 4

Position on other Boards

Name of Company and Position Held

1. SASRIA
   National Treasury representative

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. Thembekile Thelma Ngcobo

Gender: Female

Race: Black

Qualifications: B.A. (Social Sciences)

Post Graduate Diploma in Management (HR)

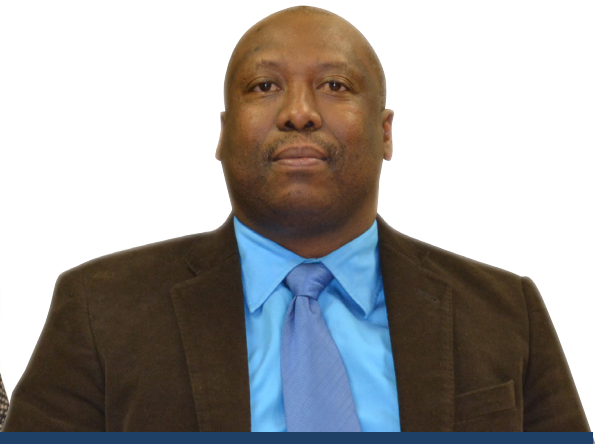
Areas of Expertise: Finance, Auditing, Human Resources

Years of service: 4 years, 7 months

Position on other Boards

Name of Company and Position Held

1. Khensani Facilities Property
   Director
2. SC Johnson and Son of SA
   Independent Director
3. Thelma Ngcobo & Associates CC
   Managing Member
4. Omanyuswa Spearheading Investment
   Chairperson & Founder
5. Manyuswa Petroleum (Pty) Ltd
   Managing Director
6. ICAP and Business Information
   Director



INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr David Daniel Mosaka

Gender: Male

Race: Black

Qualifications: BCom, BCom (Hons)

Areas of Expertise: Economics

Years of service: 2 years 5 months

Position on other Boards

Name of Company and Position Held

1. Beracah Economic Consulting
   Member
2. Mosaka Economic Consultants
   Member
3. Fatima Shuttle Services
   Member

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Ranti Mathapo

Gender: Male

Race: Black

Qualifications: BEcon Sc, BSc (Hon) Fellow of the Faculty of Actuaries, UK Fellow of Actuarial Society of South Africa

Areas of Expertise: Actuarial and investment banking, insurance, retirement funding and corporate transactions

Years of service: 2 years 5 months

Position on other Boards

Name of Company and Position Held

1. Moruba Consultants and Actuaries (Pty) Ltd
   Director
2. Land Bank Insurance Company Limited
   Independent Non-Executive Director
3. Matlotlo Group (Pty) Ltd
   Managing Director
4. Mist of Gold Investments 14 CC
   Member
5. SASRIA SOC Ltd
   Independent Non-Executive Director

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Pumla Ncapayi

Gender: Female

Race: Black

Qualifications: BCom, Post Graduate Diploma in Business Management

Areas of Expertise: Trade and Policy

Years of service: 1 year 8 months

Position on other Boards

Name of Company and Position Held

1. **The dti** Strategic Industrial Projects
   Board Member
2. World Association of Investment Promotion Agency
   Vice President
3. Immigration Advisory Board
   Board Member
4. Proudly South African
   Board Member
5. Brand South Africa
   Trustee

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Abel M Mawela

Gender: Male

Race: Black

Qualifications: BCom(Hons), MBA

Arease of Expertise: Auditing, Accounting and Corporate Governance

Years of service: 1 year 1 month

Position on other Boards

Name of Company and Position Held

1. Molodi Consulting
   Founder and Managing Director

ANNUAL FINANCIAL STATEMENTS

Notes to the annual financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 R'000	2012 R'000
Assets			
Equipment	6	**699**	648
Financial assets through profit and loss	7	**2 180 082**	2 023 888
Trade and other receivables	8	**557 090**	193 984
Cash and cash equivalents	9	**2 223 410**	1 651 134
Total assets		**4 961 281**	3 869 654
Equity and liabilities			
Equity			
Share capital and premium	11	**316 051**	316 051
Capital adequacy requirement		**408 004**	130 960
Retained earnings		**1 800 433**	2 015 452
Foreign currency translation reserve		**700 383**	184 107
Total equity		**3 224 871**	2 646 570
Liabilities			
Insurance contract liabilities		**1 619 705**	1 004 527
Provision for unearned premiums	12.1	**1 106 972**	659 279
Provision for unexpired risks	12.2	**88 073**	19 463
Provision for claims reserves	12.3	**424 660**	325 785
Deferred tax	13	**39 729**	31 528
Employee benefit liability	14	**1 310**	1 204
Trade and other payables	15	**13 551**	135 266
Taxation payable	22.2	**62 115**	50 559
Total liabilities		**1 736 410**	1 223 084
Total equity and liabilities		**4 961 281**	3 869 654

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	2013 R'000	2012 R'000
Insurance premium revenue		**718 047**	199 864
Change in unearned premiums	12.1	**(294 855)**	58 883
Change in unexpired risks	12.2	**(61 299)**	129 875
Net insurance premium revenue		**361 893**	388 622
Net investment income	16	**297 814**	221 611
Foreign exchange loss	17	**(405 418)**	(252 749)
Other income	18	**971**	31 898
Net income		**255 260**	389 382
Claims incurred		**63 825**	3 361
Insurance benefits and claims		**95 006**	133 825
Claims paid		**(11 206)**	(10 839)
Salvages received		**106 212**	144 664
Change in claims reserves	12.3	**(31 181)**	(130 464)
Commissions paid		**(1 515)**	(1 425)
Operating expenses	19	**(51 601)**	(43 978)
Interest expense	20	**-**	(2)
Corporate social investment		**(2 287)**	-
Profit before taxation		**263 682**	347 338
Taxation	21	**(201 657)**	(158 769)
Profit after taxation		**62 025**	188 569
Currency translation differences		**516 276**	270 490
Total comprehensive income for the year		**578 301**	459 059

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Share Capital R'000	Share premium R'000	Retained income R'000	Contingency reserve R'000	Capital adequacy requirement R'000	Foreign currency translation reserve R'000	Total R'000
Balance at 31 March 2011	-	316 051	1 918 111	38 841	-	(86 383)	2186 620
Total comprehensive income	-	-	188 569	891	-	270 490	459 950
Profit for the year	-	-	188 569	-	-	-	188 569
Effect of translation to presentation currency	-	-	-	891	-	270 490	271 381
Transfer from contingency reserve	-	-	39 732	(39 732)	-	-	-
Transfer to Capital adequacy requirement	-	-	(130 960)	-	130 960	-	-
Balance at 31 March 2012	-	316 051	2 015 452	-	130 960	184 107	2 646 570
Total comprehensive income	-	-	62 025	-	-	516 276	578 301
Profit for the year	-	-	62 025	-	-		62 025
Effect of translation to presentation currency	-	-	-	-	-	516 276	516 276
Transfer to Capital adequacy requirement	-	-	(277 044)	-	277 044	-	-
Balance at 31 March 2013	**-**	**316 051**	**1 800 433**	**-**	**408 004**	**700 383**	**3 224 871**

STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Notes	2013	2012
		R'000	R'000
Cash flows from operating activities			
Cash generated by underwriting activities	22.1	**303 209**	461 641
Interest received on financial assets designated at fair value through profit and loss	16	**126 201**	126 542
Interest received on cash and cash equivalents and other		**20 296**	41 739
Dividends received	16	**16 405**	11 108
Interest paid		**-**	(2)
Taxation paid	22.2	**(181 659)**	(96 734)
Cash inflow from operating activities		**284 452**	544 294
Cash flows from investing activities			
Acquisition of fixed assets		**(143)**	(195)
Net acquisition of financial assets	22.3	**(21 041)**	(225 237)
Cash outflow from investing activities		**(21 184)**	(225 432)
Increase in cash and cash equivalents		**263 268**	318 862
Cash and cash equivalents at beginning of year		**1 651 134**	1 396 374
Effect of translation on cash and cash equivalents		**351 521**	63 097
Unrealised foreign exchange (loss) on cash and cash equivalent		**(42 513)**	(127 199)
Cash and cash equivalents at end of year		**2 223 410**	**1 651 134**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies

1.1 General information

ECIC is a state owned entity incorporated in South Africa. The nature of risk underwritten by the company in pursuant to its objectives as set out in the Export Credit and Foreign Investments Insurance act No.78 of 1957, as amended are set out on note 4.

The principal 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.

(a) New standards, amendments and interpretations adopted by the Company in the current financial year:

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition (effective for periods beginning on or after 1 July 2011): These amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The new disclosure requirements are not expected to have a material impact on the Company's financial statements.

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective for periods beginning on or after 1 July 2012): The main change resulting from these amendments is a requirement for entities to group items presented in Other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The new disclosure requirements are not expected to have a material impact on the Company's financial statements.

- Amendment to IAS 12,'Income taxes' on deferred tax(effective for periods beginning on or after 1 January 2012), Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

None of the above amendments have a material impact on the Company's financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1.1 General information (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2012 and not early adopted:

- IFRS 9, 'Financial Instruments' – classification and measurement (effective for periods beginning on or after 1 January 2013): This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. The new guidance is not expected to have material impact on the Company's financial statements.

- IFRS 13, 'Fair value measurement' (effective for periods beginning on or after 1 January 2013): This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The new guidance is not expected to have a material impact on the Company's financial statements.

- IAS 16, 'Property, plant and equipment'(effective for periods beginning on or after 1 January 2013): The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

- IAS 32, 'Financial instruments: Presentation'(effective for periods beginning on or after 1 January 2013):The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

1.2 Basis of presentation

The annual financial statements of the company are prepared on the going concern basis in accordance with the International Financial Reporting Standards (IFRS) as defined by IAS 1 and the Companies Act, 2008.

The annual financial statements are prepared on the historical cost basis, adjusted by the revaluation of financial assets that are measured at revalued amounts or fair value and translation of functional currency to the presentation currency as explained in the accounting policies below. Whilst the company is domiciled in South Africa its functional currency is US Dollar with Rand as its presentation currency, rounded to the nearest thousand.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1.3 Use of estimates and judgements

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 detailed in note 2.

1.4 Recognition and measurement of insurance contract

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

1.4.1 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.

Premiums on reinsurance assumed are included in gross written premiums and accounted for as if the reinsurance was considered direct business.

1.4.2 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 upon the pattern of risks underwritten. The provision is computed separately for each insurance contract.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1.4.3 Unexpired risk provision

An unexpected risk provision is made for any deficiencies where unearned premiums are expected to be insufficient, on the current pricing basis, to meet expected claims and expenses after taking into account the future investment return on the financial assets supporting the unearned premium provision of policies in force at the statement of financial position 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.

1.4.4 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; and
- Changes in provisions for claims incurred prior to the financial year end but not yet reported.

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.

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

Claims and loss adjustment expenses are charged to the statement of comprehensive income 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 Company. Refer to note 2 on additional information of the methodology of computing this amount.

Adjustments to the amounts of claims provision 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1. 4 Recognition and measurement of insurance contracts (continued)

1.4.5 Salvages

An asset for salvages receivable is recognised once a recovery is probable. Otherwise salvages are recognised only when received.

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 for sovereign contracts:

- There is a signed agreement; and
- At least two successive payments have been received by the company in terms of the agreement

Project finance contract is a contract where in 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 for project finance contracts:

- There is a signed restructuring agreement; and
- The payment on the revised agreement are up to date;and
- The operation generated positive cash flows for a continuous period of 12 months; and
- Performed at a minimum of 75% of the intended capacity.

Corporate finance contract is a contract where in repayment of the covered loan amount is the responsibility of the sponsor on the transaction.

Recovery is deemed probable when the following conditions have been met for corporate finance contract:

- There is a signed restructuring agreement; and
- The payment on the revised agreement are up to date; and
- The loan covenants on the policy are met.

1.4.6 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 company recognises the deficiency in the statement of comprehensive income in that year. Liability adequacy tests are performed at each statement of financial position date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1.4.7 Capital adequacy requirement (CAR)

In terms of the Board notes 169, the company 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 covering its insurance liabilities. The notes prescribe the amount which should be added on the statement of financial position. The transfer to the reserve is treated as an appropriation in the statement of changes in equity. The reserve can be utilised only with the prior permission of the Registrar of Short – term Insurance.

1.5 Foreign currency translation

Functional and presentation currency

Presentation currency is the currency used for presentation of the financial statements. The US Dollar is the functional currency and South African Rand is the reporting currency for the company. The functional currency being the currency of the primary economic environment in which the company operates. The services offered by the company are predominately priced in US Dollar.

Translation from functional to presentation currency

The company uses the South African Rand as its presentation or reporting currency. The South African Rand is the presentation currency of its shareholder. The annual financial statements are translated to the presentation currency from the functional currency using the average rate for statement of comprehensive income items and the closing rate for the statement of financial position items, comprising both monetary and non-monetary items.

Monetary items are units of currency held, assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Non-monetary items are all other assets and liabilities other than monetary items.

Non-monetary items are initially translated at the historic rate of conversion when they were acquired or the spot rate applicable at the date of conversion of the functional currency.

The exchange differences arising from translating income and expenses at the exchange rates applicable at the date of transaction and the closing rate, and the assets and liabilities translated at the closing rate different to the opening rate or the spot rate at the date of initial recognition, shall be recognised in equity as a foreign currency translation reserve.

Transactions and balances

Foreign currency transactions are translated into functional currency using the spot rate at the dates of the transactions. Foreign currency gains and losses resulting from settlement of such transactions and from translation at year end and exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in profit and loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1.6 Equipment

Computer equipment, furniture and fittings and office equipment are stated at historical cost less depreciation. 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, including input duties and non-refundable purchase taxes but excluding trade discounts and rebates. 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 periods:

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

The assets' residual values and useful lives are reviewed at the each statement of financial position date and adjusted if appropriate.

1.7 Financial assets and liabilities

The company classifies its financial assets into the following categories: financial assets designated at fair value through profit and loss and trade and other receivables.

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 company'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 upon initial recognition.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short term or that it has designated at fair value through profit and loss.

Financial liabilities represent trade and other payables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1.7.1 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 namely the date on which the company commits to purchase or sell the asset. Transaction costs are recognised in the statement of comprehensive income.

1.7.2 Subsequent measurement

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 by reference to stock exchange quoted bid prices at close of business on the statement of financial position date.

