ESTABLISHED IN 2001

ECIC

EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LTD

Celebrating 15 years of Success

INTEGRATED REPORT

2015/16

YOUR EXPORT **RISK** PARTNER


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About this report

This is the Export Credit Insurance Corporation (ECIC) of South Africa's integrated report for the period from 1 April 2015 to 31 March 2016. It sets out how the Corporation's strategy, governance, performance and prospects, in the context of its external environment, create value over time. In preparing this report, management and the Board considered the Companies Act (2008) and other applicable legislation, as well as the King Report on Corporate Governance for South Africa (King III) (2009).

The report was written under the guidance of the Corporation's Audit Committee, which recommended the report to the ECIC's Board of Directors for approval on 28 July 2016. The Board has approved the report and submitted it to the ECIC's sole shareholder (the South African government, represented by the Department of Trade and Industry (**the dti**)), as well as other entities, including the National Treasury, the Auditor-General and Parliament.

ACRONYMS AND ABBREVIATIONS

B-BBEE	Broad-based black economic empowerment
BRICS	Brazil, Russia, India, China and South Africa
CA(SA)	Chartered Accountant (South Africa)
CEO	Chief Executive Officer
CPI	Consumer price index
CRR	Concentration risk reserve
ECIC	Export Credit Insurance Corporation
FSB	Financial Services Board
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
ICT	Information and communications technology
IMU	Interest make-up
IT	Information technology
NEPAD	New Partnership for Africa's Development
NEXI	Nippon Export and Investment Insurance
PAA	Public Audit Act of South Africa
PFMA	Public Finance Management Act
SACE	Italian export credit agency
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SOC	State-owned company
The dti	Department of Trade and Industry
UPP	Unearned premium provision
URP	Unexpired risk provision

CONTENTS

FOREWORD BY THE MINISTER OF TRADE AND INDUSTRY

The sharp and rapid decline in global commodity prices reinforces the importance of radically transforming our economy. To do this, we need to place our productive sectors at the centre of our economic growth path and significantly broaden the base of economic participation.

In the latest iteration of the Industrial Policy Action Plan, we have identified using gas as a clean source for power generation and gas-based industrial development as a key sector to drive the development of new technologies. The discovery of clean natural gas in Botswana, Mozambique, Namibia and Tanzania presents immense opportunities for South African contractors to work closely with the ECIC to integrate themselves into the global supply chains of multinational companies.

The recently launched multi-sector Africa Export Council will coordinate the efforts of the public and private sector to drive the integrated national export strategy. We are also encouraged by the increasing number of private sector players that are partnering with government and state-owned companies (SOCs) to help implement the Black Industrialist Programme, which is an important initiative for economic transformation.

Thirty percent of South Africa's export trade is with the rest of the continent and most of it is value-added capital goods and services. This underscores the strategic importance of the African continent in our efforts to diversify our export markets, at a time when trade with our traditional trade partners has stagnated, despite the depreciation of the rand. Our regional economic integration initiatives seek to create mutually beneficial, long-term partnerships that will deepen regional industrial capacity, explore the beneficiation of natural resources and boost intra-Africa trade.

ROB DAVIES

As we pursue an expanded and diversified export basket, the role of the ECIC is critical in helping our exporters to access new markets and consolidate our position in established markets. In order to enhance the ECIC's global competitiveness and adapt to the changing landscape, the need to revise its founding legislation is becoming increasingly relevant.

Rob Davies
MINISTER: DEPARTMENT OF TRADE AND INDUSTRY

ABOUT THE ECIC

Founded: 2 July 2001
Enabling act: Export Credit and Foreign Investments Insurance Act (1957, as amended)
Shareholder: South African government, represented by **the dti**
Head office: Centurion, Pretoria

VISION

We are committed to sustainable business growth through innovative products, operational excellence, business development and strategic partnerships.

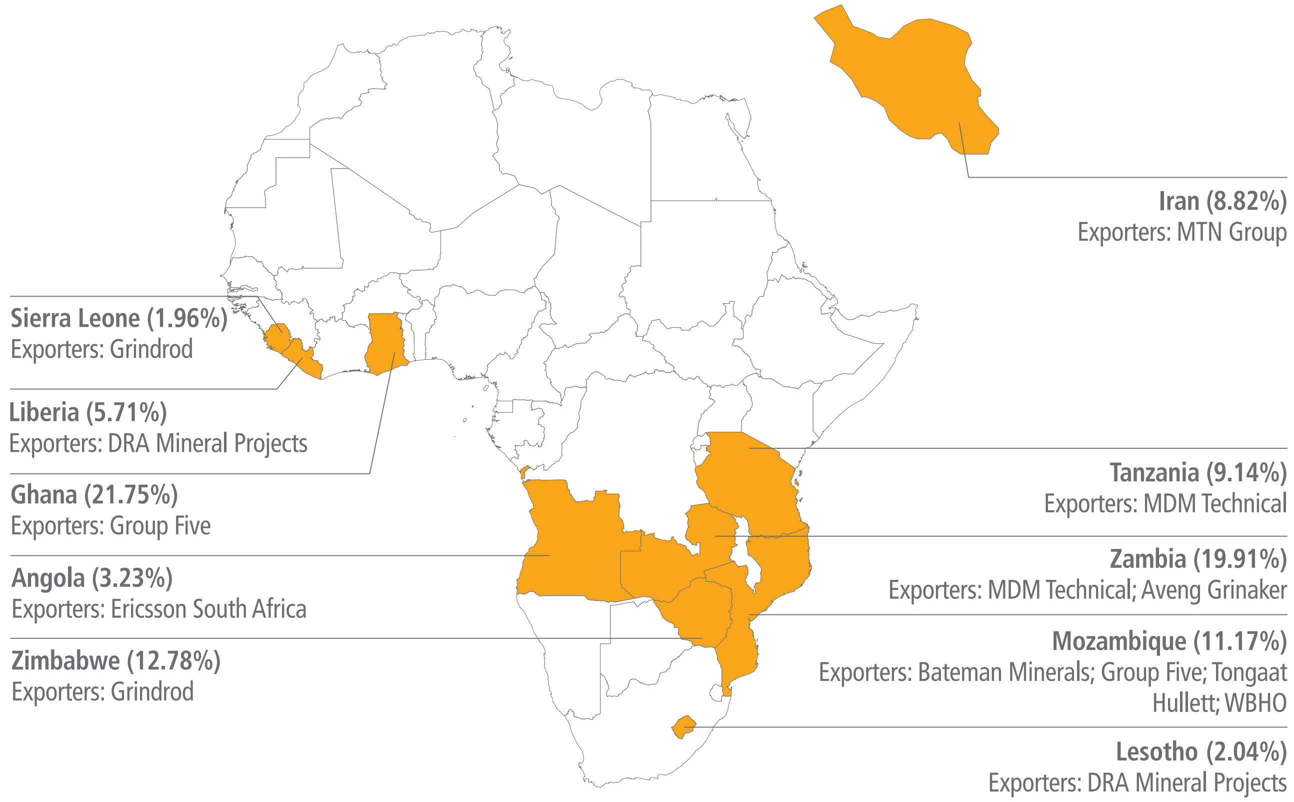
MISSION

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

VALUES

Integrity
Accountability
Excellence
Innovation
Teamwork

Figure 1: Top 10 countries where the ECIC has exposure



THE ECIC'S ROLE IN SOUTH AFRICA

The ECIC provides insurance that enables South African exporters to offer their services and products on the international market. It has a particular focus on emerging markets in Africa that are considered too risky for conventional insurers. Its overarching goal – and its mandate from the South African government as its sole shareholder – is to make South African exporters attractive to international buyers to attract foreign income, stimulate domestic economic growth and create local jobs.

The ECIC's various insurance products (see page 12) are formulated to protect all parties involved in cross-border projects, from the institutions that provide financing, to the foreign buyers, to the exporters themselves. It is not uncommon for a single project to be linked to multiple ECIC policies covering both commercial risk (the risk that a buyer will not honour its contractually agreed payments for whatever reason) and political risk (the risk that a project fails due to the actions of the project's host government).

STRATEGIC ADVANTAGES

The Corporation has three strategic advantages over traditional insurers and more conservative export credit agencies:

- It has substantial appetite for – and experience in – providing cover for political risk in Africa, which is regarded as a politically volatile continent.
- It has the ability to underwrite large projects that span a decade or more.
- It is able to offer flexible terms and conditions to suit the specific needs of a project and its cash flow profile.

BUSINESS MODEL

The ECIC's business model can be explained in terms of the relationships between its inputs, operating environment, outputs and outcomes.

Inputs

INPUTS		
Capitals	**Components of value creation**	**Strategic objectives**
HUMAN CAPITAL	**Workforce** The ECIC has a complement of 69 full-time employees	Improve knowledge and skills
FINANCIAL CAPITAL	**Finance** The ECIC's initial seed capital of R1.5 billion grew to R5 billion in 2015/16, supporting a total insurance exposure of R25 billion	Decrease the cost-to-revenue ratio Increase revenue Increase the capital base
INTELLECTUAL CAPITAL	**Reputation and brand** The ECIC is an expert in underwriting political risk in Africa It provides a unique solution that is unmatched in the private sector	Improve product offering Improve business processes Improve business development
SOCIAL AND RELATIONSHIP CAPITAL	**Partnerships** The ECIC builds partnerships with various stakeholders, such as governments (local and foreign), financial institutions, export councils and their members, and multilateral institutions	Increase strategic partnerships Improve communication and stakeholder/customer management Increase stakeholder/customer satisfaction

Operating environment

The following factors are considered when developing the ECIC's risk strategy and products:

- Legislation and regulation
- Non-binding guidelines
- The political and economic environments in South Africa and target countries.

Legislation and regulation

The ECIC is a self-sustaining, limited liability company that is subject to normal income-tax policies at corporate rates. It is a registered financial services provider (FSP 30656) and is regulated by the Financial Services Board in terms of the Short-Term Insurance Act (1998). It strives to follow best practice in its operations, policies and procedures.

The legislative framework that applies to corporate entities in South Africa also applies to the ECIC. However, as a Schedule 3b entity under the Public Finance Management Act (PFMA) (1999, as amended), it is first and foremost subject to legislation specifically applicable to state-owned entities.

The ECIC is governed by the following key acts:

- The ***Export Credit and Foreign Investments Insurance Act***, which is its founding act.
- The ***PFMA***, which, augmented by Treasury Regulations, ensures transparency, accountability and sound management of revenue, expenditure, and assets and liabilities in publicly owned entities. In accordance with the PFMA, the Corporation has in place a materiality and significance framework that is reviewed annually. The information required to be reported in the annual report in terms of section 55(2)(b) of the PFMA is disclosed in the annual financial statements.
- The ***Companies Act***, which came into effect in 2011. The Corporation maintains all the governance structures and arrangements required by the act.

The ECIC ensures that it remains up to date on emerging legislation, standards and regulations that may materially affect its operations.

The ECIC did not receive any requests for information in terms of the Promotion of Access to Information Act (2000) during the year.

Non-binding guidelines

The ECIC is an active participant in the Berne Union and the Prague Club, an information-exchange network for new and maturing insurers of export credit and investment. The club is guided by principles that are against corruption and in favour of sustainability, sound business practice, environmental responsibility, transparency and cooperation.

The political and economic environments of target economies

The ECIC has an internal research department that uses the Corporation's own country rating methodology to assess risk in a country. It also liaises closely with the Department of International Relations and Cooperation regarding the political environment in countries where it carries – or is planning to carry – risk and tracks country ratings from international credit agencies.

LOCAL CONTENT REQUIREMENT

To qualify for ECIC cover, export projects must have at least 70 percent local content (for projects outside of Africa) or at least 50 percent local content, supplemented by at most 20 percent content from the host African country or any other African country (for projects on African soil).

Local content can refer to:

- **The cost of materials and manufactured goods**
- **Wages, salaries and other remuneration**
- **Freight charges**
- **Insurance premiums**
- **Finance charges**
- **Exporter fees and profits.**

Additional conditions apply to each of these categories. This condition is waived under certain circumstances. The ECIC undertook a study in 2015/16 to determine whether the local content requirement needs to be revised. The initial findings of the study indicate that the requirement could be tailored to match the level of competitiveness of various South African industries.

Outputs

PRODUCTS FOR FINANCIAL INSTITUTIONS

Buyer's credit cover protects financial institutions from losses suffered when foreign buyers do not pay because of political and commercial risk events.

Financial credit insurance cover provides political risk cover to South African financial institutions that have provided medium- to long-term commercial loans to foreign enterprises and governments.

Performance bond insurance cover provides comprehensive political and risk cover for performance bonds issued for the export of goods and/or services by any South African exporter. Cover is limited to 90 percent of the value of the performance bond.

PRODUCTS FOR EXPORTERS

Exporter's insurance cover covers losses suffered by South African exporters due to:

- The buyer cancelling the contract before the exporter can deliver the goods or services.
- Political events in the buyer's country preventing the delivery of work or products for a period of six months.

Supplier credit insurance cover covers losses suffered by South African exporters who extend credit to foreign buyers and are not repaid due to political or commercial risk events.

Small and medium transactions cover provides comprehensive political and commercial risk cover for South African exporters and financial institutions engaging in transactions below US$20 million. Prospective applicants must meet pre-approved underwriting criteria.

Insurance cover for boat builders provides cover for working-capital loans extended to boat builders as well as insurance for payment guarantees issued to the boat buyer while the boat is still under construction. This is in line with the dti's Industrial Policy Action Plan, which has identified the boat-building industry as a labour-intensive strategic industry.

PRODUCTS FOR INVESTORS

Investment insurance cover provides political risk insurance to South African companies or individuals investing equity or shareholder loans in foreign entities.

Commercial loan investment insurance cover protects against a foreign borrower being unable to make repayments on an undisputed debt, even if this is due to insolvency.

Outcomes

Developmental outcomes

The government's National Development Plan promotes local procurement and industrial growth to stimulate jobs and ensure economic growth for the benefit of all South Africans. The ECIC covers projects that often aim to develop regional or continental industries or infrastructure.

Market outcomes

The strengthening of emerging markets could affect the ECIC's financial viability and ability to continue to support South Africa's export-related economic growth. Therefore, to ensure business growth and sustainability, the ECIC's Board is constantly seeking to diversify its products.

Social and natural-environment outcomes

Export credit agencies are sometimes criticised for supporting projects that exploit the local population and are destructive to the natural environment. The ECIC adheres to international Organisation for Economic Co-operation and Development protocols and guidelines regarding its social and environmental responsibilities.

The Credit Insurance Committee also reviews the possible environmental impact of all applications before making a recommendation. All projects financed by the ECIC must adhere to the World Bank's safeguard policies governing environmental and social issues.

Industry-related outcomes

The ECIC strives to be a responsible corporate citizen, providing the skills and financial resources needed to help develop the country, with a focus on the industries in which it operates. See page 47 for a discussion of the ECIC's corporate social initiatives undertaken during 2015/16.

GUARANTEED RATES OF EXCHANGE

The South African Reserve Bank provides guaranteed rates of exchange to local contractors to compensate for unfavourable fluctuations in exchange rates between the US dollar and the South African rand that may occur between the time goods or services are ordered and when they are delivered. An additional premium is charged on ECIC products that include a guaranteed rate of exchange.

Stakeholders

Suppliers and service providers: Including asset consultants, fund managers, actuaries and external lawyers	**Customers:** Exporters, financial institutions and investors	**The Financial Services Board:** Regulator of the insurance industry and financial service providers in South Africa	**The National Treasury:** Ensures that public entities abide by the PFMA	**The dti:** Shareholder	**The Department of International Relations and Cooperation,** to the extent that the ECIC's business could affect relations between South Africa and other nations	**The South African Reserve Bank:** Administers guaranteed rates of exchange and approves exchange control

Indirectly, the ECIC also has several international stakeholders, including:

- **The governments and authorities of importing countries:** May be contractually enlisted to help ensure the success of a project
- **Foreign buyers:** Responsible for ensuring that projects succeed and payment commitments are met
- **International organisations** that might be involved with a project, for example, the World Bank and other export credit agencies

RISK FRAMEWORK

The ECIC operates in an inherently risky and highly legislated environment characterised by financial exposure and regulatory restrictions. Risk management is thus at the core of the Corporation's operations and management. Managing and controlling risks, and in particular avoiding undue concentrations 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 that protect the ECIC's reputation and business.

The ECIC has developed a risk management framework, which outlines policies for mitigating major risks 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. The Corporation identifies and tracks all the risks to which it is exposed through a corporate risk register. On a yearly basis, the Board – which is ultimately responsible for managing risk in the organisation – reviews these risks, determines which of them are material and sets limits for each.

All ECIC employees – executives and managers in particular – are responsible for implementing risk management measures. The Board has delegated the responsibility of reviewing the effectiveness of the risk management system to the Risk Committee.

HOW THE BOARD MANAGES RISK

The ECIC Board uses three lines of defence to gain reliable assurance that business processes are operating within the parameters it has established to achieve defined objectives:

- Business unit management is the main party responsible for managing risk. Business unit managers are expected to constantly assess, evaluate and measure risk as part of their day-to-day activities. This ensures that they can identify material issues early and take remedial action where necessary.
- The risk management function, which is led by the Chief Risk Officer, is independent of line management within the business units and is responsible for establishing and maintaining the Corporation's risk management framework, standards and supporting policies. It also oversees risk management and independently reports on risk to executive management, Board committees and the Board.
- Independent assurers provide an independent assessment of the adequacy and effectiveness of the ECIC's overall system of internal control and risk governance structures.

The Board is satisfied that the combined assurance model is effective in keeping it informed and managing risks, and that assurance activities are coordinated to ensure that resources are used in the most efficient and effective way.

FRAUD PREVENTION

In line with the PFMA, the Corporation has a fraud-prevention plan that allows employees to anonymously report instances of apparent fraud, corruption or unethical behaviour without fear of reprisal. The ECIC provides training in whistle-blowing procedures to new and current staff, and an independent service provider manages a toll-free corruption hotline.

During the year, the hotline (0800 22 32 75) received two tip-offs. Both proceeded to full investigations. No instance of corruption involving ECIC employees was found.

Key principal risks

Principal risks to which the ECIC is exposed are discussed below. Detailed information can also be found in the notes to the financial statements.

Underwriting risks (insurance, underwriting and concentration risk)

Impact on the ECIC	Risk outlook	Risk mitigation and management actions
Due to the nature of the risks that the ECIC underwrites, it is exposed to global economic conditions. The main impact is an increase in unanticipated claims and low business volumes. The current volatile, uncertain and complex macroeconomic and geopolitical environments exacerbate this impact. The prolonged downturn, volatile commodity prices and uncertain global demand have negatively affected the number of new commodity-related transactions that were approved during the year. These conditions also resulted in an increase in the number of commodity-related transactions that are on the ECIC's watch list or were restructured. Shrinking commodity revenues have negatively affected the fiscal and current account balances of Sub-Saharan African countries such as Ghana, Nigeria, Zambia and Angola. This has, in turn, negatively affected the ECIC's political risk outlook for these countries.	China's slowdown, a further appreciation of the US dollar, tighter global financing conditions and the fragility of the recovery in Europe and Africa's other major trading nations remain key external risks to the future trajectory of Sub-Saharan economies. Resources exporters need to find alternative new bulk commodity buyers the size of China or adjust to the "new normal" operating environment. Emerging economies are experiencing adverse fiscal environments and will struggle to raise capital and/or face a heavy debt burden. A sudden rise in global risk aversion is likely to lead to further currency depreciations and possible financial strains in vulnerable emerging-market economies, including South Africa. An escalation of ongoing geopolitical tensions in several regions could affect confidence and disrupt global trade, financial flows and tourism.	The ECIC monitors external economic factors and evaluates their impact on insurance exposures. Stress tests and scenario analyses are performed when evaluating new insurance exposures. The Corporation's business plans are regularly updated to include the effect of adverse scenarios. The ECIC actively engages with the ministries of Finance, Planning, and Public Works; chambers of commerce; investment support agencies; and key parastatals in the countries where it has exposure.

Investment risks (market, currency and liquidity risk)

Impact on the ECIC	Risk outlook	Risk mitigation and management actions
The ECIC holds investments in a portfolio of South African rand and US dollar-denominated financial instruments, with a strategic objective of explicitly seeking market risk. Volatile and uncertain global market risk events could therefore adversely affect the ECIC's earnings. The ECIC's earnings are denominated in US dollars but reported in South African rands. The translation of US dollar earnings and balance sheet value will reflect exchange rate movements.	In 2015/16, the rand depreciated by 24 percent, with an average rate of R13.77 against the US dollar. This followed depreciations of 10 percent in 2014/15 and 19 percent in 2013/14. It reflected the relative weakness of South Africa's economic outlook, political uncertainty and, in part, a declining appetite for emerging-market currencies. During 2015, amidst a benign global economic recovery, South Africa's economic growth forecasts were revised downwards. Key factors were volatile emerging-market economies, driven by weaker growth in China, and muted domestic prospects arising from weaker commodity prices, drought and energy supply constraints. These contributed to a sovereign credit downgrade by Fitch in December. If the sovereign credit rating is further downgraded to below investment-grade status, the impact on the ECIC's investment portfolio outside South Africa would be limited. Within South Africa, the impact would come from the economic and market-related consequences, such as changes in interest rates, foreign exchange rates and international capital flows. The ECIC believes that market interest rates, exchange rates and credit default spreads have factored in the impact of a "soft" downgrade. However, more severe impacts are possible.	The ECIC holds assets to meet liabilities in matched currencies. It closely monitors the balance of cash flows earned in US dollars and rands. The Corporation undertook an asset and liability modelling exercise to develop an investment strategy to ensure that the ECIC remains able to pay its liabilities without government support.