Realised and unrealised gains and losses arising from changes in fair value of financial assets during a reporting period are recognised in the statement of 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. If the fair value cannot be determined for unlisted investment, 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

Tade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method, less provision for impairment. For purposes of cash flows cash and cash equivalent comprise of cash on hand and short term liquid financial assets.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost using the effective interest method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1.7 Financial assets and liabilities (continued)

1.7.2 Subsequent measurement (continued)

Trade and other payables

Trade and other payables are recognised when the company has a present obligation arising from past events settlement of which is expected to result in an outflow of economic benefits. Trade and other payables are stated at amortised cost using the effective interest method.

1.7.3 Gains and losses on subsequent measurement

Gains and losses arising from a change in fair value of financial instruments are included in net profit or loss in the period in which the change arises.

1.7.4 De-recognition

Financial assets are derecognised when the company 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 legally extinguished.

1.7.5 Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company 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.

Rolling Stock - Tonkolili iron ore mine - Sierra Leone

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1.7 Financial assets and liabilities (continued)

1.7.6 Impairment

Financial assets

Financial assets other than those carried at fair value through profit and loss, are assessed for indicators of impairment at each statement of financial position date. If any such indicators exist the carrying value is reduced to the estimated recoverable amount by means of a charge to the statement of comprehensive income. Financial assets are impaired where 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.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised such as improved credit rating, the previously recognised impairment loss is reversed if it does not exceed what the amortised cost would have been had the impairment not been recognised. The amount of the reversal is recognized through the statement of comprehensive income.

Non-financial assets

The carrying amount of the company's non-financial assets, other than deferred tax assets, are 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.

The recoverable amount of an asset or cash generating unit is the grater 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 an 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 recognized. The amount of the reversal is recognized through the statement of comprehensive income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1.8 Provisions

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation of uncertain timing 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.

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

1.9 Share capital

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.

1.10 Taxation

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

Current tax

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

Deferred tax

Deferred tax is provided in full, using the statement of financial position liability method, providing for temporary differences. 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 provided 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 statement of financial position 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting policies (continued)

1.11 Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are taken to the statement of comprehensive income on a straight line basis over the period of the lease.

1.12 Investment income

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

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

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

1.13 Employee benefits

Pension obligation

The company uses only a defined – contribution pension plan. Under a defined – contribution pension plan the company pays a fixed contribution into a separate entity. The company 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 statement of financial position date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

2. Critical accounting estimates and judgments

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

Insurance contract liabilities

The company's estimates for reported and unreported losses are continually reviewed and updated, and adjustments resulting from this review are reflected in income. The process relies upon 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 company's process for determining significant reserving assumptions is outlined in note 12.4.

Salvages

Management considers the amount of salvages at each statement of financial position date. Each potential salvage is assessed individually and where the recognition criteria is met, it is carefully considered as to what is an appropriate amount to recognize as an asset.

Unearned Premium Provision (UPP)

The UPP refers to the amount of premium booked that remains unearned at the reserving date. It is therefore intended to cover against future claims incurred and is dependent on the policy's earning pattern. To the extent that premiums are insufficient to cover the future claims risk, the UPP might therefore also be insufficient. In this case an additional reserve must be established in the form of the URP, to cover the shortfall in UPP resulting from premium/pricing deficiency.

The basic 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 part 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 URP.

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.

While the UPP for the investment guarantee policies earned by applying the standard 365th's method assumes the risk profile is uniform over the term of the contract.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

2. Critical accounting estimates and judgments (continued)

Therefore, the extent to which the CRR can form part of the UPP depends on the overall sufficiency of premiums. Furthermore the company cannot defer more premiums than it has actually written.

Incurred But Not Yet Reported (IBNR)

ECIC holds an IBNR for contracts where Management, on the basis of information gathered during the monitoring process, believe that there is a probability of a claim occurring and being reported.

Indicators that aclaim 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 (i.e., war, change in law, sabotage, transfer restriction, inconvertibility) will occur; and,
- The occurrence or a high probability that commercial causes of loss (i.e. insolvency or an act of insolvency) will occur.

A rating scale is applied in assigning the probability of loss.

Ndola Lime Plant - Zambia

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

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 principle objective of the company is to facilitate and encourage South African export trade by underwriting bank loans and financial assets outside the country, in order to enable foreign buyers to purchase capital goods and services from the Republic.

The company thus enters into contracts of insurance with, or for the benefit of, persons carrying on 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 are available:

- 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 company's exposure is to financier policies.

In addition to the policies described above, the company 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 of business make the calculation of provisions a critical element in the company'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 company. There is scope for the company to earn investment income owing to the time delay between the receipt of premiums and the payment

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for the year ended 31 March 2013

3. Terms and conditions of insurance contracts (continued)

3.1 Nature of risk covered (continued)

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 company 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; and
- Whether initial repayments have already been met.

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4. Insurance risk management

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company 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. Insurance events are random 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 company has developed its insurance underwriting strategy to diversify the spread of insurance risk accepted to reduce the variability of the expected outcomes.

The company 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 the company does not charge premiums appropriate for the different credit risks it insures. This risk is managed primarily through sensible pricing, product design, risk selection, and an appropriate investment strategy. The company therefore monitors and reacts to changes in the general economic and business environment in which it operates. An additional liability is recognised for contracts which are onerous.

When there are indicators that claims might arise, an IBNR is raised for the expected default amount. The legal unit would assess a claim once it has been lodged; 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.

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for the year ended 31 March 2013

4. Insurance risk management (continued)

Risk relating to salvages is managed by engaging the client and entering into 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.

4.1 Concentrations of insurance risk

The total country exposure of the insurance and reinsurance portfolios is as follows:

	2013	2012
	R'000	R'000
Angola	**673 765**	598 642
Democratic Republic of Congo (DRC)	**296 883**	375 306
Ghana	**795 371**	361 019
Iran	**1 415 571**	1 174 720
Ethiopia	**74 942**	-
Malawi	**420 816**	533 073
Mozambique – Mozal Aluminum Smelter Plant	**1 506 479**	1 770 978
Mozambique –excluding Mozal	**1 245 312**	1 425 754
Nigeria	**233 925**	167 907
Russia	**1 408 049**	1 212 630
Sierra Leone	**698 737**	326 823
Sudan	**229 784**	199 411
Tanzania	**1 471 029**	821 958
Turkey	**-**	388 628
Zambia	**4 305 302**	235 111
Zimbabwe	**2 330 243**	1 095 091
Other countries	**336 728**	341 989
	17 442 936	11 029 040

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4. Insurance risk management (continued)

4.2 Claims development

The company 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 claim liability comprises a provision for claims notified but not yet paid, and a provision for claims incurred but not yet reported ("IBNR").

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 cost of claims reported and not yet paid is determined according to the repayment schedules of each contract. These repayment schedules are pre-defined and unlikely to vary. Detailed claims run-off information is therefore not presented.

For the sensitivity analysis and change in assumptions on the insurance liabilities refer to note 12.4

5. Financial risk management

The Company 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 and investment contracts.

The Company's risk management objective is to ensure that risk is managed prudently. The Company has established risk management charter. Appropriate risk limit have been set and approved by the board of directors.

The Audit and Risk committee is responsible to monitor adherence to established procedures and policies. It is assisted by the internal audit function which undertakes planned reviews of internal controls which are intended to limit risk.