Operational risks (operational, strategic, regulatory and reputational risk)

Impact on the ECIC	Risk outlook	Risk mitigation and management actions
The ECIC will be at high risk of strategic execution failure for the foreseeable future. The ECIC is affected by Twin Peaks regulation, which will result in higher capital requirements and market conduct provisions. Information and communications technology (ICT) and business process transformation may result in increased operational costs during implementation. The delay in the resolution of the interest make-up (IMU) funding with **the dti** resulted in unpaid IMU claims amounting to R116 million at year end. These claims were subsequently paid through an additional allocation received from **the dti**. Future delays in settling the IMU claims could negatively affect the ECIC's reputation.	New strategic priorities were developed during the year to simplify and improve execution of the corporate strategy. **The dti** requested that the ECIC investigate and consider the expansion of its mandate to become a fully fledged trade finance institution. This may include the establishment of trade finance lending capacity within the ECIC. The change in mandate may be incompatible with the current regulatory regime. The current business imperative to improve business processes through ICT systems, as well as the prospect of an expanded mandate, may result in increased operational risk. The current downward trajectory of the rand exchange rate against the US dollar may result in an increase in the IMU liability. Furthermore, continued fiscal constraints faced by government under worsening economic conditions may increase the IMU shortfall if the budget allocation for IMU is reduced.	The Board regularly monitors the execution of the corporate strategy. The Risk Committee regularly monitors progress on the implementation of necessary processes and policies required to ensure compliance with Twin Peaks. An executive steering group has been formed with representatives from **the dti** to formulate a proposal and business case to expand the ECIC's mandate. The ECIC has proposed to **the dti** and the National Treasury to fund the IMU shortfall itself. This decision would limit the ECIC's buffer capital adequacy requirement in the future. The ECIC should consider reinsurance to reduce exposure and provide capital relief.

FOREWORD BY THE **CHAIRPERSON**

MOTSHOANEDI LESEJANE

The 2015/16 financial year marked 14 years of the ECIC fulfilling its developmental mandate to encourage economic growth and create jobs by stimulating the export of South African goods and services. Its work has helped entrench the country in the regional and global economy. However, an increasingly tough economic environment, growing competition from international export credit agencies and shrinking financial support for the IMU scheme from government over the past few years forced the ECIC, in 2014, to rethink its strategy and reposition itself to continue to grow and deliver on this mandate. The Corporation identified three strategic themes to guide its operations – grow the business, develop strategic partnerships and improve operational efficiencies.

As part of its strategy to grow the business, the ECIC is diversifying its portfolio away from traditional mining investments to include economically critical sectors such as infrastructure, power generation, telecommunications, defence and other new projects in various African countries, such as the multibillion-dollar liquefied natural gas project off the coast of Mozambique. The ECIC also plans to move into new markets in North, East and West Africa and the Middle East.

Although the ECIC's current pipeline is skewed towards bigger deals, it is committed to providing more support to small and medium exporters. The ECIC promotes inclusive participation in the South African economy by, among other things, supporting **the dti**'s Black Industrialist Programme.

As the ECIC looks towards new opportunities, building strategic partnerships with other export credit agencies and relevant industry players is increasingly important. The Corporation participates in several forums such as the Berne Union (incorporating the Prague Club) and the Brazil, Russia, India, China and South Africa (BRICS) Export Credit Agency Forum. The ECIC is also a founding sponsor and chair of the Africa Investment and Integration Desk of the New Partnership for Africa's Development's (NEPAD's) Business Foundation. These events and initiatives provide an opportunity to share knowledge and expertise, and to unlock project opportunities across the continent and beyond.

In the year ahead, we will continue to develop new products and refine existing ones to meet our clients' needs, identify new markets and review our founding legislation to expand our mandate.

I would like to thank the ECIC Board, executive management and staff for all their hard work during the year. I would also like to thank **the dti**, the National Treasury, the Department of International Relations and Cooperation, our development finance partners and the bankers with whom we work for their valued support. Finally, I would like to thank our clients – the exporters of South Africa and the banks and development finance institutions that support them.

Motshoanedi Lesejane
CHAIRPERSON

CHIEF EXECUTIVE OFFICER'S REPORT

KUTOANE KUTOANE

The ECIC continued to grow and reposition itself in tough market conditions during the past year, thus ensuring it remains able to deliver on its core mandate to support South African exports through the provision of export credit and investment insurance solutions.

As part of this repositioning strategy, we have shifted towards a client-centric approach, identifying and developing products that address our clients' needs, to better position ourselves in an increasingly competitive marketplace. To further support business growth, in 2015/16 we focused on improving our skills, business processes and strategic relations.

Building partnerships was a priority, with the ECIC actively pursuing local and international partners in diverse sectors – from governments to other export credit agencies and the private sector – through meetings, conferences, trade forums and knowledge exchange platforms.

The ECIC is also building its internal capacity. In 2015/16 we appointed a new head of marketing and communications and a new business development manager. In addition, we are expanding our capacity in investment management, actuarial analysis and underwriting.

One of the major challenges for the ECIC's business, which its revised strategy seeks to address, is the insufficient funding of the IMU export incentive scheme. This is a government mechanism administered by the ECIC that allows local banks and other financiers to offer buyers of South African export goods and services financing for projects at internationally competitive rates. Although the ECIC continues to honour existing commitments, it has stopped approving applications that rely on IMU support.

The ECIC, in consultation with its key stakeholders, such as **the dti**, the National Treasury and the Office of the Auditor-General, is in the process of finding a permanent solution to the issue of IMU payment shortfalls.

Despite the non-availability of the IMU incentive scheme, the ECIC exceeded its target of project approvals by US$127.1 million (target: US$250 million; actual: US$377.1 million), reflecting the Corporation's success in generating new business without IMU funding.

Performance during 2015/16

The ECIC was guided by the following 10 strategic objectives during the year:

- **Objective 1:** Improve knowledge and skills to develop a competent and competitive workforce that is able to deliver on the business strategy and achieve the ECIC's objectives.
- **Objective 2:** Improve product offering by increasing the ECIC's product range to better meet customer needs and address market gaps.
- **Objective 3:** Increase strategic partnerships to access new markets through collaboration by leveraging our partners' resources and knowledge base, and removing constraints.
- **Objective 4:** Improve business processes to promote efficiencies in the delivery of services and products cost-effectively.
- **Objective 5:** Improve communication and stakeholder/customer management to create awareness and understanding of the ECIC's mandate to unlock business opportunities by communicating effectively.
- **Objective 6:** Improve business development by proactively attracting business from new and existing customers to facilitate more exports and cross-border investments.
- **Objective 7:** Decrease the cost-to-revenue ratio in line with industry benchmarks and the ECIC's objectives.
- **Objective 8:** Increase revenue to achieve business growth and a stronger capital base.
- **Objective 9:** Increase the capital base to support the growth and sustainability of the business.
- **Objective 10:** Increase stakeholder/customer satisfaction to ensure that satisfaction targets are met.

These objectives were linked to several indicators, each with set targets as agreed with our shareholder department, **the dti**, in the annual performance plan. We met or exceeded the annual performance plan targets during the year under review, with a few exceptions:

- **The target of implementing a new ICT system was not met.** The successful service provider's final pricing exceeded the available budget. Management reassessed the project and a new system to automate the full underwriting cycle will be implemented in 2016/17.
- **The target of meeting the weighted rand and US dollar benchmark was not met.** The ECIC's portfolio underperformed by -0.4 percent because the benchmark for the first six months did not align with the Corporation's investment strategy. The Corporation amended the benchmark in September 2015, but the improved performance in the second half of the year was not enough to compensate for the first six months' underperformance.

Performance on the remaining indicators – especially those reflecting our engagement with stakeholders and clients – was exemplary during the year. We exceeded our target for leveraging existing and new stakeholder platforms by 12 (target: eight; actual: 20); rolled out four marketing initiatives (target: two), and attended 12 engagement sessions with key government stakeholders (target: eight).

Our performance in these and other indicators in the annual performance plan is detailed in the "Performance report for 2015/16" section.

Financial performance

The ECIC booked premiums of R412 million during 2015/16. While this is significantly less than the previous year, it is indicative of the cyclical nature of the ECIC's business. For example, one policy generated about R1.4 billion in premiums in 2014/15.

The ECIC's earned premiums continued to grow in 2015/16 to R621 million (2014/15: R380 million), an increase of 63 percent. This was mainly due to additional earnings derived from the change in estimates used to value insurance liabilities introduced in 2015/16 to better represent the underlying risk trajectory.

Table 1: Summary of premiums, claims and underwriting profit, 2011/12–2015/16 (R'000)

	2015/16	2014/15	2013/14	2012/13	2011/12
Insurance premium revenue	**411 894**	1 788 350	130 642	718 047	199 864
Change in unearned premiums	**171 738**	(1 396 118)	175 199	(294 855)	58 883
Change in unexpired risks	**37 471**	(12 233)	(41 698)	(61 299)	129 875
Net insurance premium revenue	**621 103**	379 999	264 143	361 893	388 622
Underwriting profit	**615 603**	366 649	360 448	380 010	353 310
Combined ratio: [(paid claims + operational expenses)/earned premium] x 100	**18%**	25%	31%	17%	14%
Claims paid	**-**	-	-	11 206	10 839
Investment income	**254 300**	277 102	243 750	297 814	221 611

Table 2: Asset growth, 2011/12–2015/16 (R'000)

	2015/16	2014/15	2013/14	2012/13	2011/12
Assets					
Property, plant and equipment	**10 020**	7 062	4 978	699	648
Financial assets through profit and loss	**7 072 663**	2 582 549	4 993 017	2 180 082	2 023 888
Trade and other receivables	**1 878 702**	1 554 050	428 722	557 090	193 984
Intangible assets	**4 451**	2 243	-	-	-
Cash and cash equivalents	**439 960**	3 817 639	122 950	2 223 410	1 651 134
Current tax receivable	**26 516**	1 020	-	-	-
Total assets	**9 432 312**	7 964 563	5 549 667	4 961 281	3 869 654
Total equity	**5 247 856**	4 324 239	3 736 967	3 224 871	2 646 570

See pages 77-115 for the full annual financial statements for 2015/16.

Investment income decreased by 8.3 percent to R254 million (2014/15: R277 million) due to underperforming bonds and equities in the rand portfolio, which were negatively affected by changes in the macroeconomic environment. This decrease in the rand portfolio was offset by the increase in US dollar portfolio returns as a result of increased interest rates, following the implementation of the investment strategy.

Although the low commodity price environment adversely affected some of our mining projects, these were restructured so that no claims were made in 2015/16.

The ECIC recorded operating costs of R118.5 million (2014/15: R101.3 million), which was in line with our strategic plan and expectations. The expenses largely relate to marketing initiatives and filling key operational positions.

Our asset base and capital also grew during the financial year, as indicated in Table 2.

Partnering for growth

Part of our new strategic direction is to take a more proactive approach, identifying possible projects and partners based on our knowledge of Africa and its needs rather than waiting for financiers and exporters to seek us out. We also aim to leverage our strategic partnerships to share knowledge and expertise, and identify opportunities to collaborate.

The Gigawatt project in Mozambique is one example of successful collaboration across borders between several stakeholders in the public and private sectors. Once complete, this 100MW natural-gas-fired power station is expected to provide about 24 percent of Mozambique's electricity. The project will create about 160 direct jobs in South Africa during construction and operations. It will also help facilitate the export of capital goods and services from South Africa to Mozambique.

To further unlock business opportunities, we reviewed our enabling legislation in 2015/16. The review identified the possibility of expanding the ECIC's role into new areas, specifically offering lending facilities similar to that of an export-import bank, to help meet the requirements of South African exporters and pursue government's development agenda. The ECIC will continue to explore the possibility of direct lending in 2016/17.

These and other activities aim to ensure that the Corporation grows sustainably and in a way that supports the government's development goals.

Acknowledgements

The ECIC's strong performance in 2015/16 would not have been possible without the support of the Board, our management team, the ECIC staff and various suppliers – I thank you all for your tireless dedication, hard work and innovative thinking. I would also like to express my appreciation to the National Treasury, the Department of International Relations and Cooperation and **the dti**, who have been incredibly supportive during the year. Finally, I would like to thank our development partners – finance institutions, South African exporters and fellow export credit agencies in the BRICS Export Credit Agency Forum, the Berne Union and the Prague Club. It is through such strategic partnerships that the ECIC has prospered over the past 14 years, and we hope that these partnerships will continue to help us support the country and the continent to realise their full potential.

Kutoane Kutoane
CHIEF EXECUTIVE OFFICER

HIGHLIGHTS

91%
of corporate targets achieved

Insurance portfolio grew by
11% to **R25.8** billion

Investment portfolio (including cash) grew by
17% to **R7.5** billion

Solvency ratio increased to
1389%

Total staff complement increased by
9.5% to **69**

BOAT BUILDING: VEECRAFT MARINE CC

Veecraft Marine, a boat-building company based in Cape Town, received a US$4.2 million loan from ABSA to build two 20-metre crew boats for C&I Leasing Plc in Nigeria. The ECIC provided 100 percent political and commercial risk insurance cover on the loan under its small and medium transactions programme. C&I Leasing will lease the boats to various oil and gas companies in Nigeria for use in their maritime operations.

CORPORATE STRUCTURE AND GOVERNANCE

Figure 2: ECIC organisational structure, 2015/16

- **BOARD** – M LESEJANE
  - Audit Committee – A MAWELA
  - Risk Committee – V MATSILIZA
  - Finance and Investment Committee – F PETERSEN-LURIE
  - Social and Ethics Committee – A MOSAI
  - Remuneration Committee – M LESEJANE
- **CHIEF EXECUTIVE OFFICER** – K KUTOANE
  - Actuarial Unit – S ESTERHUIZEN
  - Marketing & Communications Unit – I CARR
    - Corporate Social Investment & Enterprise Development – M BOSILONG
  - Stakeholder Management & Strategic Planning – C THIRION
    - Internal Audit – OUTSOURCED
  - Human Resource Unit – M MADONSELA
    - Office Management Unit – T MAITLAND
  - **CHIEF OPERATING OFFICER** – M NKUHLU
    - Business Development Unit – P GUMBO
    - Underwriting Unit – K MOODLEY
    - Political & Economic Analysis and Research Unit – B FUGAH
  - **CHIEF FINANCIAL OFFICER** – C SIMPSON (FROM MAY 2016)
    - Finance Unit – N MKHATHAZO
    - Procurement Unit – G NKABINDE
    - Information Technology (IT) Services Unit – N COKOTO
    - Investment Unit – L VAN TONDER
  - **CHIEF RISK OFFICER** – L MOSUPYE
    - Risk Unit – J OMOLLO
    - Compliance Unit – V MOTAUNG
  - **GENERAL COUNSEL** – G MAPHULA (ACTING)
    - Legal Unit – VACANT
    - Portfolio Management and Workout Unit – T MAHAYE
  - **COMPANY SECRETARY** – L MPHAPHULI

BOAT BUILDING: ZOMAY MARINE & LOGISTICS LTD

Nautic Africa (Pty) Ltd supplied two Nautic 35 multipurpose patrol and crew vessels to Zomay Marine & Logistics Ltd in Nigeria. Zomay leases the vessels to oil and gas companies to patrol their operations along the Nigerian coastline. Nedbank provided financing of US$5 million to fund one of the vessels and the ECIC supported the transaction under its small and medium transactions programme, providing 100 percent political and commercial risk insurance cover. The project has created and/or sustained 258 jobs, and it is the second time that Nautic Africa has used the ECIC's services, with another potential project in the pipeline.

BOARD OF DIRECTORS

The ECIC's Board is responsible for determining the Corporation's strategic direction and ensuring that the strategy is being carried out in compliance with the law and relevant regulations. The directors serve at most two terms of three years each. Five Board committees help the Board fulfil these roles.

Board members

Motshoanedi Lesejane

INDEPENDENT NON-EXECUTIVE DIRECTOR

Qualifications: Chartered Accountant (South Africa) (CA(SA)), Fellow Chartered Management Accountant, Certificate in Control Self-Assessment, Chartered Director (South Africa)
Areas of expertise: Auditing, corporate governance, finance, risk management and finance management
Age: 60
Years of service: 6
Positions on other boards: Mokwalo Training and Consulting Services (sole owner and director), Mokwalo Trading and Investments (sole owner and director), 1Surance Brokers Limited (director), Government Pension Administration Agency (chairperson), National Treasury (audit committee member), Small Enterprise Development Agency (chairperson of the audit committee)

Kutoane Kutoane

EXECUTIVE DIRECTOR

Qualifications: Master of Arts in Economics, Advanced Management Programme, Programme on Investment Appraisal and Management
Areas of expertise: Project finance, international trade finance, economics and investment management
Age: 47
Years of service: 3
Positions on other boards: Rapidcap Investment (Pty) Ltd (founder and director), MunAng Technologies (Pty) Ltd (director)

Vuyelwa Matsiliza

INDEPENDENT NON-EXECUTIVE DIRECTOR

Qualifications: Master of Business Leadership
Areas of expertise: Treasury management, project finance, corporate finance and investment management
Age: 49
Years of service: 3
Positions on other boards: None

Abel Mawela

INDEPENDENT NON-EXECUTIVE DIRECTOR

Qualifications: Master of Business Administration
Areas of expertise: Auditing, accounting and corporate governance
Age: 55
Years of service: 4
Positions on other boards: Molodi Consulting (founder and executive director), Innovation Hub (non-executive director), Morale Financial Services (managing director)

Ernest Moagi

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

(ALTERNATE REPRESENTATIVE TO PUMLA NCAPAYI, **THE DTI**)

Qualifications: Bachelor of Commerce
Areas of expertise: Accounting
Age: 43
Years of service: 3
Positions on other boards: None

Andiswa Mosai

INDEPENDENT NON-EXECUTIVE DIRECTOR

Qualifications: Bachelor of Social Science in Social Work, Master's Diploma in Human Resources Management, Management Advanced Programme, Corporate Governance Development Programme
Areas of expertise: Human resources contracts, human resources professional services, recruitment and remuneration management
Age: 42
Years of service: 2
Positions on other boards: Mosaic Project and Services (founder and managing director), 24 Café West Coast (partner), Sedibeng Media and Communications Group (director)

BOARD OF DIRECTORS

Board members

Pumla Ncapayi

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR (**THE DTI**)

Qualifications: Bachelor of Commerce in Economics and Business Management, Postgraduate Diploma in Business Management, Diploma in Trade Law and Policy
Areas of expertise: Trade policy development, international trade and investment
Age: 40
Years of service: 5
Positions on other boards: Brand South Africa (trustee)

Siobhain O'Mahony

INDEPENDENT NON-EXECUTIVE DIRECTOR

Qualifications: Bachelor of Science of Actuarial Science (Honours), Fellow of the Actuarial Society of South Africa, Fellow of the Institute and Faculty of Actuaries
Areas of expertise: Actuarial valuations, asset-liability matching, capital adequacy requirements and calculations, analytics, pricing and profitability (banking), behavioural analysis and modelling, loyalty programme design and modelling
Age: 29
Years of service: 3
Positions on other boards: None

Fagmeedah Petersen-Lurie

INDEPENDENT NON-EXECUTIVE DIRECTOR

Qualifications: Bachelor of Business Science in Actuarial Science, Chartered Financial Planner, Postgraduate Diploma in Management Practice, Fellow of the Institute of Actuaries, Fellow of the Financial Planning Institute, Accredited Member of the Institute of Directors
Areas of expertise: Investments, finance, governance, insurance and employee benefits
Age: 40
Years of service: 3
Positions on other boards: Telkom SOC (board member), Gauteng Cricket Board NPO (lead independent director), Equra Health (Pty) Ltd (lead independent director)

Lefentse Radikeledi

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR (NATIONAL TREASURY)

Qualifications: Masters in Economic Development, Executive Development Programme, Secondary Education Diploma, Certificate in Mineral Economics, Certificate in Contract Negotiations
Areas of expertise: Finance and regulation
Age: 50
Years of service: 2
Positions on other boards: None

Lindelani Mphaphuli

COMPANY SECRETARY

Qualifications: Bachelor of Arts (Laws), Bachelor of Laws, Master of Laws, Diploma in Tax Practice
Areas of expertise: Law, finance, governance and treasury
Age: 45
Years of service: 7
Positions on other boards: None

GOVERNANCE AND KING III

The ECIC is committed to good governance and implementing King III. See the detailed governance report, which includes summaries of the responsibilities and activities of the Board and its committees, Board meeting attendance tables, and Board and executive remuneration.

This report also contains a checklist indicating areas where the ECIC maintains King III principles.

EXECUTIVE MANAGEMENT

The Chief Executive Officer (CEO) is responsible for the ECIC's day-to-day operations and is supported by the Chief Operating Officer, the Chief Financial Officer, the Chief Risk Officer and General Counsel. Various units report to the CEO and his executive team, as indicated in Figure 2 on page 26. With the exception of the CEO, who is on a three-year contract with a three-month notice period, all the executives are permanent employees who are required to give a month's notice when resigning. Executives are not bound by a restraint of trade agreement on leaving the ECIC.

Kutoane Kutoane

CEO

Qualifications: Master of Arts in Economics, Advanced Management Programme, Programme on Investment Appraisal and Management
Areas of expertise: Project finance, international trade finance, economics and investment management
Age: 47
Years of service: 3
Positions on other boards: Rapidcap Investment (Pty) Ltd (founder and director), MunAng Technologies (Pty) Ltd (director)

Mandisi Nkuhlu

CHIEF OPERATING OFFICER

Qualifications: Bachelor of Laws, Management Advanced Programme, Executive Leadership Programme
Areas of expertise: Law and finance
Age: 48
Years of service: 10
Positions on other boards: None

Clarinda Simpson

CHIEF FINANCIAL OFFICER

Qualifications: CA(SA)
Areas of expertise: Finance, auditing and financial management
Age: 42
Years of service: Appointed on 16 May 2016
Positions on other boards: None

Lesego Mosupye

CHIEF RISK OFFICER

Qualifications: CA(SA)
Areas of expertise: Risk management
Age: 41
Years of service: 7
Positions on other boards: Department of Home Affairs Risk Management Committee (independent member), Khula Credit Guarantee SOC Ltd (independent non-executive director), Gouda Wind Energy Community Trust (independent trustee)

Ntshengedzeni Maphula

GENERAL COUNSEL (ACTING)

Qualifications: Master of Laws
Areas of expertise: Cross-border financing, export credit insurance, political risk, international trade, foreign investments and project finance
Age: 44
Years of service: 11
Positions on other boards: None

EXECUTIVE MANAGEMENT
The ECIC management team

Mmapula Madonsela
HUMAN RESOURCE MANAGER

Linda van Tonder
HEAD OF INVESTMENTS

Sias Esterhuizen
ACTUARY

Noluthando Mkhathazo
HEAD OF FINANCE

Gqamile Nkabinde
HEAD OF PROCUREMENT

Ismail Carr
HEAD OF MARKETING AND COMMUNICATIONS

Portia Gumbo-Dube
HEAD OF BUSINESS DEVELOPMENT

Benoit Fugah
HEAD OF POLITICAL & ECONOMIC ANALYSIS & RESEARCH

Chris Thirion
HEAD OF STAKEHOLDER ENGAGEMENT

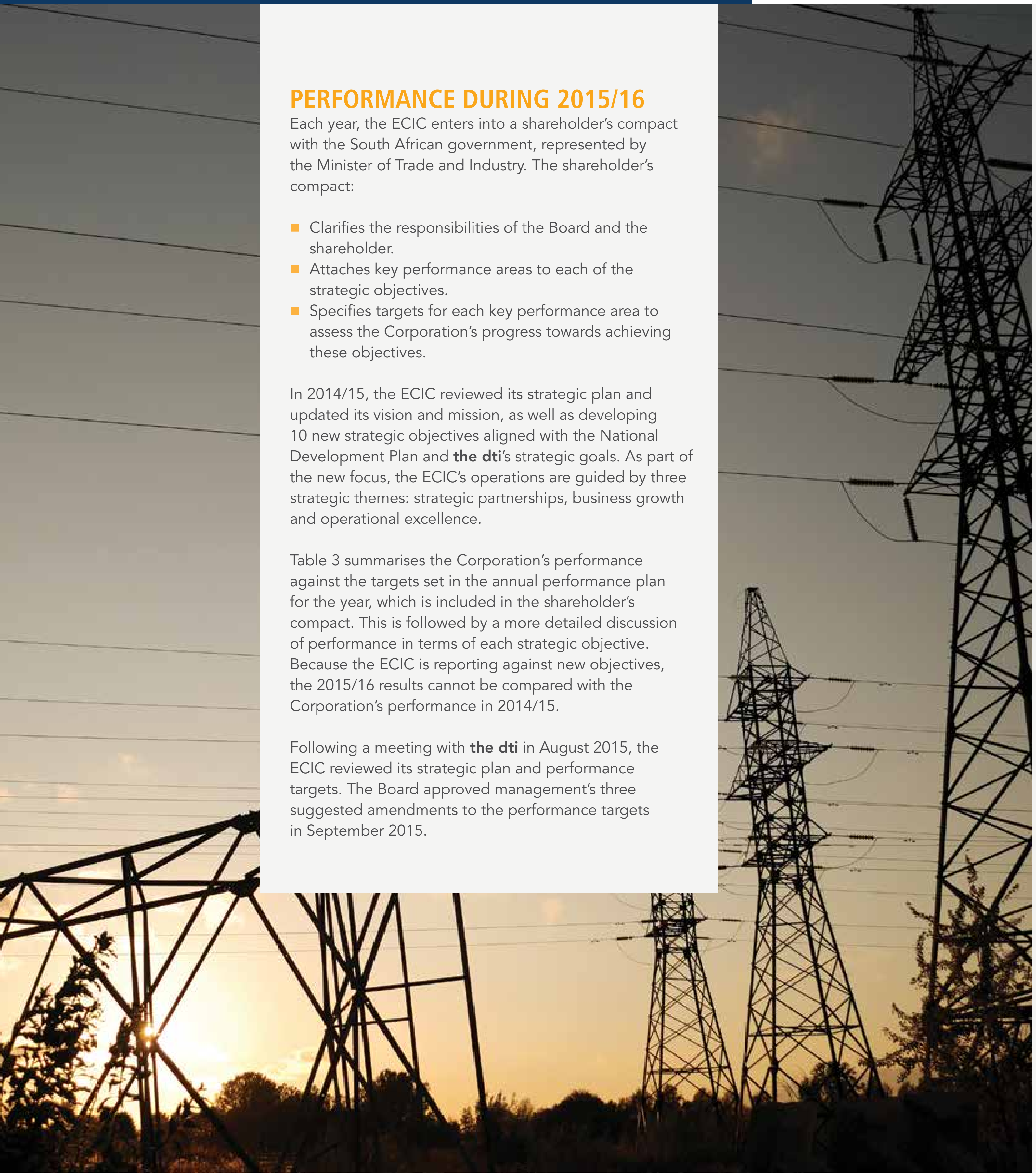
Kimmy Moodley
HEAD OF UNDERWRITING

Thembi Mahaye
HEAD OF PORTFOLIO MANAGEMENT

Nolita Cokoto
INFORMATION TECHNOLOGY MANAGER

John Omollo
HEAD OF RISK MANAGEMENT

PERFORMANCE REPORT FOR 2015/16



PERFORMANCE DURING 2015/16

Each year, the ECIC enters into a shareholder's compact with the South African government, represented by the Minister of Trade and Industry. The shareholder's compact:

- Clarifies the responsibilities of the Board and the shareholder.
- Attaches key performance areas to each of the strategic objectives.
- Specifies targets for each key performance area to assess the Corporation's progress towards achieving these objectives.

In 2014/15, the ECIC reviewed its strategic plan and updated its vision and mission, as well as developing 10 new strategic objectives aligned with the National Development Plan and **the dti**'s strategic goals. As part of the new focus, the ECIC's operations are guided by three strategic themes: strategic partnerships, business growth and operational excellence.

Table 3 summarises the Corporation's performance against the targets set in the annual performance plan for the year, which is included in the shareholder's compact. This is followed by a more detailed discussion of performance in terms of each strategic objective. Because the ECIC is reporting against new objectives, the 2015/16 results cannot be compared with the Corporation's performance in 2014/15.

Following a meeting with **the dti** in August 2015, the ECIC reviewed its strategic plan and performance targets. The Board approved management's three suggested amendments to the performance targets in September 2015.

Table 3: Summary of performance against key indicators in annual performance plan

Output	Performance measure and indicator	Target for 2015/16	2015/16 performance	Target achieved?
Objective 1: Improve knowledge and skills				
Conduct a skills audit and implement annual training plans	Percentage of training plan implemented	100%	100%	✓
Implement a change management plan	Percentage of change management plan implemented	50%	55%	✓
Implement a workforce plan	Percentage of vacancies filled within 90 days	75%	81.3%	✓
Objective 2: Increase product range				
Research and identify new opportunities	Number of research projects to identify new opportunities	2	3	✓
Develop and test new products	Number of products developed and approved	1	1	✓
Objective 3: Increase strategic partnerships				
Establish standing funding and insurance arrangements with financiers to increase deal flow	Develop a draft framework structure to establish arrangement with financier to increase deal flow	Draft framework structure	A draft framework structure has been completed and is under discussion with key partners	✓
Leverage existing partnerships to generate knowledge-sharing programmes	Number of programmes	8	9	✓
Objective 4: Improve business processes				
Align processes with customer and stakeholder needs through process mapping	Percentage of processes mapped	70%	90%	✓
Implement new ICT system	Percentage of business process management system implemented	50%	Business process management system not implemented	✗
Implement an effective reporting system over a three-year period, starting with designing reporting structures followed by implementation	Percentage of reporting requirements implemented	Design reporting structures	Reporting system implemented	✓
Improve the delegation matrix	Percentage of delegation matrix implemented	50%	100%	✓

Output	Performance measure and indicator	Target for 2015/16	2015/16 performance	Target achieved?
Objective 5: Improve communication and stakeholder/customer management				
Leverage existing and new stakeholder platforms	Number of platforms leveraged	8	20 (9 existing and 11 new stakeholder platforms leveraged)	✓
Develop targeted marketing initiatives for foreign buyers and governments	Number of marketing initiatives	2	4	✓
Undertake an ECIC advocacy programme with key government stakeholders	Number of engagement sessions with key government stakeholders	8	12 (5 existing and 7 new government stakeholders)	✓
Review ECIC-enabling legislation and mandate	Submission of legislative review proposal to **the dti**	Complete legislative review proposal and submit to **the dti**	Proposal report submitted to **the dti** in first quarter of 2015/16	✓
Objective 6: Improve business development				
Implement customer engagement plan	Percentage of customer engagement plan implemented	50%	55%	✓
Implement business development plan	Percentage of business development plan implemented	50%	50%	✓
Objective 7: Decrease cost-to-revenue ratio				
Develop appropriate reports to track the cost-to-revenue ratio on a periodic basis	Cost-to-revenue ratio	40–36% cost-to-revenue ratio	26.04%	✓
Objective 8: Increase revenue				
Design a model to report and track project value approvals	Value of projects approved	US$250 million	US$377.1 million	✓
Execute investment strategy	Rolling annual return on investment	Meet weighted rand and US dollar benchmark	Underperformed by -0.4%	✗
Objective 9: Increase capital base				
Develop a model to track and report on capital base growth	Percentage increase in basic own funds to equity	10%	21%	✓
Objective 10: Increase stakeholder/customer satisfaction				
External stakeholder satisfaction index	External stakeholder satisfaction index	3 on a 1–5 scale	3.72	✓
Customer satisfaction index	Customer satisfaction index	3 on a 1–5 scale	3.14	✓

OBJECTIVE 1: IMPROVE KNOWLEDGE AND SKILLS

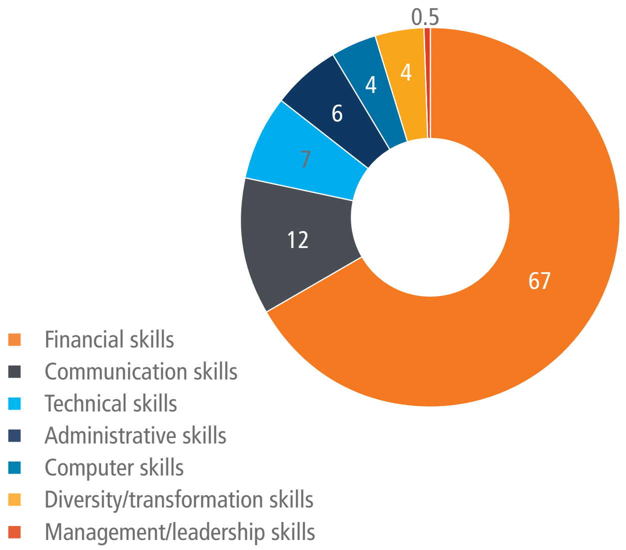
To deliver on its business strategy and achieve its objectives, the ECIC needs a highly skilled workforce. Its staff complement increased from 63 full-time employees in 2014/15 to 69 full-time employees in 2015/16, reflecting the ECIC's continued growth. Its employees tend to be highly educated and well versed in finance, economics and the law. Although attracting and retaining these skills is an ongoing challenge, the Corporation managed to fill 81.3 percent of vacancies within 90 days (target: 75 percent).

The ECIC successfully implemented a training programme in line with its training plan, which was informed by the skills audit undertaken in 2014/15. The Corporation spent R2.2 million on training in 2015/16.

The ECIC leveraged existing partnerships with its international peers, ensuring its staff are exposed to international best practice within the export credit insurance environment. In 2015/16, ECIC staff attended training organised by the African Trade Insurance Agency, as well as SACE (the Italian export credit agency). An ECIC employee was also seconded to the Berne Union from September 2015 to April 2016.

To further increase its knowledge base and improve its services, the ECIC created several new units within the Corporation, including a Business Development Unit and a Marketing and Communications Unit. It also hired an actuary.

Figure 3: Training spend by skill type (%)



OBJECTIVE 2: INCREASE PRODUCT RANGE

In response to increased competition and the IMU scheme's unavailability, the ECIC is diversifying its product offerings.

The ECIC launched one new product and developed another in 2015/16. The risk participation bond facility, between the ECIC and Rand Merchant Bank, aims to increase the bank's capacity to provide performance bonds to South African exporters, enabling exporters to bid for new projects.

The newly launched bond insurance product assists contractors and sub-contractors with their bonding requirements as they bid and execute cross-border contracts or supply inputs as part of the export supply value chain. This product will add value to a niche market segment never exploited before and, importantly, one outside the ambit of the IMU.

The second product, the line of credit under small and medium transactions, has been approved and will be launched in the new financial year. The product aims to provide credit lines to local banks in foreign countries with the hope that their customers will buy goods from South Africa.

As part of its mandate to increase participation in the South African economy, the ECIC will support **the dti**'s Black Industrialist Programme by offering bespoke underwriting criteria. It will also pursue the availability of working capital for export contracts to black industrialists and small and medium-sized enterprises.

As part of its new strategy and proactive approach to business development and increasing the product range, the ECIC produced three research reports during the year, which were shared with relevant parties:

- Trade Finance Report on short-term products and the potential market gap in the short-term insurance business.
- Trade and Investment Opportunities in the Democratic Republic of Congo.
- Trade and Investment Opportunities in Kenya.

The study on the short-term export credit insurance business proposed that the ECIC could provide additional reinsurance capacity to private short-term export credit insurers, such as credit insurance for financial leases and for working capital. Further research on this product is needed.

OBJECTIVE 3: INCREASE STRATEGIC PARTNERSHIPS

Stakeholder identification and engagement raises awareness about the ECIC's work and helps it identify business and investment opportunities. In addition, knowledge-sharing relationships with international export credit agencies and development finance institutions help the ECIC develop its skills base and knowledge of, and access to, international markets. The ECIC implemented nine knowledge-sharing programmes in 2015/16 (target: eight), including with the African Trade Insurance Agency, SACE, the Berne Union, NEXI and Export Development Canada.

The ECIC continued to work closely with foreign governments to identify opportunities in their own countries. The Corporation plans to diversify into the Middle East, and is engaging with the ICIEC, a multilateral agency that provides investment and export credit insurance to Islamic countries, on insurance and reinsurance opportunities.

As part of its stakeholder engagement strategy, the ECIC joined forces with the NEPAD Business Foundation to form the Africa Investment and Integration Desk. The desk is a multi-stakeholder platform bringing together the private and public sector, multilateral finance/ development agencies and other stakeholders to facilitate financing and investment for projects in Africa. The ECIC sponsors and chairs the desk, which provides an opportunity for the Corporation to interact with industry players and identify new projects in Africa.

During the period under review, the ECIC continued to structure deal flows with financial institutions to address their reluctance to support small and medium transactions. The ECIC plans to establish standing funding and insurance arrangements with financial institutions that operate in the Corporation's markets to increase and simplify deal flows. Simplifying and aligning legal documentation will enhance the turnaround of approvals and the conclusion of policy documentation between the ECIC and financial institutions. In 2015/16, the ECIC identified partners and compiled a draft framework structure in consultation with financial institutions. It plans to finalise and approve the framework in 2016/17.

OBJECTIVE 4: IMPROVE BUSINESS PROCESSES

In 2015/16, the ECIC focused on streamlining business processes to ensure that it delivers products and services efficiently and cost-effectively. To improve application turnaround times, the Board has delegated authority to the CEO to approve bonds below US$20 million.

In addition, management is developing an internal delegation and reporting framework to streamline the oversight and reporting requirements of various management and Board committees.

The ECIC has taken a holistic approach to aligning its information systems and technology infrastructure with its strategic business direction. It plans to automate its processes through an enterprise resource planning system, which will automate support processes, and a business process management system, which will automate core business processes. These systems will make the ECIC's processes more efficient and improve turnaround times.

The ECIC is finalising the implementation of its enterprise resource planning system. Systems for finance, procurement and human resources have already been implemented.

The ECIC aimed to implement the business process management system in 2015/16 to automate the full underwriting lifecycle to reduce turnaround times. However, this did not happen because the successful service provider's final pricing exceeded the available budget. The Corporation will continue to source an alternative system in 2016/17.

OBJECTIVE 5: IMPROVE COMMUNICATION AND STAKEHOLDER/CUSTOMER MANAGEMENT

To meet the challenge of an increasingly competitive marketplace and unlock business opportunities, in 2015/16 the ECIC continued to promote itself as a premier South African export facilitator, focusing on raising brand awareness and the profile of the Corporation in line with its marketing and stakeholder engagement strategy.

Performance relating to Objective 5 is assessed in terms of:

- Number of stakeholder platforms leveraged.
- Number of marketing initiatives.
- Number of engagement sessions with key government stakeholders.
- Submission of a legislative review proposal to **the dti**.

Stakeholder platforms

The Corporation exceeded the annual performance target of eight direct engagements with stakeholder platforms, attending 20 meetings with, among others, export councils (such as the South African Electrotechnical Export Council and the South African Boat Builders Export Council), financial institutions (such as Rand Merchant Bank and Nedbank), business councils (such as the Johannesburg, Cape and Durban Chambers of Commerce and Industry), government agencies (such as the Gauteng Growth and Development Agency and the Department of Public Enterprises), foreign embassies (including the Spanish, Ivorian and Ethiopian embassies), and regional forums (such as the NEPAD Business Foundation and the Africa Investment and Integration Desk).

Marketing and communication initiatives

In line with its marketing and communications strategy, the Corporation continued to raise awareness of its brand and products both nationally and internationally. The ECIC launched an integrated marketing and communications campaign with various media platforms from November 2015 to March 2016. These platforms included broadcast, online, digital, radio and outdoor media. Billboards were strategically placed in and around major airports in South Africa, as well as other countries such as the Democratic Republic of Congo, Cote d'Ivoire, Kenya and Madagascar.

The marketing and communications campaign was supported by the ECIC's participation in local and international sponsorship initiatives, as well as trade and industry conferences. Some of the key trade and industry events that the ECIC participated in include the Mining Indaba, the Energy Indaba, **the dti** trade mission to the Democratic Republic of Congo, TXF Asia in Hong Kong, as well as the Berne Union and the Prague Club conferences in Shanghai, China.

Engaging government stakeholders

The ECIC attended 12 meetings with new and existing government stakeholders, including the Department of International Relations and Cooperation and **the dti**. The ECIC also met with the Economic Development Department, the Department of Public Enterprises, Denel, Transnet, Eskom and the Gauteng Growth and Development Agency.

ECIC delegation at the Berne Union AGM 2015

NEPAD's Business Foundation Africa Investment and Integration Desk steering committee members

ECIC billboard at the Cape Town International Airport


ECIC staff with Bank of China officials at the Forum on China-Africa Cooperation 2015

Review of ECIC's enabling legislation and mandate

In 2015/16, the ECIC proposed a review of its enabling legislation and mandate to **the dti**. The ECIC can only provide insurance to South African banks and institutions. The proposal suggested expanding the scope to any institution as a way to attract capital funds into projects. The Corporation also proposed flexibility around insurance cover. The aim is to allow the ECIC mandate to be more flexible and relevant to market needs.

The dti responded to the proposal by requesting that the ECIC investigate the idea of repositioning itself as a fully fledged trade finance institution. This may include the establishment of trade finance lending capacity within the ECIC. This will allow the ECIC to have a much broader mandate and simplify the link to South African exporters. The review will continue in 2016/17.

OBJECTIVE 6: IMPROVE BUSINESS DEVELOPMENT

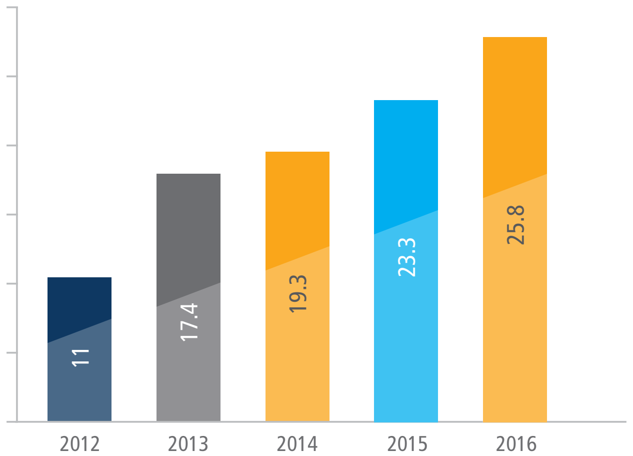
As part of its goal to proactively attract business and increase its customer base, the ECIC began to implement its customer engagement and business development plans. The customer engagement plan includes:

- The articulation of the ECIC's value proposition.
- A relationship management strategy that will seek to retain and increase the value of business from existing and new customers.
- A strategy to improve the quality of service provided by the ECIC to its customers.

In response to challenging market conditions and low commodity prices, the ECIC's business development plan aims to establish customer-focused initiatives along regional, geographic and sector segments and develop initiatives that leverage its local presence and strategic partners. For example, the ECIC is diversifying its portfolio to include infrastructure (such as transport) and power generation projects.

The ECIC has traditionally had more exposure in southern Africa, but plans to increase its exposure in the rest of Africa and move into new markets, such as the Middle East. The ECIC is also taking a proactive approach to generating new business. It established a new Business Development Unit, which will engage in comprehensive research to identify trade and investment opportunities in other countries that could benefit South African companies.