Transactions in financial instruments result in the company 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 company manages these risks.

The categories and classes of assets and liabilities has been disclosed in note 10.

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for the year ended 31 March 2013

5. Financial risk management (continued)

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

The Board has established the finance and investment committee to ensure that market risk is contained. The investment policy is in place which determines the parameters for different class of assets and also matches the duration of the underlying liabilities to the financial assets. The finance and investment committee monitors adherence to defined parameters. Financial assets and liabilities that are used to support the Company's capital are exposed to relevant elements of market risk.

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

	2013 R'000		2012 R'000	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets designated at fair value through profit and loss	**2 180 082**	**2 180 082**	2 023 888	2 023 888
Listed equities	**528 133**	**528 133**	424 595	424 595
Money market	**483 676**	**483 676**	560 682	560 682
Listed bonds	**1 168 273**	**1 168 273**	1 038 611	1 038 611
Trade and other receivables	**557 090**	**557 090**	193 984	193 984
Cash and cash equivalent	**2 223 410**	**2 223 410**	1 651 134	1 651 134
Trade and other payables	**(13 551)**	**(13 551)**	(135 266)	(135 266)
	4 947 031	**4 947 031**	3 733 740	3 733 740

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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5. Financial risk management (continued)

Below is a summary of some of the key components of market risk:

5.1.1 Currency risk

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

The company is exposed to currency risk for transactions that are denominated in a currency other than the company's functional currency of US Dollar. This is due to the company's revenues being denominated in US Dollar following the 2003 Interest Make-Up ("IMU") dispensation allowing the company to provide insurance cover in US Dollars. To minimize the impact of currency risk, the company matches the currency of liabilities with the currency of assets.

The company is exposed to fluctuation in the balances or transactions that are denominated in Rand. This is due to company's primary operation being domiciled in South Africa.

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

	2013	2012
	R'000	R'000
Cash and cash equivalents	**126 401**	141 370
Financial assets through profit and loss	**2 180 082**	2 023 888
Trade and other receivables	**37 890**	53 116
Insurance contract liabilities	**(80 191)**	(108 405)
Other liabilities	**(116 150)**	(190 757)
	2 148 032	1 919 212

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5. Financial risk management (continued)

5.1.1 Currency risk (continued)

The following exchange rates were applied:

	2013	2012
US dollar to SA rand exchange rates:		
Closing rate	**9.2521**	7.6779
Average rate	**8.5081**	7.4209

A 10% 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)		Equity	
	10% increase	10% decrease	10% increase	10% decrease
2013	**(300 316)**	**504 579**	**(300 316)**	**504 579**
2012	(595 372)	99 316	(595 372)	99 316

5.1.2 Interest rate risk

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

The company has exposure to fixed rate Financial assets whose value is impacted by changes in interest rates. The company'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 and investment committee continuously monitor this risk and advise the Board where a change in investment strategy is warranted. The company'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 point in the interest rate at the reporting date would have increased or (decreased)equity and profit or loss by amounts reflected below, the analysis assumes that all other variable remained the same.

	Profit/(loss)		Equity	
	100 BP Increase	100 BP Decrease	100 BP Increase	100 BP Decrease
2013	**(16 319)**	**16 319**	**(16 319)**	**16 319**
2012	(31 279)	31 279	(31 279)	31 279

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for the year ended 31 March 2013

5. Financial risk management (continued)

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 company's exposure to equities is capped and defined in the investment policy. The company's exposure to equities is set at a maximum level when compared to other fixed interest rate financial assets. The Finance and investment committee actively monitors the equity investment portfolio to ensure that there is no breach of the set parameters. The Committee contracts the services of a fund manager to manage the equity investment portfolio.

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

The table below reflects the company exposure to equity risk.

	2013	2012
	R'000	R'000
Basic resources	**93 795**	132 575
Industrials	**62 060**	54 285
Consumer goods	**122 847**	87 798
Telecommunications	**5 977**	10 802
Financials	**140 141**	102 255
Health	**14 861**	13 891
Consumer services	**23 598**	17 440
Technology	**3 950**	5 549
Oil and gas	**60 904**	-
Note 7.3	**528 133**	424 595

The above equities are listed with the JSE limited. A 5% increase or decrease in equities at the reporting date would increase or decrease equity and profit or loss by amounts as reflected below.

	Profit/(loss)		**Equity**	
	5% increase	**5% decrease**	**5% increase**	**5% decrease**
2013	**26 407**	**(26 407)**	**26 407**	**(26 407)**
2012	21 230	(21 230)	21 230	(21 230)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. Financial risk management (continued)

5.2 Liquidity risk

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

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

The company'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.

Maturity profile of all financial assets and liabilities are reflected below.

2013	Within 1 year R'000	Within 1 and 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Investment	658 391	749 283	772 408	2 180 082
Trade and other receivables	270 903	271 333	14 854	557 090
Cash and cash equivalents	2 223 410	-	-	2 223 410
	3 152 704	1 020 616	787 262	4 960 582
Financial liabilities				
Trade and other payables	13 551	-	-	13 551
Tax payable	62 115	-	-	62 115
	75 666	-	-	75 666

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for the year ended 31 March 2013

5. Financial risk management (continued)

5.2 Liquidity risk (continued)

2012	Within 1 year R'000	Within 1 and 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Investment	555 725	1 086 389	381 774	2 023 888
Trade and other receivables	117 751	76233	-	193 984
Cash and cash equivalents	1 651 134	-	-	1 651 134
	2 324 610	1 162 622	381 774	3 869 006
Financial liabilities				
Trade and other payables	135 266	-	-	135 266
Tax payable	50 559	-	-	50 559
	185 825	-	-	185 825

5.3 Credit risk

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

- amounts due from insurance policyholders,
- salvages receivable,
- Financial assets and cash and cash equivalents.

The company 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 of at least A.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. Financial risk management (continued)

5.3 Credit risk (continued)

Accounts receivable

The company 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 Company has defined minimum acceptable counter party credit rating on financial assets being managed by fund managers. The Finance and investment committee also fulfill 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 Company's credit quality of the financial and insurance assets.

2013 **R'000**	**AAA-** **A+**	**A-** **BBB+**	**BBB and** **lower**	**Not** **Rated**	**Total**
Financial assets designated at fair value through profit and loss	**1 615 538**	**5 032**	**-**	**559 512**	**2 180 082**
Trade and other receivables	**-**	**-**	**-**	**557 090**	**557 090**
Cash and cash equivalents	**2 223 410**	**-**	**-**	**-**	**2 223 410**
	3 838 948	**5 032**	**-**	**1 116 602**	**4 960 582**

2012 R'000	AAA- A+	A- BBB+	BBB and Lower	Not Rated	Total
Financial assets designated at fair value through profit and loss	1 599 293	-	-	424 595	2 023 888
Trade and other receivables	-	-	-	193 984	193 984
Cash and cash equivalents	1 651 134	-	-	-	1 651 134
	3 250 427		-	618 579	3 869 006

The credit rating applied above is the national equivalent of Finch and Moody's international rating.