Figure 4: Insurance portfolio (R billion)

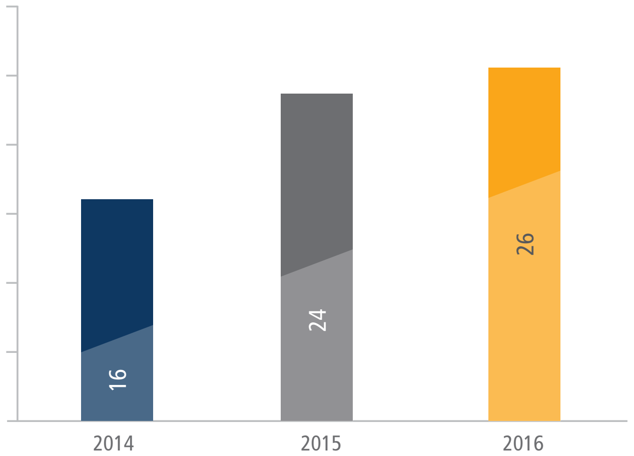


OBJECTIVE 7: DECREASE COST-TO-REVENUE RATIO

To decrease its cost-to-revenue ratio, the ECIC developed business and financial reports, such as management accounts and budget variance reports, to periodically track its cost-to-revenue ratio.

The average cost-to-revenue ratio, excluding net investment income recorded for 2015/16, was 26.04 percent. The ECIC exceeded its target because significant reserves were released due to the change in estimates used to value insurance liabilities.

Figure 5: Cost-to-revenue ratio average for the past three years (%)



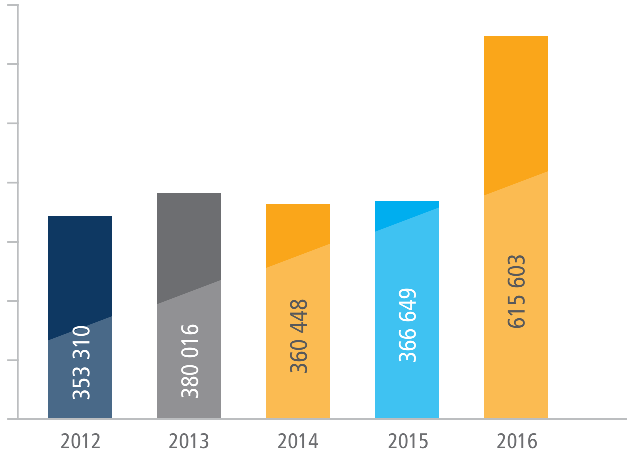
OBJECTIVE 8: INCREASE REVENUE

To grow the business, the ECIC needs to increase its underwriting profits and investment returns.

Underwriting profit

In 2015/16 the ECIC approved projects to the value of US$377.1 million (2014/15: US$116.7 million). These projects are expected to contribute to sustainable underwriting profit in the future. For the current year, underwriting profit grew by 68 percent to R616 million (2014/15: R366 million). This was achieved due to a change in the estimate of technical reserves.

Figure 6: Underwriting profit (R'000)



Investment return

The Corporation failed to meet the weighted rand and US dollar benchmark due to underperformance in the first six months when the benchmark was linked to consumer price index (CPI)/cash targets. This was not a "best fit" benchmark over the short-term given the ECIC's investment strategy.

The ECIC's 2014/15 investment policy aimed to achieve an average return of CPI plus 3 percent over a rolling three-year period for the rand portfolio, and an average return of CPI plus 1 percent over a rolling three-year period for the US dollar portfolio.

In 2015/16, the ECIC revised its investment strategy and policy to comprehensively take into account the liability profile of the business by undertaking an asset-liability matching exercise. The approach to strategic asset allocation was adjusted to enhance investment returns while taking cognisance of the nature of the Corporation's liabilities and risk appetite. The matching exercise and asset allocation will be revised annually to take account of any changes in the ECIC's liability profile, probabilities of claims and asset class return expectations.

Asset class and asset manager allocations

The revised investment strategy increased the overall allocation of growth assets, equities, property and corporate bonds, and decreased the allocation of defensive assets, government bonds and cash. The domestic portfolio thus increased its equity and property allocation, while the offshore portfolio introduced corporate bonds. In line with the results of the asset-liability matching exercise, the ECIC subsequently applied for approval from its stakeholders to introduce >>

US dollar-denominated equities and property to its offshore portfolio.

The revised strategy also entailed appointing two additional equity managers to the domestic portfolio alongside Allan Gray, namely Mazi and Fairtree; reducing the number of bond managers in the domestic portfolio to two (Sanlam and Coronation); and appointing two investment managers with expertise in US dollar bond and cash investment management to the offshore portfolio (Investec and Schroders).

Investment performance

Suitable, measurable indices were selected for each asset manager to assess their relative performance. These indices were aligned with the overall portfolio benchmark effective 1 October 2015. This new market composite benchmark was deemed a better fit than the inflation targets to measure the performance of the asset managers and portfolio.

In 2015/16, the ECIC's domestic portfolio underperformed, with a return of 7.2 percent against a targeted 8.3 percent. Although the portfolio performed better in the second half of the financial year after the new benchmark was introduced, it was not enough to compensate for the relative underperformance in the first six months when performance was measured against the inflation target. Excluding the Sanlam bond fund, all of the ECIC's local asset managers exceeded their respective targets.

The ECIC's offshore portfolio underperformed, with a return of 1.3 percent against a targeted 3.1 percent. This was partly the result of offshore managers not meeting their respective targets. The underperformance was exacerbated by the internal target benchmark changing on 1 October 2015 to include US dollar corporate bonds and a higher-duration government bond index, while the actual strategies were not yet aligned accordingly due to the finalisation of these manager mandates. Both indices performed strongly in the second half of the year compared to the managers' previous benchmarks and portfolio holdings.

Table 4: Strategic asset allocation as at 31 March 2016

	Equity (%)	Property (%)	Corporate bonds (%)	Government bonds (%)	Cash (%)
Domestic before	38	0	0	41	21
Domestic current*	55	5	2	32	6
Change	+17	+5	+2	-9	-15
Offshore before	0	0	0	70	30
Offshore current*	Pending approval		25	60	15
Change	0	0	+25	-10	-15

Figure 7: Strategic and actual rand-denominated asset allocation as at 31 March 2016 (%)

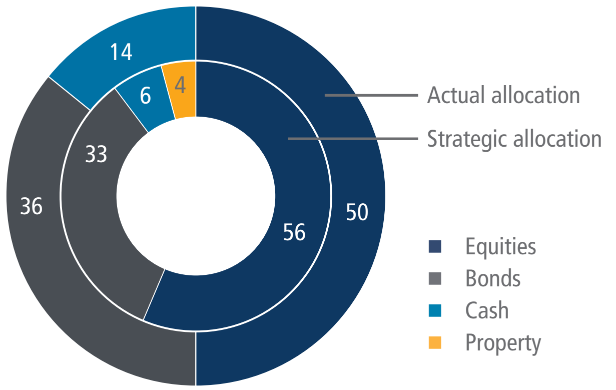


Figure 8: Strategic and actual US$ asset allocation as at 31 March 2016 (%)

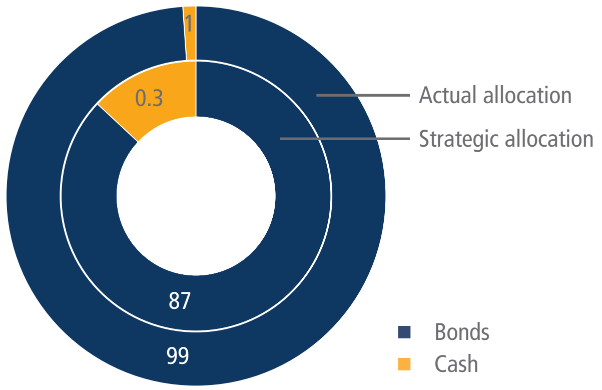


Figure 9: Domestic portfolio: 12-month returns as at 31 March 2016 (%)

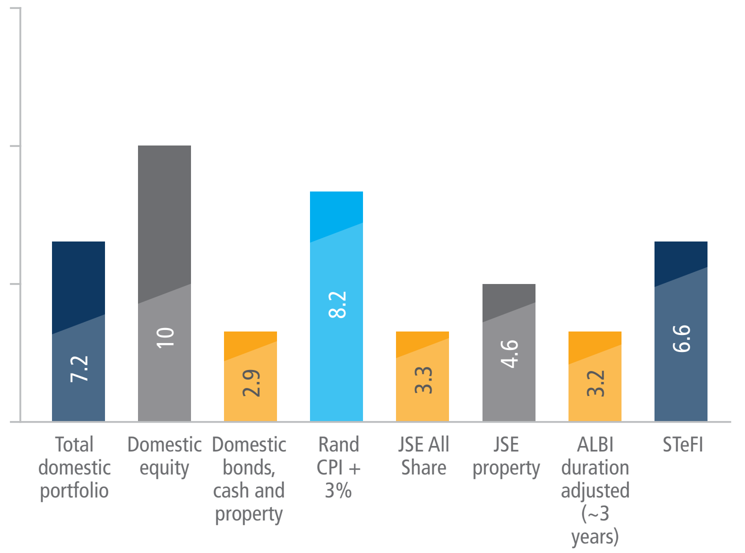
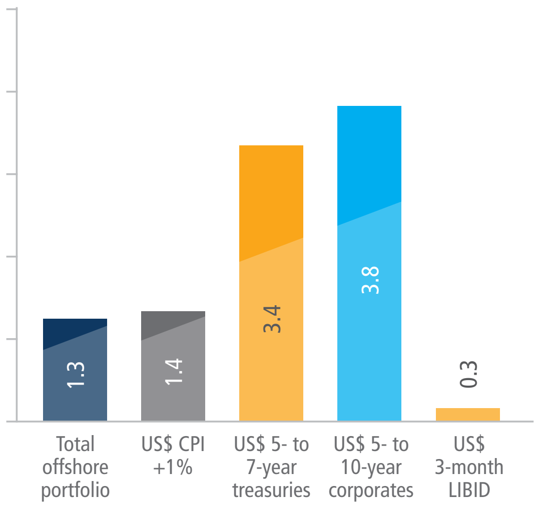


Figure 10: Offshore portfolio: 12-month returns as at 31 March 2016 (%)



OBJECTIVE 9:
INCREASE CAPITAL BASE

To support the growth and sustainability of the business, the ECIC tracked and reported on its capital base using an economic capital model, which projects the Corporation's solvency and capital over a five-year period under the Solvency Assessment and Management (SAM) framework.

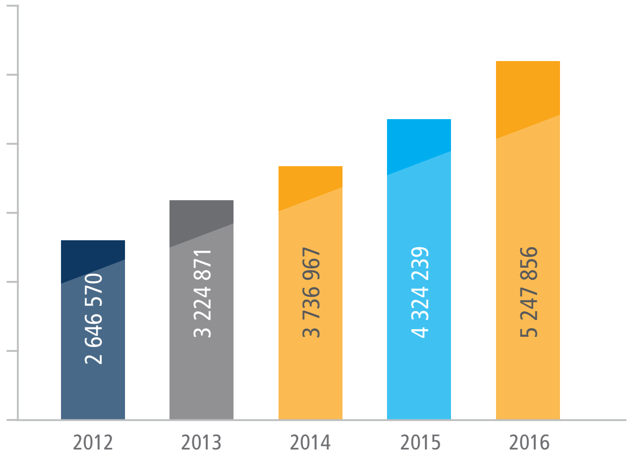
In preparation for the Insurance Law Amendment Bill being passed into law, insurers under the supervision of the Financial Services Board must implement the SAM framework, which will form part of the law and will introduce a new risk-based solvency and management regime for South Africa's long and non-life (short-term) insurance industries.

The SAM framework requires insurers to hold sufficient capital to underwrite premiums. To address this requirement, the ECIC focused on the way in which its solvency is calculated. It undertook an own risk and solvency assessment using the capital model to identify key risks that could affect the Corporation's solvency. The Board approved the assessment report and submitted it to the Financial Services Board. This assessment also informed the ECIC's risk appetite framework.

The Board approved new policies for underwriting and operational risk, and an own risk and solvency assessment policy. This work also informed the revision of the investment strategy. The ECIC has been reporting to the Financial Services Board on its SAM solvency levels every quarter. The Corporation met the solvency requirement under the SAM framework for 2015/16.

The ECIC exceeded its recorded growth target in basic own funds/equity by 11 percent (target: 10 percent; actual: 21 percent) as at 31 March 2016. This increase was due to profit after tax increasing by 55 percent from the prior year, largely resulting from an increase in premium earnings and the weakening of the rand, which increased the ECIC's US dollar-denominated assets.

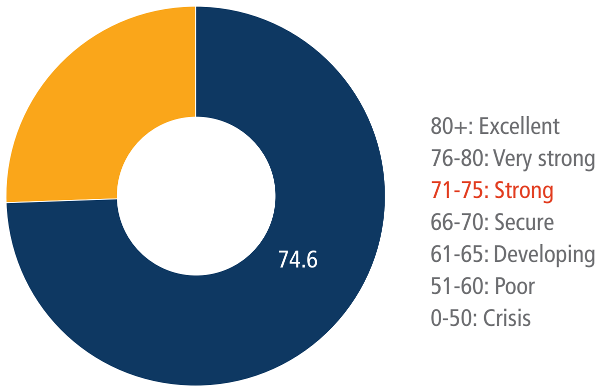
Figure 11: Capital (R'000)



OBJECTIVE 10:
INCREASE STAKEHOLDER/CUSTOMER SATISFACTION

The ECIC is repositioning itself to become customer-focused, providing products and services that customers want and need. It contracted Ipsos to undertake an intensive independent market study to understand the brand perception of the ECIC, as well as determine customer satisfaction ratings of existing products and services. The outcome reflected a corporate reputation index score of 74.6 percent (3.72 out of 5) as well as a customer satisfaction index score of 62.9 percent (3.14 out of 5). The ECIC plans to implement strategies based on feedback to improve its operations and product offering.

Figure 12: The ECIC's corporate reputation index performance score, 2015/16



CORPORATE SOCIAL INVESTMENT

The ECIC's corporate social investment programme supports community development, education and skills development in mathematics, science and technology – fields that are closely linked to the ECIC's own operations and that government has identified as scarce-skills areas. The programme also creates opportunities for staff members to contribute their time or money to help those less fortunate.

During 2015/16, the ECIC contributed R4.5 million to community, education and skills-development projects throughout the country.

Education projects

Sci-Bono Discovery Centre (Gauteng)
The ECIC started supporting Sci-Bono Discovery Centre in 2013, when the centre first opened three learning hubs offering after-school lessons in mathematics, physical science, accounting and life sciences to Grade 12 learners in Gauteng. Three learning hubs were added by the end of the financial year, bringing the total to six hubs. Together, these hubs benefited 21 424 learners from 17 high schools in 2015/16.

Maths and Science Leadership Academy (Northern Cape)
In 2013, the ECIC committed to a four-year academic sponsorship allowing 82 Grade 9 learners to attend tutorials in mathematics and science at the Maths and Science Leadership Academy. The sponsorship will continue until the learners matriculate at the end of 2017.

Penreach (Mpumalanga)
The ECIC supports Penreach, a non-governmental organisation based in Mpumalanga that offers after-school tutorials in mathematics, English and science to 10 848 Grade 8 to 12 learners from 10 participating schools.

Axium Education (Eastern Cape)
The ECIC supports Axium Education, an organisation that provides after-school tutorials in mathematics, science and English to about 200 pupils from five schools in Mqanduli, Eastern Cape.

School infrastructure initiatives (Eastern Cape)
The Corporation is financing the construction of two prefabricated mobile parkhome classrooms at Sea View Senior Secondary School in Mqanduli, Eastern Cape. One will house a computer laboratory, while the other will alleviate overcrowding in classrooms.

Undergraduate bursaries
The ECIC supported 23 university students studying actuarial science, accounting, economics or engineering during the 2015 academic year (2014/15: 24 students). The bursary programme has supported 40 students since its inception in 2013, 17 of whom have acquired undergraduate degrees.

Skills development projects

Yacht and Boat Building Programme (Western Cape)
The ECIC provided funding to six students enrolled in the three-year Yacht and Boat Building Programme at False Bay Technical Vocational Education and Training College in Cape Town.

Community development projects

DeafSA
The ECIC funded the training of 20 deaf members of DeafSA in making furniture and upholstery.

Rehoboth Trust (KwaZulu-Natal)
The ECIC committed to supporting Rehoboth Children's Village, a home in KwaZulu-Natal for children either affected or infected by HIV/AIDS, for three years from May 2013. The funding advanced during 2015/16 was used to pay the school fees of 16 children.

Nkosinathi Foundation for Blind and Partially Sighted People (Eastern Cape)
The ECIC committed to supporting the Nkosinathi Foundation for three years from 2013. In 2015/16, the ECIC's donation contributed to the cost of rehabilitating and training blind and partially sighted people that were referred to the centre.

Gift of the Givers
The ECIC donated R100 000 to Gift of the Givers for shelter, food and other necessities for foreign nationals displaced during the xenophobic attacks of 2015.

Staff volunteerism

Nelson Mandela Day (Gauteng/Mpumalanga)
On Nelson Mandela Day (18 July 2015), volunteers from the ECIC helped Vuyiswa Home for the Disabled – a home in Orange Farm, Gauteng, that cares for elderly people with disabilities. The ECIC volunteers helped to paint the centre and the Corporation provided building material, appliances, blankets and adult nappies. The ECIC also donated two wheelchairs and a reverse walker to the Sizanani Children's Home in Bronkhorstspruit, Mpumalanga, and helped the Bantubonke Co-operative buy seeds and tunnel infrastructure.

THE ECIC IN 2016/17 AND BEYOND

In 2016/17 the ECIC will build on the work done in 2015/16 to further its 10 strategic objectives. The Corporation will continue to proactively generate business by strengthening partnerships and promoting its brand. In addition, the ECIC will:

- Continue to develop new products and refine existing ones.
- Continue its marketing and communication campaign to promote its products to foreign markets.
- Continue to diversify its portfolio in terms of sectors and geography. This includes consolidating business development initiatives to penetrate new countries and markets.
- Continue its legislative review and explore the possibility of becoming an export-import bank.
- Resolve the funding arrangements for the existing IMU commitments.
- Strengthen relationships with partners and government departments, specifically **the dti**, the Department of International Relations and Cooperation and the National Treasury.

GRINDROD GPR LEASING, ZIMBABWE

RRL Grindrod Locomotives (Pty) Ltd, South Africa, will manufacture and supply six mainline diesel-electric locomotives to GPR Leasing Africa Ltd in Mauritius, which will lease them to rail-freight operator Beitbridge Bulawayo Railway Ltd in Zimbabwe. Grindrod has a track record of successfully leasing and maintaining locomotives in Africa's most challenging environments. GPR Leasing received a US$11.7 million loan from Rand Merchant Bank to buy the locomotives, which was supported by the ECIC with 100 percent political risk insurance.

GOVERNANCE REPORT

The ECIC strives to follow best governance practice, with particular focus on the King III principles.

BOARD OF DIRECTORS

The ECIC is governed by a unitary Board of Directors, the members of which have extensive business experience and acumen. The Board includes both executive and non-executive members and has a flat structure under the guidance of a chairperson, reaching decisions by majority vote. This ensures that no single Board member has unfettered decision-making powers.

The Board follows a charter that is updated each year and reports to government through **the dti**. It meets at least once a quarter.

As at 31 March 2016, the Board consisted of nine directors – six independent non-executive directors, two non-independent non-executive directors (government representatives), and one executive who is an employee of the Corporation and subject to its internal policies.

Vacant Board positions are publicly advertised and candidates are subject to security clearance. The shareholder appoints non-executive directors and the CEO, who typically serve on the Board for three years. A retiring director may qualify for reappointment, subject to the constitutional requirements of rotation.

Director orientation and ongoing education

New and existing directors are given a governance manual and induction sessions to improve their understanding of their responsibilities and the ECIC's legislative framework, governance processes, delegation of authority and business operations. An ongoing education programme is also in place to address any possible gaps identified in a director's knowledge, and briefing sessions are held to ensure that Board members remain up to date with relevant local and international developments.

Board activities, 2015/16

In 2015/16, the Board held eight meetings (see Table 5 for attendance register) to, among other activities:

- Approve the rolling three-year company strategy for 2015/16 to 2017/18.
- Approve applications for insurance and contract amendments.
- Conclude the shareholder's compact with **the dti**.
- Examine the implications of inadequate funding for the IMU and discuss possible solutions with relevant stakeholders.
- Review and approve the annual financial statements (see the 2015/16 directors' responsibility statement) and other statutory returns.

During 2015/16, the Board implemented remedial actions to address issues identified in the annual performance assessment conducted in 2014/15. The 2015/16 Board performance assessment was again conducted internally in the form of questionnaires with the assistance of the Company Secretary. The evaluation feedback highlighted the need to:

- Discourage Board involvement in operational matters
- Streamline Board agendas and meetings
- Improve the Board's relationship with the executives.

Table 5: ECIC Board attendance record, 2015/16

Members	08/05/2015 (Special)	25/06/2015	28/07/2015	30/09/2015	29/10/2015	03/12/2015	28/01/2016	31/03/2016
Motshoanedi Johannes Lesejane (chair)	✓	✓	✓	✓	✗	✓	✓	✓
Kutoane Kutoane	✓	✓	✓	✓	✓	✓	✓	✓
Lefentse Radikeledi	✓	✓	✓	✓	✓	✓	✓	✗
Pumla Ncapayi	✗	✓	✓	✓	✗	✗	✗	✗
Ernest Moagi[1]	✗	✓	✗	✓	✓	✗	✓	✗
Abel Mawela	✓	✓	✓	✓	✗	✓	✓	✓
Fagmeedah Petersen-Lurie	✓	✓	✓	✓	✓	✓	✓	✓
Vuyelwa Matsiliza	✗	✓	✓	✓	✓	✗	✗	✓
Siobhain O'Mahony	✗	✓	✓	✓	✓	✓	✓	✓
Andiswa Mosai	✓	✓	✓	✓	✓	✓	✓	✓

[1] Alternate to Pumla Ncapayi

BOARD COMMITTEES

The Board extends its authority in specific areas to the various Board committees (see Figure 2), which are chaired and peopled by Board members and designed to help the Board discharge its duties without dissipating its obligations. The Board includes a representative from **the dti** and from the National Treasury.

An internal delegation of authority framework is in place. Each committee has its own terms of reference defining its composition, role, responsibilities and powers. These terms are updated each year and approved by the Board. The Board submitted all reports required by the PFMA to **the dti** and/or the National Treasury during the year under review, ensuring that the returns were accurate, correct and current.

The Board committees were restructured in 2014/15. Effective 1 April 2015, the ECIC dissolved the Audit and Risk Committee and put in place a Risk Committee and a separate Audit Committee, in line with SAM requirements stipulated by the Financial Services Board. In addition, the ECIC incorporated the Human Resources Committee's functions into the Social and Ethics Committee.

The table below indicates the committees on which each Board member served.

Table 6: Committees served by ECIC Board members, 2015/16

Non-executive Board members	Audit Committee	Risk Committee	Finance and Investment Committee	Remuneration Committee	Social and Ethics Committee
Motshoanedi Johannes Lesejane (chair)				Chair	Member
Andiswa Mosai	Member			Member	Chair
Lefentse Radikeledi	Member	Member			
Pumla Ncapayi Ernest Moagi[1]			Member	Member	
Abel Mawela	Chair	Member		Member	
Fagmeedah Petersen-Lurie	Member	Member	Chair	Member	
Vuyelwa Matsiliza	Member	Chair	Member		
Siobhain O'Mahony		Member	Member		Member
Executive Board member					
Kutoane Kutoane (CEO)					Member

[1] Alternate to Pumla Ncapayi

Audit Committee

The Audit Committee is an independent statutory committee appointed at the annual general meeting. Please see pages 74-75 for the full Audit Committee report.

Activities in 2015/16

The Audit Committee met seven times during 2015/16 to:

- Approve the appointment of a new firm to conduct the internal audit for a period of five years.
- Agree to the engagement letter, terms of reference, audit plan and budget for the firm appointed to conduct the internal audit function in 2015/16 (in consultation with management).
- Ensure that appropriate internal control systems are designed, implemented and maintained throughout the Corporation.
- Ensure that the Corporation complied with relevant regulation.
- Oversee the performance of the external and internal auditors.
- Evaluate the ECIC's annual financial statements as well as the integrated report for the year ended 31 March 2016.
- Monitor whistle-blowing procedures and progress.
- Consider and recommend the quarterly performance reports to **the dti** for the Board's approval.
- Receive and investigate the anonymous tip-off reports.
- Review the finance function and the Chief Financial Officer's performance.

Assurance statements

The Audit Committee is satisfied that:

- The ECIC complied with its legal, regulatory and other responsibilities.
- It lodged the necessary quarterly returns required by the PFMA and Treasury Regulations with **the dti**, together with its assurance that such returns were correct and up to date.
- The ECIC's accounting policies and financial statements are appropriate and comply with International Financial Reporting Standards and the requirements of the Companies Act.
- The appointed internal auditor, Outsourced Risk and Compliance Assessment (Pty) Ltd, was suitably independent.
- The internal controls and risk management measures, including internal financial controls, are effective, as outlined in the internal auditor's written assessment.
- There is no reason to believe that internal financial controls and risk management measures (including internal financial controls) are not effective, or that the internal financial controls do not form a sound basis for reliable financial statements.
- The committee executed its duties in terms of the requirements of King III. Instances where these requirements have not been applied are explained in the King III checklist.
- The external auditor was appointed in line with Sections 58, 59, 60 and 61 of the PFMA.
- The external auditor is independent in accordance with King III, which considers previous appointments, other work undertaken for the ECIC and possible conflicts of interest as described by the Independent Regulatory Board for Auditors.
- The external auditor provided suitable assurance that internal governance processes within the Corporation support and demonstrate its claim to independence.

Table 7: Audit Committee attendance record, 2015/16

Members	Time on committee	11/06/2015	28/07/2015	10/09/2015	29/10/2015	16/11/2015	28/01/2016	17/03/2016
Abel Mawela (chair)	4 yrs 1 mth	✓	✓	✓	✗	✓	✓	✓
Fagmeedah Petersen-Lurie	2 yrs 6 mths	✓	✓	✗	✓	✓	✓	✓
Vuyelwa Matsiliza	2 yrs 6 mths	✓	✓	✓	✓	✓	✗	✗
Andiswa Mosai	1 yr 7 mths	✓	✓	✓	✓	✓	✓	✓
Lefentse Radikeledi	1 yr 7 mths	✓	✓	✓	✓	✓	✓	✗

Risk Committee

The Risk Committee oversees the effectiveness of the risk management system in ensuring that material risks and opportunities are brought to the attention of the Board, including interrelationships of such risks or opportunities, probability and severity of such risks and opportunities, as well as management's proposed responses to manage or exploit such risks and opportunities.

Activities in 2015/16

The Risk Committee met four times during 2015/16 to:

- Evaluate the adequacy and effectiveness of the enterprise risk management system.
- Review risk policies, including on underwriting risk, investment risk and operational risk.
- Review the amount, nature, characteristics, concentration and quality of the Corporation's insurance portfolio and salvages.
- Consider the Corporation's ICT framework and strategy.
- Monitor ICT use.
- Monitor the ECIC's preparedness for SAM requirements.
- Review the adequacy of business continuity and disaster recovery plans.
- Recommend the fit and proper policy to the Board for approval.
- Recommend the reserving policy to the Board for approval.

Table 8: Risk Committee attendance record, 2015/16

Members	11/06/2015	10/09/2015	16/11/2015	17/03/2016
Vuyelwa Matsiliza (chair)	✓	✓	✓	✗
Abel Mawela	✓	✓	✓	✓
Fagmeedah Petersen-Lurie	✓	✗	✓	✓
Siobhain O'Mahony	✓	✗	✓	✗
Lefentse Radikeledi	✓	✓	✓	✓

Finance and Investment Committee

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

Roles and responsibilities

The committee's tasks include:

- Reviewing and overseeing the execution of the annual budget.
- Reviewing and recommending to the Board an investment policy appropriate to the Corporation's strategy and risk appetite.
- Reviewing the actuarial report on the adequacy of technical reserves.
- Monitoring the implementation of the investment strategy and investment policy statement.
- Monitoring the IMU shortfall.

Activities in 2015/16

The Finance and Investment Committee met five times during 2015/16 to, among other activities:

- Oversee the development of the investment strategy.
- Oversee and guide the execution of the mandate given to the two new asset managers appointed to manage US dollar funds.
- Examine the independent statutory actuarial review of the ECIC's technical reserves as at 31 March 2016.
- Provide an information session for the Board regarding:
  - The achievements and challenges experienced by the Corporation's fund managers and asset consultant.
  - The economic outlook in South Africa and the world.
- Formulate investment policies.
- Monitor investments to ensure optimal returns.
- Ensure that the Corporation maintains sufficient liquidity for day-to-day operations and that the portfolio of invested funds is structured to meet estimated claim liabilities as they fall due.
- Help the Board ensure effective expenditure and investment within the Corporation.
- Oversee the local mandates, the selection of new managers and the termination of managers.
- Oversee the transition of funds to managers in line with the investment policy.
- Monitor the IMU shortfall and consider management's proposal for addressing the shortfall.
- Review and oversee the execution of the annual budget.

Table 9: Finance and Investment Committee attendance record, 2015/16

Members	28/05/2015	27/08/2015	16/09/2015 (Special)	09/11/2015	02/03/2016
Fagmeedah Petersen-Lurie (chair)	✓	✓	✓	✓	✓
Vuyelwa Matsiliza	✓	✓	✓	✓	✗
Siobhain O'Mahony	✗	✓	✓	✓	✓
Pumla Ncapayi	✗	✗	✗	✗	✗
Ernest Moagi[1]	✓	✗	✓	✓	✓

[1] Alternate to Pumla Ncapayi

Remuneration Committee

The Remuneration Committee consists of the shareholder representative on the Board and the chairs of the Board, the Audit Committee, the Social and Ethics Committee, and the Finance and Investment Committee.

Roles and responsibilities

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

In 2015/16 the committee's functions were expanded to include governance matters and reviewing executive performance.

Activities in 2015/16

The Remuneration Committee met four times during 2015/16 to, among other activities:

- Review the Corporation's remuneration policies, with particular focus on revising its performance-linked incentive scheme to attract and retain suitably skilled people. This review is ongoing.
- Develop a human resources strategic plan.
- Oversee the development and implementation of continuing professional development for the directors.
- Develop a long-term incentive scheme.
- Review the performance of the CEO and members of the Executive Management Committee.

Remuneration report

This remuneration report is prepared in accordance with the Companies Act, King III and the Financial Services Board's Board Notice.

Remuneration philosophy

The demands of the ECIC's business dictate that it should at all times have in its employ exceptional 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. To this end, its remuneration philosophy is to remunerate and reward its employees in line with market norms.

In addition, the philosophy aims to align the goals of teams and individuals with those of the Corporation to achieve sustainable improvement.

Board remuneration

With the exception of government representatives, Board members receive an annual retainer plus a fee for each Board and committee meeting attended, both of which are determined by the Minister of Trade and Industry. They are also compensated for all costs incurred in carrying out their ECIC duties.

Board members are entitled to an annual increase after a Board evaluation report is furnished to the Minister of Trade and Industry. A Board evaluation was conducted during 2015/16, which led to the directors receiving an inflationary increase. (See Table 11 for the Board members' total remuneration in 2015 and 2016.) The Remuneration Committee is satisfied that all benefits are justified, correctly valued and suitably disclosed.

Staff and executive remuneration

Staff members are remunerated using a cost-to-company methodology (see the annual financial statements for the remuneration of executives). In addition to the guaranteed pay, the Corporation offers annual short-term incentives to staff, based on Board approval.

Guaranteed pay

Guaranteed pay is made up of base pay and benefits such as medical aid and provident funds. The ECIC uses the Paterson grading system – which determines the grade of a job based on various factors such as decision-making, responsibility and judgements – to determine which jobs should receive which pay scale. The pay scales themselves are pinned on the 50th percentile (for general positions) and 70th percentile (for critical and scarce-skills positions). In addition to the pay scales, the ECIC benchmarks itself against other employers in the same industry each year. Any deviation from such salaries must be approved by the Remuneration Committee. Remuneration is reviewed annually.

Short-term incentives

Short-term incentives are paid annually with the Board's approval, taking the financial sustainability of the ECIC into consideration. The short-term incentive scheme rewards performance based on a "balanced scorecard" performance-appraisal process. Bonuses are discretionary. The Remuneration Committee approved the new short-term incentive scheme, which will come into effect on 1 April 2016.

The Remuneration Committee uses the services of an external adviser to help track market trends related to all employee levels. The ECIC's benefits comply with legislation and are aligned with the applicable local benchmarks.

Table 10: **Remuneration Committee attendance record, 2015/16**

Members	18/06/2015	23/11/2015	28/01/2016 (Special)	16/03/2016
Motshoanedi Johannes Lesejane (chair)	✓	✓	✓	✓
Fagmeedah Petersen-Lurie	✓	✓	✓	✓
Abel Mawela	✓	✓	✓	✗
Andiswa Mosai	✓	✓	✓	✓
Pumla Ncapayi	✗	✓	✗	✗
Ernest Moagi[1]	✗	✗	✓	✗

[1] Alternate to Pumla Ncapayi

Table 11: **Board members' annual remuneration, 2014/15–2015/16 (R'000)**

Non-executive directors	2016 R'000	2015 R'000
Motshoanedi Johannes Lesejane (chair)	230	212
Thelma Thembekile Ngcobo (retired)	14	59
Lefentse Radikeledi[1]	-	-
Pumla Ncapayi[1]	-	-
Ernest Moagi[1]	-	-
Abel Mawela	236	159
Fagmeedah Petersen-Lurie	298	154
Vuyelwa Matsiliza	185	153
Siobhain O'Mahony	159	137
Andiswa Mosai	237	93
Total	**1 359**	**967**

[1] Government representative

Social and Ethics Committee

The Social and Ethics Committee is constituted as a statutory committee of the Board under section 72(4) of the Companies Act (read together with Regulation 43 of the Companies Regulations (2011)) to ensure the ECIC's ethical conduct. It fulfils the functions and responsibilities assigned to it in terms of the Companies Regulations and by the Board. The committee reviewed its terms of reference and evaluated its performance in 2015/16.

In accordance with the Companies Act, the chairperson of the Social and Ethics Committee will report on the committee's activities during the year under review to the Board and the shareholder at the annual general meeting to be held in 2016/17.

Activities in 2015/16

The Social and Ethics Committee met four times during 2015/16 to monitor the Corporation's progress within the committee's areas of responsibility. The committee received and considered management reports on:

- The ECIC's standing with the principles of the United Nations Global Compact Principles and the Organisation for Economic Co-operation and Development's recommendations against corruption. Confirmation was received that the Corporation conducts its business in accordance with acceptable principles regarding human rights, labour standards, the environment and anti-corruption.
- Skills and other educational development programmes for employees and non-employees.
- Corporate social investment programmes (see page 47).
- Progress against the ECIC's employment equity plans. Although the Corporation employs a demographically representative workforce, it needs to improve on employing and advancing employees with disabilities.
- Labour practices and policies. One formal grievance was lodged, and resolved, during the period under review.
- Consumer relationships. Policies on industry-specific consumer protection legislation are in place (such as the Financial Advisory and Intermediary Services Act (2002) and the Short-Term Insurance Act) and the committee monitors and manages compliance with these policies. The ECIC achieved high levels of compliance in 2015/16.
- Performance in respect of black economic empowerment as measured against **the dti**'s generic broad-based black economic empowerment (B-BBEE) scorecard. The ECIC aims to improve on its Level 4 B-BBEE rating until it achieves the highest possible rating.
- The Corporation's environmental policies.
- Health and safety performance. The committee implemented remedial actions for improved occupational health and safety of the ECIC's employees and visitors.

Overview of ethical conduct

To prevent fraud and corruption, the ECIC has a fraud prevention policy and a whistle-blowing policy in place. Other ethics and compliance policies, including the Code of Ethics, were reviewed in 2015/16 to ensure that essential features of ethics are correctly governed and managed. These policies are communicated to staff through internal ethics and compliance awareness workshops and information sessions. The ECIC plans to introduce an online gifts register and a register for the declaration of conflicts of interest to support policy implementation.

Table 12: Social and Ethics Committee attendance record, 2015/16

Members	02/06/2015	03/09/2015	10/11/2015	10/03/2016
Andiswa Mosai (chair)	✓	✓	✓	✓
Motshoanedi Johannes Lesejane	✓	✓	✓	✗
Siobhain O'Mahony	✓	✓	✓	✓
Kutoane Kutoane	✗	✓	✓	✓

Note: Members of the Executive Management Committee were also present at the meetings to present on various relevant topics.

LIQHOBONG DIAMOND MINE, LESOTHO

The ECIC provided 100 percent political and 85 percent commercial risk insurance for the ABSA debt facility of US$82.4 million to build, operate and maintain the Liqhobong diamond mine, located in northern Lesotho. The project is operated by Liqhobong Mining Development Company (Pty) Ltd, which is owned by Firestone Diamonds and the government of Lesotho. The project is still in the construction phase, which is anticipated to be completed in the second half of 2017.

GOVERNANCE REPORT

Compliance
The committee is satisfied that the Corporation continued to assign the necessary importance to its environmental, social and ethical governance responsibilities, and that its initiatives align with the ECIC's business strategy.

No material non-compliance with legislation and regulation or non-adherence with codes of best practice relevant to the areas within the committee's mandate were brought to the committee's attention. Based on its monitoring activities to date, the committee has no reason to believe that any non-compliance or non-adherence occurred during 2015/16.

Plans for 2016/17
The committee will continue to ensure that the Corporation has suitable policies, plans and programmes in place to promote and sustain social and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good consumer relations. The committee will focus on overseeing ethics management and performance, and benchmarking itself against other social and ethics committees.

CREDIT INSURANCE COMMITTEE
The Credit Insurance Committee is a statutory committee established in terms of the Export Credit and Foreign Investments Insurance Act to independently evaluate insurance applications, claims and salvage actions for the Board's approval.

Members of the committee are appointed in consultation with the Minister of Trade and Industry. The committee is chaired by an ECIC executive, and the Board is represented by the CEO. Committee members include representatives of the National Treasury, the South African Reserve Bank and the Department of International Relations and Cooperation. Industry experts may be co-opted.

The committee has the authority to evaluate and approve applications for insurance contracts within set thresholds, subject to the Board's ratification or notification. The committee also evaluates and approves amendments to insurance contracts as recommended by the Projects Executive Committee. The Credit Insurance Committee meets every three weeks or as the need arises.

The ECIC plans to restructure the committee in 2016/17 so that it is effectively brought within the control of the Board as a subcommittee.

ETHICS POLICIES
The Corporation's ethical conduct is enshrined in various policies, namely:

- The Code of Ethics and Business Conduct.
- The honesty and integrity requirements policy.
- The conflicts of interest management policy.
- Financial Intelligence Centre Act (2001) guidelines, which require any unusual or suspicious transactions to be reported to the Financial Intelligence Centre.
- The gifts policy, which requires that gifts above a set threshold be declared.
- The procurement policy, which details conduct during supply-chain processes.

The Board has its own code of ethics, which is included in the Board pack for every meeting. New directors are expected to acknowledge receipt of the code on appointment.

ICT GOVERNANCE
The Board, with the assistance of the Risk Committee, is responsible for ensuring that the Corporation's ICT systems are properly managed and that its ICT strategy aligns with its strategic objectives and performance targets.

ICT governance ensures that there are lines of accountability for maintaining and developing ICT structures and processes that add value to the Corporation and satisfy the needs of the Board, staff and other stakeholders. ICT systems should comply with rules and regulations and should be structured in ways that are cognisant of the risks involved with ICT systems.

The Board received quarterly reports from management on ICT governance during the year under review. The reports highlighted ICT risks and significant ICT investments and expenditure, among other things.

The Board is satisfied that suitable structures are in place to manage and continue developing the Corporation's ICT strategy.

Executive Management Committee
The Executive Management Committee is chaired by the CEO and consists of executives and senior managers that the CEO has co-opted. The committee has five focus areas: administrative, operations, projects, enterprise risk management and ICT.

Activities in 2015/16
The Executive Management Committee met at least once a month to, among other activities:

- Develop the Corporation's strategy for Board consideration and approval.
- Ensure that the Corporation carries out its day-to-day operations effectively and in accordance with approved strategies, policies and procedures.
- Evaluate applications for insurance cover and consider amendments, waivers or consents.
- Monitor and review employment development and relations such as staff training, personal development and management development.
- Identify, mitigate, monitor and report on enterprise-wide risks.
- Oversee the Corporation's relationship with its stakeholders as delegated by the Board.
- Oversee the effective management of ICT resources to facilitate the achievement of the Corporation's strategic objectives.
- Approve corporate social investment projects for funding.
- Discuss the performance progress reports of the different business units relating to the implementation of their business plans and use the forum to exchange views on how to ensure that the ECIC's strategic and corporate plans are achieved.