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for the year ended 31 March 2013

5. Financial risk management (continued)

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:

	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Gross carrying amount R'000
2013				
Trade and other receivables	**547 584**	**9 467**	**39**	**557 090**
2012				
Trade and other receivables	187 752	6 184	48	193 984

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

	<30 days R'000	31- 90 R'000	91-120 R'000	Greater than 120 R'000	Total R'000
2013					
Trade and other receivable	**-**	**118**	**-**	**9 349**	**9 467**
2012					
Trade and other receivable	1 176	9	-	4 999	6 184

5.4 Capital management

The company recognises equity and reserves as capital. For internal management purposes the company refers to the international basis of solvency (being the ratio of net assets to net premiums). In addition to the international basis, management uses the statutory solvency requirements as prescribed by the Financial Services Board ('FSB'). Refer to solvency ratio on note no 25

The company submits quarterly and annual returns to the FSB in terms of the Short-term Insurance Act, 1998 ('the Act'). The company is required to maintain, at all times, a statutory surplus asset ratio as defined in the Act. The returns submitted by the company to the regulator showed that the company met the minimum capital requirements throughout the year.

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for the year ended 31 March 2013

5. Financial risk management (continued)

5.4 Capital management (continued)

The company defines its capital as share capital, statutory reserves and retained earnings. The company 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 covering its insurance liabilities. The transfer to the reserve is treated as an appropriation in the statement of changes in equity. The reserve can be utilised only with the prior permission of the Registrar of Short – term Insurance.

Regulatory capital has to be calculated based on SAM interim measures as of 1 January 2012. Currently, only the changes to the capital computation and technical liabilities have been enacted into law. The Capital Adequacy Reserve is included in the Statement of Financial Position.

6. Equipment

	Computer Equipment R'000	Furniture and fittings R'000	Office Equipment R'000	Total R'000
Cost:				
Balance at 31 March 2011	769	753	711	2 233
Write-offs	(232)	(78)	(30)	(340)
Additions	29	90	76	195
Translation effect	87	93	91	271
Balance at 31 March 2012	653	858	848	2 359
Additions	67	35	41	143
Translation effect	140	179	177	496
Balance at 31 March 2013	**860**	**1 072**	**1 066**	**2 998**
Accumulated depreciation:				
Balance at 31 March 2011	(705)	(642)	(288)	(1635)
Write-offs	232	78	30	340
Depreciation	(66)	(30)	(122)	(218)
Translation effect	(81)	(78)	(39)	(198)
Balance at 31 March 2012	(620)	(672)	(419)	(1 711)
Depreciation	(44)	(46)	(128)	(218)
Translation effect	(132)	(141)	(97)	(370)
Balance at 31 March 2013	**(796)**	**(859)**	**(644)**	**(2 299)**
Net Book Value				
At 31 March 2013	**64**	**213**	**422**	**699**
At 31 March 2012	33	186	429	648

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

7. Financial assets

7.1 Current and non-current

	2013	2012
	R'000	R'000
Non-current financial assets		
Financial assets designated at fair value through profit or loss		
Money market	**378 748**	463 498
Listed bonds	**1 142 943**	1 004 665
	1 521 691	1 468 163
Current financial assets		
Financial assets designated at fair value through profit or loss		
Money market	**104 928**	97 184
Listed bonds	**25 330**	33 946
Listed equities	**528 133**	424 595
	658 391	555 725
Total financial assets	**2 180 082**	2 023 888

7.2 Maturity profile of financial assets

2013	Within 1 Year	1 to 5 years	More than 5 years	Total
	R'000	R'000	R'000	R'000
Listed bonds	**25 330**	**399 903**	**743 040**	**1 168 273**
Money market	**104 928**	**349 380**	**29 368**	**483676**
Listed equities	**528 133**	**-**	**-**	**528133**
	658 391	**749 283**	**772 408**	**2 180 082**

2012	Within 1 Year	1 to 5 years	More than 5 years	Total
	R'000	R'000	R'000	R'000
Listed bonds	33 946	622 891	381 774	1 038 611
Money market	97 184	463 498	-	560 682
Listed equities	424 595	-	-	424 595
	555 725	1 086 389	381 774	2 023 888

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

7. Financial assets (continued)

7.3 Fair value hierarchy

2013	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Listed ordinary shares	**528 133**	**-**	**-**	**528 133**
Money market	**-**	**472 173**	**11 503**	**483 676**
Listed bonds	**1 168 273**	**-**	**-**	**1 168 273**
	1 696 406	**472 173**	**11 503**	**2 180 082**

2012	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Listed ordinary shares	424 595	-	-	424 595
Money market	-	545 847	14 835	560 682
Listed bonds	1 038 611	-	-	1 038 611
	1 463 206	545 847	14 835	2 023 888

Included in 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 active market if quoted prices a readily available from an exchange, dealer, broker, industry group, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on arm's length basis.

Included in level 2 category are financial assets measured using valuation techniques based on assumptions supported by prices for an observable current market transaction. However, these prices are not determined in an active market.

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 transaction in the same instrument nor are based on available market data. The fixed income instruments classified in this level were valued by discounting future cash flows from the instruments.

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for the year ended 31 March 2013

7. Financial assets (continued)

7.3 Fair value hierarchy (continued)

Below is a table that highlights.

	Value at 01 April	Total gain/ (loss) in state-ment of compre-hensive income	Purchases	Interest, dividends and man-agement fees	Sale/trans-fers	At 31 March	Total gains or losses for the period included in the profit/ (loss) for the period 31 March
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2013							
Unlisted money market	**14 835**	**-**	**26 655**	**1 109**	**(31 096)**	**11 503**	**1 109**
2012							
Unlisted money market	16 743	(356)	31 274	1 422	(34 248)	14 835	1 066

7.4 Reconciliation of movements in financial instruments measured at fair values

	Value at 01 April	Total gain/ (loss) in state-ment of compre-hensive income	Purchases	Interest, dividends and man-agement fees	Sale/trans-fers	At 31 March	Total gains or losses for the period included in the profit/ (loss) for the period 31 March
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2013							
Total financial assets	**2 023 888**	**135 153**	**2 219 743**	**135 531**	**(2 334 233)**	**2 180 082**	**270 684**
2012							
Total financial assets	1 529 942	72 642	1 941 475	131 228	(1 651 399)	2 023 888	203 871

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

8. Trade and other receivables including insurance receivables

	2013	2012
	R'000	R'000
Trade receivables due from related parties	**25**	975
Other receivables	**1 736**	840
Premium receivables	**442 055**	132 715
Salvages receivable	**113 274**	59 454
	557 090	193 984

9. Cash and cash equivalents

	2013	2012
	R'000	R'000
Cash at bank and on hand	**130 025**	445 310
Short term bank deposits	**2 093 385**	1 205 824
	2 223 410	1 651 134

The aggregate interest rate on cash at bank and on hand at the reporting date is 1.21% (2012 5.03 %).

The effective interest rate on short term bank deposits at reporting date is 1.05% with a remaining maturity of 62 days.