KING III CHECKLIST

Table 13: King III checklist

Principle number	King III principle	Applied/partially applied/not applied	Comments
Ethical leadership and corporate citizenship			
Principle 1.1	The Board of Directors provides effective leadership based on an ethical foundation.	Applied	The ECIC Board Charter commits the Board to ensuring that the Corporation's ethics are effectively managed. The Board is also responsible for approving the Code of Ethics and Business Conduct and related policies.
Principle 1.2	The Board ensures that the ECIC is (and is seen to be) a responsible corporate citizen.	Applied	The Social and Ethics Committee, which reports to the Board and the shareholder, ensures that the Corporation upholds its commitment to responsible corporate citizenship. The ECIC runs a corporate social investment programme that focuses on investments in education, welfare and enterprise development. These programmes will, in future, also aim to uplift the communities in which the ECIC operates.
Principle 1.3	The Board ensures that the ECIC's ethics are managed effectively.	Partially applied	The Board appointed the Social and Ethics Committee to monitor ethical requirements. The Corporation's ethics are managed through the applicable Code of Ethics and Business Conduct to which all members of the Board, management and ECIC employees are required to adhere. The code promotes and enforces ethical business practice. Progress has been made in formalising and strengthening the ECIC's internal ethics framework, and appropriate structures have been defined. Embedding this in business processes (by, for example, including adhering to an ethical standard in individual performance assessments) will be the task of years to come. The Corporation's ethics performance will be assessed, monitored, reported on and disclosed in the new year.
Boards and directors			
Principle 2.1	The Board acts as the focal point for, and custodian of, corporate governance.	Applied	The Board has adopted the principles of openness, integrity and accountability espoused in the King III Code of Corporate Governance Principles, as outlined in this table. The Board's roles and responsibilities are set out in the Board Charter, which is reviewed annually.
Principle 2.2	The Board appreciates that strategy, risk, performance and sustainability are inseparable.	Applied	The Board bases the ECIC's strategic outlook on identified risks (as assessed through its corporate risk register) and how they are likely to affect performance in an environment where limited resources may jeopardise the Corporation's sustainability.
Principle 2.3	The Board provides effective leadership based on an ethical foundation.	Applied	Refer to Principle 1.1.
Principle 2.4	The Board ensures that the ECIC is (and is seen to be) a responsible corporate citizen.	Applied	Refer to Principle 1.2.
Principle 2.5	The Board ensures that the ECIC's ethics are managed effectively.	Applied	Refer to Principle 1.3.
Principle 2.6	The Board has ensured that the ECIC has an effective and independent Audit Committee.	Applied	The Audit Committee has five members, all of whom are non-executive directors. Directors are appointed by the shareholder. The Board is satisfied that the committee is effective and that the individual members have the appropriate skills and experience.
Principle 2.7	The Board is responsible for the governance of risk.	Applied	Refer to Principle 4.1.
Principle 2.8	The Board is responsible for IT governance.	Applied	Refer to Principle 5.1.
Principle 2.9	The Board ensures that the ECIC complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	Refer to Principle 6.1.
Principle 2.10	The Board ensures that there is an effective risk-based internal audit.	Applied	Refer to Principle 7.1.
Principle 2.11	The Board appreciates that stakeholder perceptions affect a company's reputation.	Applied	Refer to Principle 8.1.
Principle 2.12	The Board ensures the integrity of the ECIC's integrated report.	Applied	Refer to Principle 9.1.
Principle 2.13	The Board reports on the effectiveness of the company's internal controls.	Applied	The auditor reports on the effectiveness of the Corporation's internal controls to the Board, which submits a quarterly performance report to **the dti**.
Principle 2.14	The Board and its directors act in the best interests of the Corporation.	Applied	The directors are given induction training on joining the Board and have committed themselves to remaining mindful of their fiduciary responsibilities. The Board Charter allows directors to seek external guidance regarding their fiduciary duties and responsibilities. The directors ensure that the long-term sustainability and ethical and environmental impact of the ECIC's activities are taken into consideration in all Board activities and decisions. The Company Secretary maintains a register of directors' interests.

KING III CHECKLIST

Principle number	King III principle	Applied/partially applied/not applied	Comments
Principle 2.15	The Board considers business rescue proceedings or other turnaround mechanisms as soon as the company is/may be financially distressed as defined in the Companies Act.	Applied	Although the ECIC abides by the Companies Act, it is primarily governed by the PFMA and Financial Services Board regulations, both of which specify stricter guidelines when it comes to financial management. Processes are in place for the Audit Committee to assess the ECIC's liquidity and going concern before recommending financial statements to the Board for approval. The Corporation's solvency and liquidity is also continuously monitored by the Finance and Investment Committee.
Principle 2.16	The Board should elect a chairperson who is an independent, non-executive director. The CEO of the ECIC should not also fulfil the role of chair of the Board.	Applied	**The dti** appoints the chairperson of the Board from the group of non-executive directors. The CEO does not fulfil the role of chair of the Board. There is a clear division of responsibilities between the chairperson and the CEO to ensure a balance of power within the Corporation and that no individual has unrestricted decision-making powers.
Principle 2.17	The Board should appoint the CEO and establish a framework for the delegation of authority.	Partially applied	The shareholder appoints the CEO based on the Board's recommendations. A framework for delegating the Board's authority is in place.
Principle 2.18	The Board comprises a balance of power, with a majority of non-executive directors. The majority of non-executive directors are independent.	Partially applied	The shareholder appoints all the directors. The independence of non-executive directors is not evaluated. The directors are classified as non-executive independent directors if they are not employees of government departments.
Principle 2.19	The Board appreciates that strategy, risk, performance and sustainability are inseparable.	Partially applied	The Remuneration Committee's mandate has been extended to include helping the Board and/or **the dti** identify suitable Board candidates. The chairperson represents the Board in **the dti**'s processes for appointing new directors. **The dti** appoints directors and issues letters of appointment. The letter highlights the directors' duties. The Code of Ethics, the Board Charter, the Corporation's insurance policy and the determination of remuneration are contained in separate documents to the letter of appointment.
Principle 2.20	The induction, ongoing training and development of directors is conducted through a formal process.	Applied	Board policies are in place to guide the induction and ongoing training of directors. The chairperson of the Board, with the assistance of the Company Secretary, is responsible for inducting new directors, keeping them informed about regulatory and legislative changes, and guiding them regarding their responsibilities and duties. Existing directors also attend new director induction. The Remuneration Committee's mandate includes preparing the directors' ongoing training needs. Training is arranged accordingly.

Principle number	King III principle	Applied/partially applied/not applied	Comments
Principle 2.21	The Board is assisted by a competent, suitably qualified and experienced Company Secretary.	Applied	The Board is satisfied that the Company Secretary is suitably qualified to carry out her duties.
Principle 2.22	The evaluation of the Board, its committees and individual directors is performed every year.	Partially applied	The Board and its committees are evaluated on an annual basis. The chairperson meets with individual directors on a one-on-one basis at least once a year to discuss matters relevant to their directorship.
Principle 2.23	The Board delegates certain functions to well-structured committees without abdicating its own responsibilities.	Applied	A comprehensive internal delegation of authority framework, within which the committees and management operate, is in place. The Board's committees are the Social and Ethics Committee, the Remuneration Committee, the Finance and Investment Committee, the Audit Committee, and the Risk Committee. The Executive Management Committee helps the CEO in the day-to-day running of the business. Each of these committees operates under formal terms of reference, which are reviewed annually. The Board assesses each Board committee's performance annually.
Principle 2.24	A governance framework has been agreed between the ECIC and its subsidiaries' boards.	Not applied	The ECIC does not have subsidiaries.
Principle 2.25	The ECIC remunerates its directors and executives fairly and responsibly.	Applied	The Remuneration Committee considers the overall remuneration levels to ensure that they are fair and in line with the corporate remuneration policy. The committee reviews the remuneration policy annually and recommends it for endorsement at the shareholder's annual general meeting. Remuneration is performance-based and includes short-term incentive options incorporating an element of company performance.
Principle 2.26	The ECIC has disclosed the remuneration of each individual director and prescribed officer.	Applied	See Table 11 and the annual financial statements.
Principle 2.27	The shareholder has approved the ECIC's remuneration policy.	Applied	The Board has approved the ECIC's staff remuneration policy (including executive remuneration). The shareholder issues a non-binding advisory vote on the staff policy at the Board's annual general meeting. The shareholder approves the remuneration policy for non-executive directors.

KING III CHECKLIST

Principle number	King III principle	Applied/partially applied/not applied	Comments
Audit committees			
Principle 3.1	The Board has ensured that the ECIC has an effective and independent Audit Committee.	Applied	The Audit Committee's terms of reference have been approved by the Board and are reviewed each year. Meetings are attended by representatives of the Office of the Auditor-General of South Africa, a nominee of **the dti**, the external auditor and the internal auditor. The Audit Committee's effectiveness is assessed yearly. A National Treasury representative is a member of the committee. The Board is satisfied with the effectiveness and independence of the committee.
Principle 3.2	The ECIC's Audit Committee members are suitably skilled and experienced independent non-executive directors.	Applied	The Audit Committee has five members, all of whom are non-executive directors. All directors are appointed by the shareholder. The Board is satisfied that the Audit Committee contains the appropriate level of skills and experience to fulfil the committee's duties and responsibilities. Committee members may consult independent advisers, subject to a Board-approved process.
Principle 3.3	The ECIC's Audit Committee is chaired by an independent non-executive director.	Applied	The Audit Committee is chaired by a suitably skilled independent non-executive director and is always present at the annual general meeting.
Principle 3.4	The Audit Committee oversees integrated reporting.	Applied	The Audit Committee reviews and recommends the integrated report for approval by the Board prior to the report's publication.
Principle 3.5	The Audit Committee has ensured that a combined assurance model has been applied, which provides a coordinated approach to all assurance activities.	Applied	The Audit Committee approves the ECIC's combined assurance model once a year. This model ensures that various assurance providers work together to assure the Board that key risks are managed, and that assurance activities are coordinated and use resources efficiently and effectively.
Principle 3.6	The Audit Committee is satisfied with the expertise, resources and experience of the ECIC's finance function.	Applied	The finance division is reviewed through both internal and external audit processes. The finance function and the Chief Financial Officer's performance were independently assessed on behalf of the Audit Committee. The Audit Committee annually reviews the performance and effectiveness of the finance function. The committee is satisfied that the Chief Financial Officer has the appropriate expertise and experience, and that the finance function is suitably resourced and has skilled senior members.
Principle 3.7	The Audit Committee is responsible for overseeing the internal audit process.	Applied	The Audit Committee oversees the internal audit process, including the approval of internal audit's annual audit plan. The committee also assesses the performance of the internal audit firm and the internal audit function.

Principle number	King III principle	Applied/partially applied/not applied	Comments
Principle 3.8	The Audit Committee is an integral component of the risk management process.	Applied	The Board has assigned oversight of the ECIC's risk management function to the Risk Committee. The Audit Committee oversees financial reporting risks, internal financial controls, and fraud and ICT risk. The Audit and Risk Committees have cross-memberships.
Principle 3.9	The ECIC's Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	The Audit Committee oversees the external audit process and recommends the appointment of the external auditor by the shareholder after being satisfied of the auditor's independence.
Principle 3.10	The Audit Committee has reported to the Board and the shareholders as to how it has discharged its duties.	Applied	At each Board meeting, the chairperson of the committee provides feedback to the Board on the committee's activities. An Audit Committee report is also presented at the annual general meeting. The committee's report is on pages 74-75.
The governance of risk			
Principle 4.1	The Board is responsible for the governance of risk.	Applied	Overall responsibility for managing risk within the ECIC rests with the Board. All ECIC employees are responsible for implementing risk management measures. The Risk Committee reviews the effectiveness of the risk management system and receives formal feedback from the risk management function at every committee meeting. The Board approves the risk management policy and framework annually.
Principle 4.2	The Board has determined the levels of risk tolerance.	Applied	The Board has determined risk tolerance thresholds.
Principle 4.3	The Risk Committee and/or Audit Committee has assisted the Board in carrying out its risk responsibilities.	Applied	The Board assigned the oversight of the ECIC's risk management function to the Risk Committee. Executive management has a standing invitation to attend the Risk Committee meetings and actively participates in discussions about risk matters. The Board monitors the committee's risk-related work on an ongoing basis.
Principle 4.4	The Board has delegated to management the responsibility to design, implement and monitor the risk management plan.	Applied	The executives and business unit managers are responsible for ensuring that risk management practices are implemented. The ECIC has appointed a Chief Risk Officer, who is responsible for helping the Board and senior management execute their duties with regard to managing risk. The Chief Risk Officer has unrestricted access to executive committees, the Board and Board committees.

Principle number	King III principle	Applied/partially applied/not applied	Comments
Principle 4.5	The Board has ensured that risk assessments are performed on a continual basis.	Applied	Identified risks are regularly reviewed to monitor significant changes. Key risk indicators are used in conjunction with the risk appetite dashboard to monitor relevant risks and controls highlighted in the risk and control self-assessment process. Each business unit produced risk registers every quarter to monitor and track the progress of risk actions.
Principle 4.6	The Board has ensured that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	The Board has delegated the management of risk to the Risk Committee, which constantly scans the operating environment and reports on possible emerging risks to the Board and executive on a quarterly basis.
Principle 4.7	The Board has ensured that management has considered and implemented appropriate risk responses.	Applied	The risk register defines the key risks faced by each of the units and their ratings, with further details of rating rationale, key issues and remedial actions for risks outside the tolerance level. Details of all risks that have moved into or out of the tolerance levels are also provided.
Principle 4.8	The Board has ensured continual risk monitoring by management.	Applied	Risks and action plans are constantly being monitored. Each business unit produces a quarterly risk register.
Principle 4.9	The Board has received assurance regarding the effectiveness of the risk management process.	Applied	The internal audit function provides assurance regarding the effectiveness of the risk management process.
Principle 4.10	The Board has ensured that there are processes in place that enable complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	Risk registers are produced on a quarterly basis. This report includes the Corporation's risk appetite dashboard, listing key risks and their related tolerance levels.

Principle number	King III principle	Applied/partially applied/not applied	Comments
	The governance of IT		
Principle 5.1	The Board is responsible for IT governance.	Applied	In terms of the Board-approved ICT Charter, the Board is accountable (takes ownership and makes decisions) for the corporate governance of ICT, which evaluates and directs the use of ICT to support the Corporation. The charter includes the strategy and policies for using ICT within the ECIC.
Principle 5.2	IT has been aligned with the performance and sustainability objectives of the ECIC.	Applied	The ECIC's ICT strategy aligns with its strategic objectives and performance targets.
Principle 5.3	The Board has delegated to management the responsibility for the implementation of an IT governance framework.	Applied	The Board has delegated the responsibility for ensuring that the Corporation implements appropriate system security, data integrity and business-continuity processes to the Risk Committee. The head of IT provides feedback to the Risk Committee on all ICT-related matters. The Chief Financial Officer is responsible for ICT and its governance in the Corporation.
Principle 5.4	The Board monitors and evaluates significant IT investments and expenditure.	Applied	The Risk Committee monitors and evaluates significant ICT investments and expenditure. The external auditors also provide assurance to the Audit Committee on general ICT controls. The Board receives a report on ICT governance on a quarterly basis.
Principle 5.5	IT is an integral part of the ECIC's risk management plan.	Partially applied	ICT governance is a standing Board and Risk Committee agenda item and risks relating to ICT are regularly assessed. A consolidated business continuity plan incorporating ICT is being developed.
Principle 5.6	The Board ensures that information assets are managed effectively.	Applied	The ICT Charter sets out key objectives that are included in the ECIC's corporate governance framework, such as: ■ Security of information, processing infrastructure and applications. ■ Privacy and confidentiality of information. ■ Enablement and support of business processes by integrating applications and technology into business processes.
Principle 5.7	A Risk Committee and Audit Committee assist the ECIC's Board in carrying out its IT responsibilities.	Applied	The Risk Committee helps the Board with ICT governance. The committee is responsible for ensuring that all ICT-related risks are adequately addressed in the risk management reports. The Audit Committee ensures that no ICT-related issues have a material impact on the financial results of the Corporation, and that the external auditors review the effectiveness of the general control environment as part of the standard audit process.

Principle number	King III principle	Applied/partially applied/not applied	Comments
		Compliance with laws, codes, rules and standards	
Principle 6.1	The Board ensures that the ECIC complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The ECIC is subject to a wide variety of legal, regulatory and professional requirements, with which all its employees must comply. It is essential that the ECIC take steps to ensure that there is no basis for the Corporation to be charged with non-compliance with these legal, regulatory and professional requirements. Non-compliance can be costly; it can result in civil liability, the imposition of fines and penalties, adverse publicity, or the suspension or revocation of the ECIC's licences. The Board is responsible for ensuring that the Corporation complies with applicable laws and considers adhering to non-binding rules, codes and standards. The Audit Committee helps the Board oversee compliance-related matters. The ECIC has a compliance function, which is responsible for helping the Board and the executive and senior management teams implement appropriate frameworks and processes to ensure that the Corporation complies with all relevant, applicable legislation. The compliance function also supports the business in implementing new and amended regulatory requirements. Regular reports are presented to the committee.
Principle 6.2	The Board and each individual director have a working understanding of the effect of applicable laws, rules, codes and standards on the ECIC and its business.	Applied	The Company Secretary keeps the Board informed about legislative developments through frequent information sessions. Each of the directors has a working understanding of the effect of the applicable laws, rules, standards and codes.
Principle 6.3	Compliance risk forms an integral part of the ECIC's risk management process.	Applied	The compliance function works closely with the enterprise risk management team to ensure that the regulatory exposures within the Corporation are appropriately reported within the risk management framework. Regulatory risk is included in the ECIC's risk appetite dashboard, as approved by the Board.
Principle 6.4	The Board delegates to management the implementation of an effective compliance framework and related processes.	Applied	The legislative and regulatory environment is regularly scanned. Compliance reports are presented to the Audit Committee. Management assesses the extent of compliance and the likely effect proposed legislation and regulations will have on the ECIC's activities. Where non-compliance is identified, management develops a plan detailing corrective action. Capacity constraints affect management's ability to monitor and report on legislative requirements, and thus provide regular assurance. However, compliance structures are maturing and the degree of assurance provided on the effectiveness of compliance controls is improving.

Principle number	King III principle	Applied/partially applied/not applied	Comments
		Internal audit	
Principle 7.1	The Board ensures that there is an effective risk-based internal audit.	Applied	Internal audit is an independent, outsourced assurance function, the purpose, authority and responsibility of which are formally defined in a charter approved by the Board in line with stipulations of the Institute of Internal Auditors. Internal audit prepares a risk-based audit plan in consultation with management every year. The annual audit plan considers the risks identified by management. Governance-related issues such as ethics, fraud management, quality control, risk management and compliance are covered either by specific, focused audits (as per audit plan) or indirectly through the audits performed. Internal audit also annually assesses internal control and risk management systems to objectively evaluate the effectiveness of risk management and the internal control framework. The analysis and evaluation of business processes and associated controls form part of a three-year, risk-based rolling audit plan.
Principle 7.2	Internal audit follows a risk-based approach to its plan.	Applied	The Audit Committee approves the annual audit plan and strategy, which considers the risks reflected on the business risk registers, including strategic risks.
Principle 7.3	Internal audit provides a written assessment of the effectiveness of the ECIC's system of internal controls and risk management.	Applied	Internal audit reports are generated each year and tabled at the Audit Committee meeting.
Principle 7.4	The Audit Committee is responsible for overseeing the internal audit process.	Applied	The Audit Committee oversees the internal audit process, including the approval of internal audit's annual audit plan. The committee also assesses the performance of the internal audit firm and the internal audit function. The internal audit executive reports functionally to the chairperson of the Audit Committee.
Principle 7.5	Internal audit is strategically positioned to achieve its objectives.	Applied	The internal audit function reports to the Board through the Audit Committee. The internal auditor is invited to attend all Audit Committee meetings. Internal audit has unrestricted access to the chairperson of the Audit Committee and the Board, as well as the CEO. The function obtains its mandate from the Audit Committee and reports on audit plan progress and results at each of the Audit Committee meetings. The Audit Committee approves the internal audit work plan annually. Any changes to the plan are tabled for approval at committee meetings.

KING III CHECKLIST

Principle number	King III principle	Applied/partially applied/not applied	Comments
		Governing stakeholder relationships	
Principle 8.1	The Board appreciates that stakeholder perceptions affect a company's reputation.	Applied	The Social and Ethics Committee ensures that transparent communication is in place for stakeholders on issues that affect them and the ECIC's sustainability. The Corporation's reputation, brand and relationship with its stakeholders are standing agenda items at Social and Ethics Committee meetings.
Principle 8.2	The Board delegates to management the authority to proactively deal with stakeholder relationships.	Applied	The Board delegated the responsibility to monitor and oversee the Corporation's relationship with its stakeholders to management and the Social and Ethics Committee.
Principle 8.3	The Board strives to achieve the appropriate balance between its various stakeholder groupings in the best interests of the Corporation.	Applied	The communication policy guides stakeholder engagement, which caters for different stakeholders.
Principle 8.4	The ECIC ensures the equitable treatment of shareholders.	Applied	The ECIC has one shareholder. The Corporation acts in accordance with the Companies Act and the shareholder's compact (concluded with **the dti**) regarding the treatment of its shareholder.
Principle 8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	The communication policy and the complaints management policy guide engagement with various stakeholders, including public relations and query management. All stakeholder communication and press releases are included within this framework and dedicated professionals coordinate these activities. The ECIC's stakeholder relations function leads stakeholder engagement, advocacy and strategic dialogue.
Principle 8.6	The Board ensures that disputes are resolved effectively and as expeditiously as possible.	Applied	Dispute resolution procedures as outlined in the Board-approved alternative dispute resolution policy are in place to resolve disputes quickly and effectively.

Principle number	King III principle	Applied/partially applied/not applied	Comments
		Integrated reporting and disclosure	
Principle 9.1	The Board ensures the integrity of the ECIC's integrated report.	Applied	The Board, along with the Audit Committee, reviewed this report before adoption.
Principle 9.2	Sustainability reporting and disclosure are integrated with the ECIC's financial reporting.	Partially applied	The integrated report discusses the ECIC's inputs and its business model. Reporting is done in line with King III. The integrated report discloses details of how the Board has satisfied itself that risk assessments, responses and interventions are effective. While the risk management process is described in the integrated report, the Board's view on its effectiveness will be included in future.
Principle 9.3	Sustainability reporting and disclosure are independently assured.	Not applied	The Corporation is refining its integrated reporting process. Assurance for identified areas will be considered in future.

AUDIT COMMITTEE REPORT

This is the Audit Committee's report for the financial year ended 31 March 2016. The Audit Committee is an independent statutory committee whose membership is appointed at the annual general meeting.

Terms of reference

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

Roles and responsibilities

Governance of risk

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

Internal audit

The committee is responsible for the appointment, compensation, retention and oversight of the internal auditor, who is responsible for reviewing and providing assurance on the adequacy of the internal control environment. This function is outsourced to Outsourced Risk and Compliance Assessment (Pty) Ltd. The committee approved the risk-based internal audit plan for 2015/16. The engagement partner of the internal audit firm reports the findings of the internal audit work to the committee on a regular basis. Internal audit reports functionally to the committee chairperson and operationally to the Head: Stakeholder Management. During the year under review, the committee met with the external auditors and with the internal auditors without management being present. The committee considers internal audit to be functioning effectively and to have addressed material risks pertinent to the ECIC in its audit.

External auditor appointment and independence

The committee is satisfied with the independence and objectivity of PricewaterhouseCoopers, the external auditor. It has met with the external auditors to ensure there were no unresolved issues.

Financial statements and accounting practices

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

Internal financial controls

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

Finance function

During the year under review Sedzani Mudau resigned as the Chief Financial Officer and Lesego Mosupye, who is the Chief Risk Officer, acted in that role until the appointment of Clarinda Simpson shortly after year end. The committee is satisfied that Sedzani Mudau and Clarinda Simpson, the newly appointed Chief Financial Officer, have the appropriate expertise and experience to meet the responsibilities of the Chief Financial Officer role. Furthermore, the committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function.

Integrated reporting

The committee has reviewed the integrated report of the ECIC for the year ended 31 March 2016 and submits that management is presenting an appropriate view of the entity's position and performance.

Evaluation of financial statements

The committee has evaluated the annual financial statements of the ECIC for the year ended 31 March 2016. It has also reviewed:

- The external auditor's report.
- The ECIC's compliance with applicable laws and regulations.
- Information on predetermined objectives included in the annual report.
- Any significant adjustments resulting from the audit.

Based on information provided by management, internal audit and external audit, the committee considers that these statements comply, in all material respects, with the requirements of the PFMA, and the basis of preparation as set out in the accounting policies in note 1.2 of the annual financial statements. The committee concurs that adopting the going-concern assertion in preparing the annual financial statements is appropriate.

At its special meeting on 30 June 2016, the committee recommended the approval of the financial statements to the Board.

Abel Makalene Mawela
Chairperson: Audit Committee

COMPANY SECRETARY CERTIFICATE

In accordance with section 88(2)(e) of the Companies Act, it is hereby certified that the ECIC has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the act and that such returns are true, correct and up to date.

L Mphaphuli
Company Secretary
28 July 2016

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

INDEX

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

The Board of Directors is responsible for the preparation, integrity and fair presentation of the financial statements. The external auditors are responsible for auditing the 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 2016.

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

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

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

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 annual financial statements were audited by the independent auditors, PricewaterhouseCoopers Inc., who were given unrestricted access to all financial records and related data, including minutes of meetings of the Board and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

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

The performance information fairly reflects the operations, actual output against planned targets for performance indicators as per the ECIC's strategic plan and annual performance plan for the financial year ended 31 March 2016. The performance information has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury.

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

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

- Particulars of material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year: refer to note 22.1 of the annual financial statements.
- 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 ECIC 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.

The directors have a reasonable expectation that the ECIC 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 ECIC for the year ended 31 March 2016 that appear on pages 81 to 115 were approved by the Board of Directors on 28 July 2016 and are signed on its behalf by:

MJ Lesejane **A Mawela**

INDEPENDENT AUDITORS' REPORT

Independent auditor's report to the shareholder of the Export Credit Insurance Corporation of South Africa SOC Limited

Report on the financial statements

Introduction

We have audited the financial statements of the Export Credit Insurance Corporation of South Africa SOC Limited set out on pages 81 to 113, which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

The accounting authority's responsibility for the financial statements

The Board of Directors, which constitute the accounting authority, are 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 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 2016 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa.

Emphasis of matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the Chief Executive's Report, Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between the reports and the audited financial statements. However, we have not audited the reports and accordingly do not express an opinion on the reports.

Report on other legal and regulatory requirements

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

INDEPENDENT AUDITORS' REPORT (CONT.)

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

- Objective 1: Improve knowledge and skills
- Objective 6: Improved business development
- Objective 8: Increase revenue.

We did not identify any material findings on the usefulness and reliability of the reported performance information.

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

Achievement of planned targets
Refer to the annual performance report on pages 36 to 46 for information on the achievement of the planned targets for the year.

Unaudited supplementary information
The supplementary information set out on pages 114 to 115 does not form part of the annual performance report and is presented as additional information. We have not audited these schedules and, accordingly, we do not report on them.

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

Internal control
We considered internal control relevant to our audit of the financial statements, performance against predetermined objectives and compliance with legislation. We did not identify any significant deficiencies in internal control.

PricewaterhouseCoopers Inc.

Victor Muguto
Director
Registered Auditor
29 June 2016

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Note(s)	2016 R'000	2015 R'000
Assets			
Property, plant and equipment	6	10 020	7 062
Intangible assets	7	4 451	2 243
Financial assets at fair value through profit and loss	8	7 072 663	2 582 549
Trade and other receivables	9	1 878 702	1 554 050
Cash and cash equivalents	10	439 960	3 817 639
Current tax receivable		26 516	1 020
Total assets		**9 432 312**	**7 964 563**
Equity and liabilities			
Equity			
Share capital and premium	11	316 051	316 051
Capital adequacy requirement	12	375 009	1 001 853
Retained earnings		1 933 635	1 318 293
Foreign currency translation reserve		2 623 161	1 688 042
Total equity		**5 247 856**	**4 324 239**
Liabilities			
Insurance contract liabilities		4 110 712	3 566 925
Provision for unearned premiums	13.1	3 177 325	2 779 345
Provision for unexpired risks	13.2	173 333	176 558
Provision for claims reserves	13.3	760 054	611 022
Deferred tax	14	43 357	38 350
Employee benefit liability	15	3 281	3 209
Trade and other payables	16	27 106	31 840
Total liabilities		**4 184 456**	**3 640 324**
Total equity and liabilities		**9 432 312**	**7 964 563**

STATEMENT OF COMPREHENSIVE INCOME

	Note(s)	2016 R'000	2015 R'000
Insurance premium revenue		411 894	1 788 350
Change in unearned premiums	13.1	171 738	(1 396 118)
Change in unexpired risks	13.2	37 471	(12 233)
Net insurance premium revenue		621 103	379 999
Assessment fees		14 030	14 314
Net investment income	18	254 300	277 102
Loss on exchange differences	19	(501 611)	(353 392)
Other income	21	21	38
Net income		387 843	318 061
Claims incurred		76 167	60 766
Insurance benefits and claims		89 888	74 877
Salvages received		89 888	74 877
Change in claims reserves	13.3	(13 721)	(14 111)
Commission paid		(228)	(356)
Operating expenses	22	(113 807)	(96 559)
Interest expense	23	(2)	-
Corporate social investment		(4 416)	(4 399)
Profit before taxation		345 557	277 513
Taxation	24	(357 059)	(209 723)
(Loss) profit for the year		(11 502)	67 790
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences	20	935 119	519 483
Other comprehensive income for the year net of taxation		935 119	519 483
Total comprehensive income for the year		923 617	587 273

STATEMENT OF CHANGES IN EQUITY

	Share capital and premium R'000	Foreign currency translation reserve R'000	Capital adequacy requirement R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 01 April 2014	316 051	1 168 560	89 818	1 258 378	2 162 538	3 736 967
Profit for the year	-	-	-	-	67 790	67 790
Effect of translation to presentation currency	-	519 482	-	519 482	-	519 482
Total comprehensive income for the year	-	519 482	-	519 482	67 790	587 272
Transfer to capital adequacy requirement	-	-	912 035	912 035	(912 035)	-
Balance at 01 April 2015	316 051	1 688 042	1 001 853	2 689 895	1 318 293	4 324 239
Loss for the year	-	-	-	-	(11 502)	(11 502)
Effect of translation to presentation currency	-	935 119	-	935 119	-	935 119
Total comprehensive loss for the year	-	935 119	-	935 119	(11 502)	923 617
Transfer from capital adequacy requirement	-	-	(626 844)	(626 844)	(626 844)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	(626 844)	(626 844)	(626 844)	-
Balance at 31 March 2016	316 051	2 623 161	375 009	2 998 170	1 933 635	5 247 856
Note(s)	11		12			

STATEMENT OF CASH FLOWS

	Note(s)	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash generated from underwriting activities	25	45 168	793 060
Interest income on financial assets designated at fair value		207 908	172 444
Dividends received		22 338	20 235
Interest paid		(2)	-
Taxation paid	26	(377 548)	(231 517)
Net cash (outflow)/inflow from operating activities		(102 136)	754 222
Cash flows from investing activities			
Acquisition of fixed assets	6	(3 160)	(2 653)
Sale of property, plant and equipment		98	33
Purchase of other intangible assets	7	(1 576)	(2 156)
Net movement in financial assets		(3 454 596)	2 497 003
Net cash (outflow)/inflow from investing activities		(3 459 234)	2 492 227
(Decrease)/Increase in cash and cash equivalents		(3 561 370)	3 246 449
Cash and cash equivalents at the beginning of the year		3 817 639	122 950
Effect of translation on cash and cash equivalents		217 780	450 770
Unrealised foreign exchange (loss) on cash and cash equivalents		(34 089)	(2 530)
Total cash and cash equivalents at end of the year	10	439 960	3 817 639

ACCOUNTING POLICIES

1. Presentation of annual financial statements

1.1 General information

The 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 Investment Re-insurance Act of 1957, as amended are set out in note 3.

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 Corporation in the current financial year:

IFRS 13, 'Fair value measurement': When this standard was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The International Accounting Standards Board (IASB) has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets': Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- Either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or,
- The accumulated depreciation is eliminated against the gross.

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

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

IFRS 9, 'Financial instruments (effective for periods beginning on or after 1 January 2018):This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

IFRS 9, 'Financial instruments', to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

Amendments to IAS 16 and 38: In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

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

1.2 Basis of preparation

The annual financial statements of the company are prepared on the going concern basis in accordance with the International Financial Reporting Standards 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 fair value and translation of functional currency to the presentation currency as explained in the accounting policies below. While the company is domiciled in South Africa, its functional currency is US dollar with the rand as its presentation currency, rounded to the nearest thousand.

1.3 Use of estimates and judgments

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,

ACCOUNTING POLICIES

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 contracts

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

1.4.1 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.

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

1.4.3 Unexpired risk provision

An unexpired risk provision is made for any deficiencies where the provision of unearned premiums is expected to be insufficient, on the current pricing basis, to meet expected claims and expenses of policies in force at the 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.
- 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.

While 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 which 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 for additional information.

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.

1.4.5 Salvages

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

ACCOUNTING POLICIES

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.
- At least two successive payments have been received by the company in terms of the agreement.

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

Recovery is deemed probable when the following conditions have been met for project finance contracts:

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

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

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

- There is a signed restructuring agreement.
- The payment on the revised agreement is up to date.
- 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.

1.4.7 Capital adequacy requirement

In terms of the Financial Services Board notice 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 notice prescribes 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 the presentation of these financial statements. The US dollar is the functional currency and the 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 dollars.

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 from the functional currency to the presentation 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.

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.

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.

ACCOUNTING POLICIES

1.6 Property, plant and equipment

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

Property, plant and equipment is depreciated over the following periods:

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

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

Intangible assets

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

Intangible assets are amortised over the following periods:

Computer software	3 years

The intangible assets' residual values and useful lives are reviewed at 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 on 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

Financial liabilities represent trade and other payables.

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; 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 using 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 nonconvertible bond.

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost using the effective interest method. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are

ACCOUNTING POLICIES

subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition.

Trade and other payables
Trade and other payables are recognised when the company has a present obligation arising from past events, the 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 as part of net investment income.

1.7.4 Derecognition
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.

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 when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

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 recognised through the statement of comprehensive income.

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

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The amount of the reversal is recognised through the statement of comprehensive income.

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.

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

1.9 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
Tax expenses
Taxation on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case the related taxation is also recognised in equity.

Current tax assets and liabilities
Current tax is calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the statement of financial position date, and any adjustment of tax payable for previous years. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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

Deferred tax assets and liabilities
Deferred tax is 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.

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 on the last day for registration in respect of listed securities and when declared in respect of unlisted securities. Dividend and interest accrued from financial assets designated at fair value through profit or loss are recognised in the 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 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.

Performance bonus
The performance bonus is based on performance ratings and other factors including economic conditions, risk

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exposure and the performance of the ECIC (and its consequent ability to make bonus payments without infringing the requirement of prudent good governance).

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

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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 on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

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

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

The company's process for determining significant reserving assumptions is outlined in note 13.4.

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 are met, an appropriate amount is recognised as receivable after careful consideration.

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 unexpired risk provision (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 port of call in mitigating such risk. If the premiums are insufficient to cover the total claims risk (i.e. including the risk stemming from concentration) the reserve shortfall should then be addressed through the URP.

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

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

Therefore, the extent to which the concentration risk reserve (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 reported (IBNR) claims provision

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

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

- The occurrence and a high probability that a non-payment of a scheduled instalment under the insured contract (protracted default) would occur.
- The occurrence and high probability that a political cause of loss (e.g, war, change in law sabotage, transfer restriction, inconvertibility) will occur.
- The occurrence and a high probability that commercial causes of loss (e.g. insolvency or an act of insolvency) will occur. A rating scale is applied in assigning the probability of loss.

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3. Terms and conditions of the 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 South Africa.

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

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

- A contractor's policy, which protects the contractor against buyer default during the development phase.
- 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 nature 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. 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
- 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 a policyholder suffers a loss due to the occurrence of an insured event to trigger a claim. By the very nature of an insurance contract, the amount and likelihood of the claim is uncertain.

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. Insured events are uncertain and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the Board by a change in any subset of the portfolio. The 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 actual claims experience varies from expected claims due to fluctuations in timing, frequency and severity of claims. This risk is managed primarily through sensible pricing, product design, 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, and the Board approves the claim for settlement. The amount settled on a claim is limited to exposure of unpaid amounts as per the repayment schedule.

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

4.1 Concentrations of insurance risk

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

	2016 R'000 New PD curve methodology	2015 R'000 Exposure including future interest
Angola	834 745	763 155
Democratic Republic of Congo	166 707	386 873
Ghana	5 616 847	3 651 841
Iran	2 276 946	1 866 906
Mozambique - Mozal Aluminium Smelter Plant	553 347	553 347
Mozambique - excluding Mozal	2 330 401	1 485 798
Liberia	1 474 370	1 053 247
Lesotho	526 651	-
Sierra Leone	505 268	946 439
Tanzania	2 360 285	2 697 033
Zambia	5 143 149	5 707 905
Zimbabwe	3 300 797	3 438 182
Other countries	737 896	722 255
	25 827 409	23 272 981

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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 claims liability comprises a provision for claims notified but not yet paid, and a provision for claims incurred but not reported. In terms of IFRS 4, an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claims payments not resolved within one year. The cost of claims reported and not yet paid is determined according to the repayment schedules of each contract. These repayment schedules are predefined 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 13.4.

5. Financial risk management

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 a risk management charter. Appropriate risk limits have been set and approved by the Board of Directors.

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

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 have been disclosed in note 17.

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 obligations.

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

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

	2016 R'000		2015 R'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets designated at fair value through profit and loss	7 072 663	7 072 663	2 582 549	2 582 549
Listed equities	1 378 756	1 378 756	711 125	711 125
Listed preference shares	2 775	2 775	16 012	16 012
Money market	670 811	670 811	534 532	534 532
Listed bonds	5 020 321	5 020 321	1 320 880	1 320 880
Trade and other receivables	1 878 703	1 878 703	1 554 050	1 554 050
Cash and cash equivalents	439 960	439 960	3 817 639	3 817 639
Trade and other payables	(27 106)	(27 106)	(31 840)	(31 840)
	9 364 220	9 364 220	7 922 398	7 922 398

5.1.1 Currency risk
Currency risk is the risk arising from fair value and / or changes in future cash flows of financial instruments fluctuating from their expected values as a result of changes in exchange rates. This arises from 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 minimise 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 the company's functional currency being the US dollar, though its operations are domiciled in South Africa.

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

	2016 R'000	2015 R'000
Cash and cash equivalents	388 006	39 662
Financial assets at fair value through profit and loss	2 368 368	2 582 548
Trade and other receivables	3 214	23 093
Tax receivable	26 516	1 020
Insurance contract liabilities	(27 551)	(53 181)
Other liabilities	(19 502)	(31 111)
	2 739 051	2 562 031

The following exchange rates were applied:

US dollar to SA rand exchange rates:		
Closing rate	14,8820	12,2020
Average rate	13,7700	11,0653

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

	Profit/(loss)		Equity	
	10% increase	10% decrease	10% increase	10% decrease
2016 R'000	(720 399)	876 887	(315 694)	315 694
2015 R'000	(585 479)	715 042	(276 899)	276 899

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 advises 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.

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A change of 100 basis points 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 variables remained the same.

	Profit/(loss)		Equity	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
2016 R'000	(224 120)	100 923	(224 120)	100 923
2015 R'000	(874 774)	80 583	(874 774)	80 583

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.

		2016 R'000	2015 R'000
Basic resources		231 788	151 490
Industrials		76 597	90 078
Consumer goods		317 768	152 394
Telecommunications		24 365	5 752
Financials		518 685	231 431
Health		46 864	21 901
Consumer services		134 328	40 937
Technology		6 066	5 932
Commodity-linked		6 291	11 210
Energy		16 004	-
	Note 8	1 378 756	711 125

The above equities are listed with the JSE Limited. A 5 percent 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
2016 R'000	68 938	(68 938)	68 938	(68 938)
2015 R'000	34 996	(34 996)	34 996	(34 996)

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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 forecasts. 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.

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

2016 R'000	Within 1 year	Within 1 and 5 years	Greater than 5 years	Total
Financial assets				
Financial asset at fair value through profit and loss	1 993 575	3 922 993	1 156 095	7 072 663
Trade and other receivables	296 228	1 040 125	542 349	1 878 702
Cash and cash equivalents	439 960	-	-	439 960
Tax receivable	26 516	-	-	26 516
	2 756 279	4 963 118	1 698 444	9 417 841
Financial liabilities				
Trade and other payables	27 106	-	-	27 106
2015 R'000				
Financial assets				
Financial asset at fair value through profit and loss	950 457	579 669	1 052 423	2 582 549
Trade and other receivables	247 492	766 371	540 187	1 554 050
Cash and cash equivalents	3 817 639	-	-	3 817 639
Tax receivable	1 020	-	-	1 020
	5 016 608	1 346 040	1 592 610	7 955 258
Financial liabilities				
Trade and other payables	31 840	-	-	31 840

5.3 Credit risk

Credit risk is the risk of financial loss resulting from a counterparty or customer's failure to meet its contractual obligations. The 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.

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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 counterparty credit ratings on financial assets being managed by fund managers. The Finance and Investment Committee also fulfils an oversight role in ensuring adherence to defined credit ratings.

5.3.1 Credit rating
The following table provides information on the credit quality of the company's financial and insurance assets.

2016 R'000	AAAA+	ABBB+	BBB and lower	Not rated	Total
Financial assets designated at fair value through profit and loss	5 043 172	360 687	54 418	1 614 386	7 072 663
Trade and other receivables	-	-	-	1 878 702	1 878 702
Cash and cash equivalents	439 961	-	-	-	439 961
	5 483 133	360 687	54 418	3 493 088	9 391 326
2015 R'000					
Financial assets designated at fair value through profit and loss	1 536 139	251 328	57 425	737 657	2 582 549
Trade and other receivables	-	-	-	1 554 050	1 554 050
Cash and cash equivalents	3 817 639	-	-	-	3 817 639
	5 353 778	251 328	57 425	2 291 707	7 954 238

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

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:

2016 R'000	Neither past due nor impaired	Past due but not impaired	Individually impaired	Provision for doubtful debt	Net carrying amount
Trade and other receivables	1 830 208	48 488	11	(5)	1 878 702
2015 R'000					
Trade and other receivables	1 546 127	7 917	11	(5)	1 554 050

2016 R'000	<30 days	31- 90	91-120	Greater than 120	Total
Trade and other receivables	-	-	-	48 488	48 488
2015 R'000					
Trade and other receivables	4 565	-	-	3 352	7 917

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5.4 Financial risk 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 in note 32.

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.

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 Solvency and Asset Management (SAM) interim measures as of 1 January 2017. 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. Property, plant and equipment

	2016 R'000			2015 R'000		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fittings	9 293	(3 126)	6 167	6 750	(2 111)	4 639
Motor vehicles	197	(73)	124	161	(34)	127
Office equipment	4 188	(1 644)	2 544	2 276	(1 064)	1 212
Computer equipment	3 698	(2 513)	1 185	2 662	(1 578)	1 084
Total	17 376	(7 356)	10 020	11 849	(4 787)	7 062

Reconciliation of property, plant and equipment - 2016
R'000

	Opening balance	Additions	Disposals	Depreciation	Translation effect	Total
Furniture and fittings	4 639	1 485	-	(876)	919	6 167
Motor vehicles	127	-	-	(29)	26	124
Office equipment	1 212	1 229	-	(321)	424	2 544
Computer equipment	1 084	446	(7)	(557)	219	1 185
	7 062	3 160	(7)	(1 783)	1 588	10 020

Reconciliation of property, plant and equipment - 2015
R'000

	Opening balance	Additions	Disposals	Depreciation	Translation effect	Total
Furniture and fittings	3 080	1 624	-	(675)	610	4 639
Motor vehicles	138	-	-	(29)	18	127
Office equipment	1 155	192	(54)	(236)	155	1 212
Computer equipment	605	837	(86)	(407)	135	1 084
	4 978	2 653	(140)	(1 347)	918	7 062

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7. Intangible assets

	2016 R'000			2015 R'000		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	4 530	(79)	4 451	2 243	-	2 243

Reconciliation of intangible assets - 2016 R'000

	Opening balance	Additions	Amortisation	Translation effect	Total
Computer software, other	2 243	1 576	(76)	708	4 451

Reconciliation of intangible assets - 2015 R'000

	Opening balance	Additions	Translation effect	Total
Computer software, other	-	2 156	87	2 243

8. Financial assets at fair value through profit and loss

8.1 At fair value through profit or loss - designated

	2016 R'000	2015 R'000
Listed equities	1 378 756	711 125
Bonds	5 020 321	1 320 880
Money market	670 811	534 532
Preference shares	2 775	16 012
	7 072 663	2 582 549

8.2 Maturity profile of financial assets

2016 R'000	Within 1 year	Within 1 and 5 years	Greater than 5 years	Total
Financial assets				
Bonds	86 409	3 777 817	1 156 095	5 020 321
Money market	525 635	145 176	-	670 811
Listed equities	1 378 756	-	-	1 378 756
Preference shares	2 775	-	-	2 775
	1 993 575	3 922 993	1 156 095	7 072 663
2015 R'000				
Financial assets				
Bonds	80 697	187 760	1 052 423	1 320 880
Money market	142 623	391 909	-	534 532
Listed equities	711 125	-	-	711 125
Preference shares	16 012	-	-	16 012
	950 457	579 669	1 052 423	2 582 549

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

	2016 R'000	2015 R'000
Level 1		
Listed equities	1 378 756	711 125
Bonds	5 020 321	1 298 794
Listed preference shares	2 775	16 012
	6 401 852	2 025 931
Level 2		
Bonds	-	22 086
Money market	670 811	534 532
	670 811	556 618
	7 072 663	2 582 549

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

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

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

8.4 Reconciliation of financial assets through profit and loss

	Opening balance	Interest, dividends and management fees	Total gains/losses in statement of comprehensive income	Purchases	Sales	Total
2016 R'000						
Financial assets	2 582 549	213 311	989 848	4 914 344	(1 627 390)	7 072 662
2015 R'000						
Financial assets	4 993 016	165 633	86 536	115 190	(2 777 826)	2 582 549

9. Trade and other receivables

	2016 R'000	2015 R'000
Trade receivable due from related parties	6 551	4 563
Other receivables	5 586	3 213
Premium receivables	1 759 426	1 463 367
Salvages receivable	107 139	82 907
	1 878 702	1 554 050

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

10. Cash and cash equivalents

	2016 R'000	2015 R'000
Cash at bank and on hand	255 808	3 817 639
Short-term deposits	184 152	-
	439 960	3 817 639

The aggregate interest rate on cash at bank and on hand at the reporting date was 0.62 percent. (2015: 1.609 percent).