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10. Categories and classes of assets and liabilities

		Financial assets and liabilities			Current/non-current			
2013	Notes	Total R'000	Financial Asset designated at fair value through profit and loss R'000	Trade and other receivables R'000	Financial assets and liabilities at amortised cost R'000	Other non-financial assets and liabilities R'000	Current assets and liabilities R'000	Non-current assets and liabilities R'000
Assets								
Equipment	6	699	-	-	-	699	-	699
Financial assets	7	2 180 082	2 180 082	-	-	-	658 391	1 521 691
Trade and other receivables	8	557 090	-	557 090	-	-	270 903	286 187
Cash and cash equivalents	9	2 223 410	-	-	2 223 410	-	2 223 410	-
		4 961 281	2 180 082	557 090	2 223 410	699	3 152 704	1 808 577
Liabilities								
Insurance contract liabilities	12	1 619 705	-	-	-	1 619 705	123 163	1 496 542
Employee benefit liability	14	1 310	-	-	-	1 310	1 310	-
Trade and other payables	15	13 551	-	-	13 551	-	13 551	-
Taxation payable	22.2	62 115	-	-	62 115	-	62 115	-
Deferred tax	13	39 729	-	-	-	39 729	39 729	-
		1 736 410	-	-	75 666	1 660 744	239 868	1 496 542

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10. Categories and classes of assets and liabilities (continued)

		Financial assets and liabilities			Current/non-current			
2012	Notes	Total R'000	Financial Asset designated at fair value through profit and loss R'000	Trade and other receivables R'000	Financial assets and liabilities at amortised cost R'000	Other non- financial assets and liabilities R'000	Current assets and liabilities R'000	Non-current assets and liabilities R'000
Assets								
Equipment	6	648	-	-	-	648	-	648
Financial assets	7	2 023 888	2 023 888	-	-	-	555 725	1 468 163
Trade and other receivables	8	193 984	-	193 984	-	-	117 751	76 233
Cash and cash equivalents	9	1 651 134	-	-	1 651 134	-	1 651 134	-
		3 869 654	2 023 888	193 984	1 651 134	648	2 324 610	1 545 044
Liabilities								
Insurance contract liabilities	12	1 004 527	-	-	-	1 004 527	229 628	774 899
Employment Benefit	14	1 204	-	-	-	1 204	1 204	-
Trade and other payables	15	135 266	-	-	135 266	-	135 266	-
Taxation payable	22.2	50 559	-	-	50 559	-	50 559	-
Deferred tax	13	31 528				31 528	-	31 528
		1 223 084	-	-	185 825	1 037 259	416 657	806 427

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

11. Share capital and premium

	2013 R'000	2012 R'000
Authorised share capital		
10 000 000 ordinary shares at R1 par value each	**10 000**	10 000
Issued share capital		
100 ordinary shares at R1 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.

12. Insurance provisions

12.1 Provision for unearned premiums

	2013 R'000	2012 R'000
Balance at beginning of year	**659 279**	637 020
Amount transferred from/(to) the statement of comprehensive income	**294 856**	(58 883)
Premium refund	**(5 971)**	-
Foreign exchange (gain)/loss	**(1 494)**	4 134
Foreign translation gain	**160 302**	77 008
Balance at end of year	**1 106 972**	659 279

Maturity profile R'000	Within 1 year	1 to 5 years	More than 5 years	Total
2013	**123 163**	**811 973**	**171 836**	**1 106 972**
2012	208 782	378 344	72 153	659 279

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

12. Insurance provisions (continued)

12.2 Provision for unexpired risks

	2013	2012
	R'000	R'000
Balance at beginning of year	**19 463**	140 175
Amount transferred from/(to) the statement of comprehensive income	**61 299**	(129 875)
Foreign exchange (gain)	**(1 877)**	(3 255)
Foreign translation gain	**9 188**	12 418
Balance at end of year	**88 073**	19 463

Due to the nature of the gross provision for unexpired risks, no maturity profile is presented.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

12. Insurance provisions (continued)

12.3 Provision for claims reserves

	2013 R'000	2012 R'000
Balance at beginning of year	**325 785**	172 220
Outstanding claims reserve	**11 561**	26 332
Incurred but not reported claims reserve	**314 224**	145 888
Amount transferred to the statement of comprehensive income	**31 181**	130 464
Change in estimate	**37 035**	37 150
Outstanding claims reserve	**(355)**	(3 933)
Incurred but not reported claims reserve	**37 390**	41 083
Payments of claims previously provided for	**(11 206)**	(10 839)
Outstanding claims reserve	**(11 206)**	(10 839)
Incurred but not reported claims reserve		-
New claims incurred	**5 352**	104 153
Incurred but not reported claims reserve	**5 352**	104 153
Foreign exchange gain	**(1 680)**	(2 658)
Outstanding claims reserve	**(1 250)**	(2 658)
Incurred but not reported claims reserve	**(430)**	-
Foreign translation gain	**69 374**	25 759
Outstanding claims reserve	**1 250**	2 659
Incurred but not reported claims reserve	**68 124**	23 100
Balance at end of the year	**424 660**	325 785
Outstanding claims reserve	**-**	11 561
Incurred but not reported claims reserve	**424 660**	314 224

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

12. Insurance provisions (continued)

The re-insurance portfolio represents credit insurance policies that were entered into by the South African government prior to the incorporation of the company on 1 July 2001. The Credit Guarantee Insurance Corporation of Africa Limited acted as the direct insurer of credit risks fully reinsured by the South African government in terms of the Export Credit and Foreign Investment Reinsurance Act, 1957. Subsequent to incorporation and the amendment of the Act, credit risks were entered into by the company as part of the insurance portfolio.

Maturity profile R'000	Within 1 Year	1 to 5 years	More than 5 years	Total
2013	**-**	**139 464**	**285 196**	**424 660**
2012	19 677	306 108	-	325 785

12.4 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 ("IBNR") 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 unexpired 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 assumed to increase quadratically over the term of the contract in line with increased uncertainty.
- A concentration risk provision is held; this is calculated by comparing the expected spread of claims in ECIC's portfolio with the expected spread of claims in a well diversified portfolio.
- The unexpired risk provision allows for inadequacy in the pricing basis with regard to the premium set at the inception of the contract. Such inadequacy of the pricing basis would normally only be discovered subsequent to writing the policy. It is thus appropriate to allow for a charge in reserves as soon as there is general evidence that there has been inadequate pricing. 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 company's estimates. The company believes that the liability for claims reported in the statement of financial position is adequate. However, it recognizes that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

12. Insurance provisions (continued)

12.4 Assumptions, change in assumptions and sensitivity (continued)

The table presented below demonstrates the sensitivity of insurance contract liabilities estimates to particular movements in assumptions used in the estimation process:

2013	Insurance Contract Liability R'000	Change %
Reported value	**1 619 706**	
CRR LGD at 90%	**1 602 335**	**1.07**
Exchange rate set 10% higher	**1 764 133**	**(8.92)**
Exchange rate set 10% lower	**1 457 962**	**9.99**
Discount IBNR at 7.5%	**1 521 650**	**6.05**
Discount IBNR at risk free rate	**1 532 954**	**5.36**
Discount claims provisions at 7.5%	**1 611 047**	**0.53**
IBNR "Upwards" stress	**1 690 519**	**(4.37)**
IBNR "Downwards" stress	**1 352 743**	**16.48**

2012	Insurance Contract Liability R'000	Change %
Reported value	1 004 527	
CRR LGD at 90%	1 005966	(0.14)
Exchange rate set 10% higher	1 097 422	(9.25)
Exchange rate set 10% lower	917 601	8.65
Discount IBNR at 7.5%	931 835	7.24
Discount IBNR at risk free rate	937 975	6.63
Discount claims provisions at 7.5%	1 007 262	(0.27)
IBNR "Upwards" stress	1 416 843	(41.05)
IBNR "Downwards" stress	1 416 843	(41.05)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