11. Share capital and premium

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

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

12. Capital adequacy requirement

Balance at the beginning of the year	1 001 853	89 818
Transfer (from)/to capital adequacy requirement	(626 844)	912 035
	375 009	1 001 853

The company is required to raise additional capital to compensate for the risk of loss arising from insurance, market, credit, operational and liquidity risk on assets covering its insurance liabilities.

Regulatory capital is based on the SAM interim measures capital calculation effected as of 1 January 2012. Currently, only the changes to the capital computation and technical liabilities have been enacted into law. The capital adequacy requirement is included in the statement of financial position.

The capital adequacy requirement is calculated as the higher of the solvency capital requirement and the minimum capital requirement.

Premium revenue written from one financial period to the next is subject to significant volatility. The premium revenue written in the current financial year is 0.23 times less than that written in the previous financial year, resulting in a significant decrease in the insurance risk capital charge.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

13. Insurance contract liabilities

13.1 Provision for unearned premiums

	2016 R'000	2015 R'000
Balance at beginning of year	2 779 345	1 070 956
Amount transferred (to)/from the statement of comprehensive income	(171 738)	1 396 118
Premium (refund)/addition	(21 690)	5 854
Foreign exchange gain	(3 161)	-
Foreign currency translation loss	594 569	306 417
Balance at end of year	3 177 325	2 779 345

Maturity profile	Within 1 year	Within 1 and 5 years	Greater than 5 years	Total
2016 R'000	446 750	1 672 299	1 058 276	3 177 325
2015 R'000	279 759	954 841	1 544 745	2 779 345

13.2 Provision for unexpired risks

	2016 R'000	2015 R'000
Balance at beginning of year	176 558	142 774
Amount transferred (to)/from the statement of comprehensive income	(37 471)	12 233
Foreign exchange gain	(1 394)	(1 230)
Foreign currency translation loss	35 640	22 781
Balance at end of year	173 333	176 558

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

13.3 Provision for claims reserves

	2016 R'000	2015 R'000
Balance at beginning of year	611 022	517 054
Incurred but not reported claims reserve	611 022	517 054
Amount transferred to the statement of comprehensive income	13 721	14 111
Change in estimate	13 721	14 111
Incurred but not reported claims reserve	13 721	14 111
Incurred but not reported claims reserve	-	-
Foreign currency translation loss	135 311	79 857
Incurred but not reported claims reserve	135 311	79 857
Balance at end of the year	760 053	611 022
Outstanding claims reserve	-	-
Incurred but not reported claims reserve	760 053	611 022

Maturity profile	Within 1 year	Within 1 and 5 years	Greater than 5 years	Total
2016 R'000	-	760 053	-	760 053
2015 R'000	-	579 577	31 445	611 022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

13.4 Assumptions, change in assumptions and sensitivity
The methods and assumptions that have the greatest effect on the measurement of insurance contracts provisions are:

- Claim provisions are not discounted for the time value of money.
- The cost of claims incurred but not yet reported is individually assessed for each contract. The probability of default is estimated by experienced underwriters using systematic processes taking into account updated information on specific country and project risk.
- The unearned premium provision reflects the risk profile of contracts and is a function of the amount at risk and the probability of default. The probability of default is 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 the 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 change 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 recognises that the process of estimation is based on certain variables and assumptions which could differ when claims arise.

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

2016	Insurance Contract Liability R'000	Change %
Reported value	4 110 712	
CRR LGD at 90%	4 077 541	(0,80)
Exchange rate set 10% higher	4 501 195	9,50
Exchange rate set 10% lower	3 687 805	(10,30)
Discount IBNR at 7.5%	3 946 054	(4,00)
Discount IBNR at risk free rate	4 060 320	(1,20)
Discount claims provisions at 7.5%	4 110 712	-
IBNR "Upwards" stress	4 270 984	3,90
IBNR "Downwards" stress	3 963 007	(3,60)
2015		
Reported value	3 566 925	
CRR LGD at 90%	3 534 053	(0,90)
Exchange rate set 10% higher	3 902 436	9,40
Exchange rate set 10% lower	3 199 687	(10,30)
Discount IBNR at 7.5%	3 415 047	(4,30)
Discount IBNR at risk free rate	3 509 228	(1,60)
Discount claims provisions at 7.5%	3 566 925	-
IBNR "Upwards" stress	3 415 047	6,10
IBNR "Downwards" stress	3 447 979	(3,30)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14. Deferred tax

	2016 R'000	2015 R'000
Deferred tax liability	(43 357)	(38 350)
Reconciliation of deferred tax asset/(liability)		
Provisions	5 568	6 901
Unexpired risk reserve	1 049	1 677
Fair value loss on financial assets	(50 147)	(46 863)
Payment received in advance	203	182
Other	(30)	(247)
	(43 357)	(38 350)

15. Employee benefit liability

2016 R'000	Opening balance	Additions	Leave taken	Leave paid	Total
Other provisions	3 209	3 993	(3 090)	(831)	3 281
2015 R'000	**Opening balance**	**Additions**	**Utilised during the year**	**Reversed during the year**	**Total**
Other provisions	2 296	3 720	(2 664)	(143)	3 209

16. Trade and other payables

	Note(s)	2016 R'000	2015 R'000
Sundry creditors and accruals		12 195	11 919
VAT		249	35
Bonus provision		14 570	19 820
Amount due to related party (refer to note)	29	92	66
		27 106	31 840

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

17. Categories of financial instruments

R'000	Note(s)	Financial assets at fair value through profit or loss	Trade and other receivables	Financial assets and liabilities at amortised cost	Other non financial assets and liabilities	Total	Current assets and liabilities	Non-current assets and liabilities
Categories of financial instruments - 2016								
Assets								
Property, plant and equipment	6	-	-	-	10 020	10 020	-	10 020
Intangible assets	7	-	-	-	4 451	4 451	-	4 451
Financial assets at fair value through profit and loss	8	7 072 663	-	-	-	7 072 663	1 993 575	5 079 088
Trade and other receivables	9	-	1 878 702	-	-	1 878 702	296 228	1 582 474
Cash and cash equivalents	10	-	-	439 960	-	439 960	439 960	-
Current tax receivable		-	-	26 516	-	26 516	26 516	-
		7 072 663	1 878 702	466 476	14 471	9 432 312	2 756 279	6 676 033
Liabilities								
Provision for unearned premiums	13.1	-	-	-	3 177 325	3 177 325	462 962	2 714 363
Provision for unexpired risks	13.2	-	-	-	173 333	173 333	-	173 333
Provision for claims reserves	13.3	-	-	-	760 054	760 054	-	760 054
Deferred tax	14	-	-	-	43 357	43 357	-	43 357
Employee benefit liability	15	-	-	-	3 281	3 281	3 281	-
Trade and other payables	16	-	-	27 106	-	27 106	27 106	-
		-	-	27 106	4 157 350	4 184 456	493 349	3 691 107
Categories of financial instruments - 2015								
Assets								
Property, plant and equipment	6	-	-	-	7 062	7 062	-	7 062
Intangible assets	7	-	-	-	2 243	2 243	-	2 243
Financial assets at fair value through profit and loss	8	2 582 549	-	-	-	2 582 549	950 458	1 632 091
Trade and other receivables	9	-	1 554 050	-	-	1 554 050	247 492	1 306 558
Cash and cash equivalents	10	-	-	3 817 639	-	3 817 639	3 817 639	-
Current tax receivable		-	-	1 020	-	1 020	1 020	-
		2 582 549	1 554 050	3 818 659	9 305	7 964 563	5 016 609	2 947 954
Liabilities								
Provision for unearned premiums	13.1	-	-	-	2 779 345	2 779 345	279 759	2 499 586
Provision for unexpired risks	13.2	-	-	-	176 558	176 558	-	176 558
Provision for claims reserves	13.3	-	-	-	611 022	611 022	-	611 022
Deferred tax	14	-	-	-	38 350	38 350	-	38 350
Employee benefit liability	15	-	-	-	3 209	3 209	3 209	-
Trade and other payables	16	-	-	31 840	-	31 840	31 840	-
		-	-	31 840	3 608 484	3 640 324	314 808	3 325 516

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

18. Net investment income

	2016 R'000	2015 R'000
Dividend income		
Dividends received	22 338	20 235
Other investment income		
Interest received	207 183	153 447
Realised gains on disposal of financial assets	54 194	79 220
Change in fair value of financial assets	(30 138)	7 316
Interest received on cash and cash equivalents	723	16 884
	231 962	256 867
	254 300	277 102

19. Loss on exchange differences

The foreign exchange differences arise as a result of revaluing rand monetary net assets from historic rates to closing rate.

	2016 R'000	2015 R'000
Effect of translation on cash and cash equivalents	(34 089)	(2 530)
Effect of translation on net assets (excluding insurance contract liabilities and cash and cash equivalents)	36 756	19 938
Effect of translation on investments	(508 833)	(372 030)
Unrealised loss from revaluation of insurance contract liabilities	4 555	1 230
	(501 611)	(353 392)

20. Currency translation differences

The currency translation difference arises because the presentation currency (ZAR) is different to the functional currency (US$). This difference represents the changes in the foreign exchange movement between the historic rate and the closing rate on the non-monetary net assets.

	2016 R'000	2015 R'000
Retained income	522 193	471 028
Gross unearned premium reserve	(347)	(3 987)
Fixed assets	2 336	1 006
Payments in advance	1 035	142
Technical reserves movement	100 935	(114 444)
Foreign exchange gain/(loss)	308 967	165 738
	935 119	519 483

21. Other income

	2016 R'000	2015 R'000
Other sundry income	21	25
Interest on insurance premiums paid late	-	13
	21	38

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

22. Net operating expenses

Net operating expenses are arrived at after taking into account:

	2016 R'000	2015 R'000
External auditors' remuneration		
Audit fees for the current year	1 231	1 005
	1 231	1 005
Internal auditors' remuneration	824	1 246
Depreciation		
Property, plant and equipment	1 783	1 353
Directors' emoluments		
Remuneration paid to executive directors	3 596	4 041
Remuneration paid to non-executive directors	1 359	967
	4 955	5 008
Employee costs		
Salaries	42 254	32 367
Prior year bonus (over provision)/under provision	(13 984)	2 023
Provision for bonus for current year	14 570	19 820
	42 840	54 210
Operating leases		
Equipment	173	98
Property rental	5 372	5 547
	5 545	5 645
Remuneration to non-employees		
Actuarial services	1 168	474
Consulting services	2 613	1 087
Legal services	689	2 131
	4 470	3 692
General administrative expenses	33 821	15 915
	33 821	15 915
Total operating expenses (excluding portfolio fees)	95 469	88 074
Investment portfolio management fee	18 338	8 485
	18 338	8 485
Total operating expenses	113 807	96 559

22.1. Disclosure as required by section 55 of PFMA - Fruitless and wasteful expenditure

	2016 R'000	2015 R'000
Opening balance	69	-
Addition	1	69
Recovered	(63)	-
Write-off	(6)	-
	1	69

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. Interest paid

	2016 R'000	2015 R'000
Interest on other	2	-

24. Taxation

	2016 R'000	2015 R'000
Major components of the tax expense		
Current		
Local income tax - current period	352 052	213 385
Deferred		
Deferred tax - current year	5 007	(3 662)
	357 059	209 723
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Current year's charge as a percentage of profit before taxation	104,98%	75,57%
Disallowable expenses	(0,02)%	(0,02)%
Exempt income - dividends	0,49%	0,69%
Translation effect	(77,03)%	(49,35)%
Other	(0,42)%	1,11%
	28,00%	28,00%

25. Cash generated from operations

	2016 R'000	2015 R'000
Profit before taxation	345 557	277 513
Adjustments for:		
Profit on sale of assets	(70)	108
Interest received	(207 908)	(172 444)
Interest paid	2	-
Dividends received	(22 338)	(20 235)
Depreciation	1 783	1 353
Other non-cash items	92	-
Fair value gain on financial assets	30 138	(7 316)
Realised gain on disposal of financial assets	(54 194)	(79 220)
Loss on foreign exchange	501 611	353 392
Provision for unearned premiums	(171 738)	1 396 118
Provision for unexpired risks	(37 471)	12 233
Provision for outstanding claims	13 721	14 111
Trade and other receivables	(349 359)	(993 586)
Trade and other payables	(4 730)	10 120
Movements in provisions	72	913
	45 168	793 060

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26. Taxation paid

	2016 R'000	2015 R'000
Balance at beginning of the year	1 020	(17 112)
Current tax for the year recognised in profit or loss	(352 052)	(213 385)
Balance at end of the year	(26 516)	(1 020)
	(377 548)	(231 517)

27. Commitments

Operating leases		
Minimum lease payments due		
- within one year	5 336	5 299
- in second to fifth year inclusive	10 671	15 898
	16 007	21 197

28. Retirement benefits

Defined contribution plan
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 contribution	4 227	3 616

29. Related parties

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**).

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.

Department of Trade and Industry
The dti offers the IMU 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.

Balance at beginning of year	117 742	317 928
Receipts from **the dti**	165 447	110 370
Payments to financial institutions	(282 957)	(321 039)
Interest	2 539	10 814
Professional services	(146)	(331)
Balance at end of year	2 625	117 742

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As at 31 March 2016, R115.9 million of claims remained unpaid due to insufficient funds. This was resolved in April when **the dti** transmitted R206 million.

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.

	2016 R'000	2015 R'000
Balance at beginning of year	67	611
Premiums (net of commissions)	25	154
Net cash/receipts	-	(698)
Balance at end of year	92	67

Government guarantee
In terms of the 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.

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:

Statement of comprehensive income effects:		
Premium		
Industrial Development Corporation of South Africa Ltd	18 726	29 672
Development Bank of Southern Africa	56 430	49 847
Assessment fees		
Development Bank of Southern Africa	350	-
Industrial Development Corporation of South Africa Ltd	10	-
Other income		
South African Revenue Service (interest)	2	-
Taxation		
South African Revenue Service (income tax)	352 052	213 385
Statement of financial position effects:		
Financial assets		
Bonds - Municipalities	-	5 620
Bonds - Parastatals	106 022	140 335
Bonds - National government	810 450	640 024
Trade and other receivables		
Industrial Development Corporation Ltd	6 153	4 518
Development Bank of Southern Africa	398	-
Inseta	-	45
South African Revenue Service (income tax)	26 516	1 020
Total assets	949 539	791 562
Liabilities		
Trade and other payables		
Industrial Development Corporation Ltd	746	564
South African Revenue Service (value added tax)	249	35
	995	599

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30. Directors' and executives' emoluments

	2016 R'000	2015 R'000
Non-executive		
MJ Lesejane	230	212
TT Ngcobo (retired)	14	59
A Mawela	236	159
S O'Mahony	159	137
F Petersen-Lurie	298	154
V Matsiliza	185	153
A Mosai	237	93
	1 359	967

Executive remuneration 2016 R'000	Basic salary	Bonus paid	Provident fund	Cellphone allowance	Acting allowance	Total
K Kutoane - Chief Executive Officer (Director)	3 066	530	-	38	-	3 634
L Mphaphuli - Company Secretary	1 282	239	200	24	-	1 745
M Nkuhlu - Chief Operations Officer	2 088	473	188	24	-	2 773
S Mudau - Chief Financial Officer (resigned December)	1 586	223	139	18	-	1 966
L Mosupye - acting Chief Financial Officer	1 425	296	221	24	46	2 012
S Esterhuizen - acting Chief Risk Officer	-	-	-	-	39	39
N Maphula - acting General Counsel	-	-	-	-	39	39
	9 447	1 761	748	128	124	12 208

2015 R'000	Basic salary	Bonus	Provident fund	Cellphone allowance	Total
K Kutoane - Chief Executive Officer (Director)(appointed 01/09/2013)	2 810	1 200	-	31	4 041
L Mphaphuli - General Counsel	1 209	610	188	22	2 029
M Nkuhlu - Chief Operations Officer	1 970	845	177	24	3 016
S Mudau - Chief Financial Officer	1 126	610	176	24	1 936
L Mosupye - Chief Risk Officer	1 344	624	209	24	2 201
	8 459	3 889	750	125	13 223

31. Contingent asset and liability

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 R761 million.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Solvency

	2016	2015
International solvency margin	1 389%	433%

The degree to which the available capital can cover the capital adequecy requirement.

33. Events after the reporting period

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

34. Change in estimate

Technical liabilities
During the current financial year management revised the assumptions used to calculate the carrying amount of technical liabilities on the basis of past experience. Management is of the view that the revised estimates reflects better the underlying risk of contracts underwritten. Approval from the FSB was obtained for this revision.

The effect of this revision has resulted in an increase in underwriting profit for the current financial year by R446 million. The impact on tax is R125 million.

35. Underwriting results

	2016 R'000	2015 R'000
Insurance premium revenue	411 894	1 788 350
Change in unearned premiums	171 738	(1 396 118)
Change in unexpired risks	37 471	(12 233)
Net insurance premium earned	621 103	379 999
Claims incurred	76 167	60 766
Claims paid net of salvages	89 888	74 877
Salvages received	89 888	74 877
Change in claims reserves	(13 721)	(14 111)
Assessment fees	14 030	14 314
Commission paid	(228)	(356)
Operating expenses	(95 469)	(88 074)
Underwriting results	615 603	366 649
Investment income	254 300	277 102
Portfolio management fees	(18 338)	(8 485)
Foreign exchange loss	(501 611)	(353 392)
Other income	21	38
Interest expense	(2)	-
Corporate social investment	(4 416)	(4 399)
Profit before taxation	345 557	277 513
Taxation	(357 059)	(209 723)
(Loss) profit for the year	(11 502)	67 790

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. 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:

	2016 R'000	2015 R'000
Statement of financial position		
Assets		
Property, plant and equipment	7 106	5 776
Intangible assets	3 655	2 156
Financial assets at fair value through profit and loss	7 072 663	2 582 549
Trade and other receivables	1 877 365	1 553 748
Cash and cash equivalents	439 961	3 817 638
Current tax receivable	26 516	1 020
Total assets	9 427 266	7 962 887
Equity and liabilities		
Equity		
Share capital and premium	316 051	316 051
Capital adequacy requirement	375 009	1 001 853
Retained income	4 567 956	3 020 521
Total equity	5 259 016	4 338 425
Liabilities		
Insurance contract liabilities	4 094 500	3 551 061
Provision for unearned premiums	3 161 113	2 763 481
Provision for unexpired risks	173 333	176 558
Provision for outstanding claims	760 054	611 022
Provisions	3 281	3 209
Trade and other payables	27 112	31 842
Deferred tax	43 357	38 350
Total liabilities	4 168 250	3 624 462
Total equity and liabilities	9 427 266	7 962 887

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note(s)	2016 R'000	2015 R'000
Statement of comprehensive income			
Insurance premium revenue		411 894	1 788 350
Change in unearned premiums		169 630	(1 525 387)
Change in unexpired risks		36 058	(12 970)
Net insurance premium revenue		617 582	249 993
Assessment fees		14 030	14 314
Net investment income	18	254 300	277 102
Profit and loss on exchange differences	19	442 932	282 313
Other income	21	21	38
		1 328 865	823 760
Claims incurred		67 240	77 388
Claims paid net of salvages		89 888	74 877
Salvages received		89 888	74 877
Change in claims reserves		(22 648)	2 511
Expenses			
Commission paid		(228)	(356)
Operating expenses	22	(113 807)	(96 559)
Interest expense	23	(2)	-
Corporate social investment		(4 416)	(4 399)
Profit before taxation		1 277 652	799 834
Taxation	24	(357 060)	(209 723)
Profit for the year		920 592	590 111
Total comprehensive income for the year		920 592	590 111

LIST OF FIGURES AND TABLES

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