13. Deferred tax

	2013	2012
	R'000	R'000
Asset at the beginning of the year	**(31 528)**	4 020
Movement in the statement of comprehensive income	**(8 201)**	(35 548)
Liability at end of the year	**(39 729)**	(31 528)
The year-end deferred tax balance comprises:		
Provisions	**517**	536
Unexpired risk reserve	**266**	1 121
Fair value loss on Financial assets	**(40 591)**	(33 414)
Payment received in advance	**208**	168
Movement arising from translation		-
Other	**(129)**	61
Liability at end of the year	**(39 729)**	(31 528)

14. Employee benefit liability

	2013	2012
	R'000	R'000
Balance at beginning of year	**1 204**	1 185
Provisions utilised during the year	**(354)**	(85)
Provisions created during the year	**460**	104
Balance at end of year	**1 310**	1 204

15. Trade and other payables

	2013	2012
	R'000	R'000
Sundry creditors and accruals	**12 081**	7 770
Amount due to related party (refer to note 26.4)	**1 470**	127 496
	13 551	135 266

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

16. Net investment income

	2013	2012
	R'000	R'000
Investment income of financial assets designated at fair value through profit and loss	**277 759**	210 292
Interest received	**126 201**	126 542
Realised gain on disposal of financial assets	**78 097**	41 126
Change in fair value	**57 056**	31 516
Dividends received	**16 405**	11 108
Interest received on cash and cash equivalents	**20 055**	11 319
	297 814	221 611

17. Foreign exchange (loss)/gain

	2013	2012
	R'000	R'000
Effect of translation on cash and cash equivalents	**(42 513)**	(64 102)
Effect of translation on net assets (excluding insurance contract liabilities and cash and cash equivalents)	**(367 956)**	(190 426)
Unrealised loss from revaluation of insurance contract liabilities	**5 051**	1 779
	(405 418)	(252 749)

18. Other income

	2013	2012
	R'000	R'000
Assessment fees	**475**	1 161
Other sundry income	**255**	346
Interest received from SARS	**241**	30 391
	971	31 898

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

19. Net operating expenses are arrived at after taking into account:

	Notes	2013	2012
		R'000	R'000
External auditor's remuneration			
-audit fees for the prior year		172	-
-audit fees for the current year		856	763
		1 028	763
Internal auditor's remuneration		680	540
Depreciation			
-computers equipment		44	66
-furniture and fittings		46	30
-office equipment		128	122
		218	218
Directors' emoluments			
-remuneration paid to executive director	(26.8)	2 112	3 005
-remuneration paid to non-executive director	(26.7)	883	459
		2 995	3 464
Employee costs			
-salaries		20 643	18 020
-bonuses		3 280	1 264
		23 923	19 284
Operating leases			
-equipment		88	113
-property rental		2 562	3 380
		2 650	3 493
Remuneration to non-employees			
-actuarial services		152	477
-consulting services		3 927	1 787
-legal services		1 125	2 171
		5 204	4 435
General administrative expenses		7 495	5 051
Total operating expenses(excluding portfolio fees)		**44 193**	37 248
Investment Portfolio Management fees		7 408	6 730
Total operating expenses		**51 601**	43 978

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

19.1 Disclosure as required by Sect 55 of PFMA - Fruitless and Wastefull Expenditure

A loss was incurred resulting from the reprinting of the 2012/13 annual reports due to an error which was detected at a later stage, the corrected annual report was re-tabled in Parliament. 60% of the loss was recovered from the printer who acknowledged their contribution to the error.

R'000	Amount of loss	Amount recovered	Net amount
Reprinting annual reports	26	(16)	10

20. Interest expense

	2013	2012
	R'000	R'000
Interest on outstanding taxes	-	2
	-	2

21. Taxation

	2013	2012
	R'000	R'000
South Africa normal taxation		
Current taxation		
-current year	193 456	160 267
Deferred taxation		
-current year	8 201	35 548
Total current year charge	201 657	195 815
Prior year adjustment	-	(37 046)
	201 657	158 769
Reconciliation of tax rate		
Current year's charge as a percentage of profit before taxation	76.48%	45.71%
Disallowed expenses	(0.01%)	(0.03%)
Exempt income – dividends	0.58%	0.90%
Translation effect	(51.06%)	(21.00%)
Prior year adjustment	-	10.67%
Change of tax status	-	(10.74%)
Other	2.01%	2.49%
Standard tax rate	28.00%	28.00%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

22. Notes to the cash flow statement

22.1 Cash generated by underwriting activities

	2013	2012
	R'000	R'000
Profit before taxation	263 682	347 338
Interest received	(146 497)	(168 281)
Interest paid	-	2
Dividends received	(16 405)	(11 108)
Net profit before taxation, interest and dividends	100 780	167 951
Adjusted for:		
Depreciation	218	218
Fair value gain on Financial assets	(57 056)	(31 516)
Realized gain on disposal of Financial assets	(78 097)	(41 126)
Foreign exchange gain	405 418	252 749
Increase/(decrease) in provision for unearned premiums	288 885	(186 264)
Increase/(decrease) in provision for unexpired risks	61 299	(2 494)
Increase in provision for claims reserves	31 181	130 464
Operating profit before working capital changes	752 628	289 982
(Increase)/ decrease in trade and other receivables	(327 713)	41 632
(Decrease)/increase in trade and other payables	(121 812)	130 008
Increase in provisions	106	19
	303 209	461 641

22.2 Taxation paid

	2013	2012
	R'000	R'000
Balance unpaid at beginning of year	50 559	24 072
Current tax charge for the year	193 456	160 267
Prior year's tax charge on disallowed deductions	-	(37 046)
Balance unpaid at end of year	(62 115)	(50 559)
Adjustment relating to interest	(241)	-
	181 659	96 734

22.3 Net acquisition of financial assets

	2013	2012
	R'000	R'000
Net acquisition of Financial assets	(21 041)	(23 424)
Net effect of translation of investment	-	(201 813)
	(21 041)	(225 237)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

23. Retirement benefits

The company 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. The total contributions to the fund during the year were R2.6 million (2012:R2.1million).

24. Commitment

Operating lease commitments

	2013	2012
	R'000	R'000
Within one year	**2 490**	2 511
Between one and five years	**248**	2 743
	2 738	5 254

25. Solvency

	2013	2012
International solvency margin	790%	2021%

26. Related parties

26.1 Identity of related parties

The company 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**").

26.2 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

26. Related parties (continued)

26.3 Department of Trade and Industry

The dti offers the interest make-up dispensation in order to allow South African exporters to offer term finance at internationally competitive interest rates. The IMU dispensation is administered by the company on behalf of **the dti**. The movement in the trust account is reconciled as follows.

	2013	2012
	R'000	R'000
Balance at beginning of year	**686 433**	634 032
Receipts from **the dti**	**24 307**	121 517
Payments to financial institutions	**(191 727)**	(115 579)
Interest	**30 021**	32 813
Professional services	**(1 686)**	(392)
Sundry debtor	**-**	(1)
Other income	**3 570**	14 043
Balance at end of year	**550 918**	686 433

26.4 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 company on behalf of the SARB administers Exchange risk policies. The movement in the account is reconciled as follows.

	2013	2012
	R'000	R'000
Balance at beginning of year	**127 496**	131
Premiums (net of commissions)	**2 126**	5 873
Claims	**(121 407)**	-
Profits (Payment)	**405**	1 472
Net cash/receipts	**(7 150)**	119 994
Other	**-**	26
Balance at end of year	**1 470**	127 496

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

26. Related parties (continued)

26.5 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 company.

26.6 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:

	2013	2012
	R'000	R'000
Statement of comprehensive income effects:		
Premium		
Industrial Development Corporation of South Africa Ltd	**104 306**	13 412
Development Bank of Southern Africa	**32 190**	-
Net operating expenses		
South African Revenue Services (Interest)	**-**	2
Department of Trade and Industry (Lease)	**-**	802
State Information Technology Agency	**217**	219
Taxation		
South African Revenue Services (Income tax)	**193 456**	123 221
Statement of financial position effects:		
Assets		
South African Revenue Services (Value added tax)	**-**	-
Industrial Development Corporation Ltd	**23**	975
Companies and Intellectual Property Commission (CIPC)	**2**	-
Total Assets	**25**	975
Liabilities		
Trade and other payables		
State Information Technology Agency	**20**	21
Industrial Development Corporation Ltd	**475**	318
South African Revenue Services (Value added tax)	**5 841**	2 588
South African Revenue Services (Income tax)	**62 115**	50 559
Total liabilities	**68 451**	53 486

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

26. Related parties (continued)

26.7 Non-executive directors remuneration

	2013 R'000	2012 R'000
MJLesejane	**207**	119
TT Ngcobo	**217**	115
T Dingaan (resigned 01April 2012)	**-**	36
D Mosaka	**145**	95
R Mothapo	**147**	94
A Mawela (appointed 01 March 2012)	**167**	-
	883	459

26.8 Prescribed officer remuneration

2013 R'000	Service as	Basic Salary	Provident fund	Bonus	Cellphone allowance	Acting allowance	Total earnings
P C Kohlo	Chief Executive Officer (Director) (retired 31 August 2012)	1 181	-	919	12		2 112
L Mphaphuli	General Counsel	991	154	318	4		1 467
M Nkuhlu	Chief Operations Officer	1 392	195	441	4	142	2 174
S Mudau	Chief Financial Officer	990	154	265	5		1 414
L Mosupye	Chief Risk Officer	1 017	155	325	6		1 503
		5 571	**658**	**2 268**	**31**	**142**	**8 670**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

26.8 Prescribed officer remuneration (continued)

2012 R'000	Service as	Basic Salary	Provident fund	Bonus	Cellphone allowance	Total earnings
P C Kohlo	Chief Executive Officer (Director)	2 625		380	27	3 032
L Mphaphuli	General Counsel	929	131	123	3	1 186
M Nkuhlu	Chief Operations Officer (appointed February 2011)	1 290	180	-	7	1 477
S Mudau	Chief Financial Officer	923	137	119	5	1 184
L Mosupye	Chief Risk Officer	953	132	126	5	1 216
		6 720	580	748	47	8 095

27. Contingent asset and liability

27.1 Contingent asset

The Company has a possible salvage relating to the claim settled in the previous year. 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 R590 million.

27.2 Contingent liability

The Corporation has been charged with penalties and interest amounting to R 6.3million by the South African Revenue Services (SARS) relating to the under provision of the second provisional tax for the 2012 financial year. Due to the fact that as per the Income tax act the imposition of the penalties and interest could only be made if the Corporation failed to exercise and care in the computation of the second provisional tax. In this instance the Corporation had exercised due care in the computation of the second provisional tax but however due to the nature of the business there was a reduction in the Concentration Risk Reserve (which is tax deductible) resulting from a policy which lapsed on the last day of the financial year. The reversal of the Concentration Risk Reserve thus resulted in increase in the taxable income which resulted in the third provisional tax being above the 20% threshold stated in the act.

The Corporation has objected on the matter and based on the strength of the case it is considered appropriate that only a disclosure be made in this regard.

28. Subsequent events

There were no other events that have occured subsequent to the financial year-end that materially affected the annual financial statements of the Corporation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

29. Underwriting results

	2013	2012
	R'000	R'000
Premiums written	718 047	199 864
Change in unearned premiums	(294 855)	58 883
Change in unexpired risks	(61 299)	129 875
Earned premiums	361 893	388 622
Claims incurred	63 825	3 361
Claims paid, net of salvages	95 006	133 825
Claims paid	(11 206)	(10 839)
Salvages received	106 212	144 664
Change in claims reserves	(31 181)	(130 464)
Commissions paid	(1 515)	(1 425)
Operating expenses	(44 193)	(37 248)
Underwriting results	380 010	353 310
Investment income	297 814	221 611
Portfolio management fees	(7 408)	(6 730)
Foreign exchange loss	(405 418)	(252 749)
Other income	971	31 898
Interest expense	-	(2)
Corporate social investment	(2 287)	-
Profit before taxation	263 682	347 338
Taxation	(201 657)	(158 769)
Profit after taxation	62 025	188 569

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

30. 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:

30.1 Statement of financial position

	2013	2012
	R'000	R'000
Assets		
Equipment	**621**	696
Financial assets	**2 180 082**	2 023 888
Trade and other receivables	**557 007**	193 986
Cash and cash equivalents	**2 223 410**	1 651 134
Total assets	**4 961 120**	3 869 704
Equity and liabilities		
Equity		
Share capital and premium	**316 051**	316 051
Contingency reserve		-
Capital adequacy requirement	**408 004**	130 960
Retained income	**2 509 313**	2 194 774
Total equity	**3 233 368**	2 641 785
Liabilities		
Insurance contract liabilities	**1 611 047**	1 009 362
Provision for unearned premiums	**1 098 314**	664 114
Provision for unexpired risks	**88 073**	19 463
Provision for outstanding claims	**424 660**	325 785
Provisions	**1 310**	1 204
Trade and other payables	**13 551**	135 266
Taxation payable	**62 115**	50 559
Deferred tax	**39 729**	31 528
Total liabilities	**1 727 752**	1 227 918
Total equity and liabilities	**4 961 120**	3 869 704

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

30. Financial results based on South African Rand Functional Currency (continued)

30.2 Statement of comprehensive income

	2013	2012
	R'000	R'000
Premiums written	**718 047**	199 864
Change in unearned premiums	**(307 510)**	60 873
Change in unexpired risks	**(60 307)**	133 667
Earned Premiums	**350 230**	394 404
Investment income	**297 814**	221 611
Foreign exchange gain	**132 121**	37 238
Other income	**971**	31 898
Total revenue	**781 136**	685 151
Claims incurred	**67 506**	(3 911)
Claims paid, net of salvages	**95 006**	133 825
Claims paid	**(11 206)**	(10 839)
Salvages received	**106 212**	144 664
Change in claims reserves	**(27 500)**	(137 736)
Commissions paid	**(1 515)**	(1425)
Operating expenses	**(51 601)**	(43 978)
Interest expense	**-**	(2)
Corporate social investment	**(2 287)**	-
Profit before tax	**793 239**	635 835
Taxation	**(201 657)**	(158 769)
Profit after taxation	**591 582**	477 066

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Company Registration No. 2001/013128/06
Registered Financial Services Provider: FSB No. 30656