ANNUAL FINANCIAL STATEMENTS

2020

ESTABLISHED IN 2001

ECIC

EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LTD

YOUR EXPORT RISK PARTNER

Export Credit Insurance Corporation of South Africa SOC Ltd
Financial statements
for the year ended 31 March 2020
These financial statements were supervised by:
N Mkhathazo CA (SA)
Chief Financial Officer
These audited financial statements have been prepared in compliance with the applicable requirements of the Companies Act 71 of 2008.

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Export credit and investment insurance
Directors	D Dharmalingam (Independent non-executive director & Chairperson) V Matsiliza (Independent non-executive director) S O'Mahony (Independent non-executive director) L Radikeledi (Non-independent non-executive director) S Mayekiso (Independent non-executive director) L Mothae (Independent non-executive director) D Subbiah (Independent non-executive director) L Mataboge (Non-independent non-executive director) S Botes (Alternate Non-independent non-executive director) K Kutoane (Chief Executive Officer)
Business address	349 Witch Hazel Avenue Eco Park Origins Building C7 & C8 Centurion 0063
Bankers	First National Bank
Auditors	SizweNtsalubaGobodo Grant Thornton Inc. Chartered Accountants (S.A.) Registered Auditors
Company secretary	C Kgoale
Company registration number	2001/013128/30

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

Audit Committee Report

This is the Audit Committee's report for the financial year ended 31 March 2020. The Audit Committee ('the 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 information and communications technology ('ICT') risks as these relate to financial reporting.

Internal audit

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

This function is outsourced to Outsourced Risk and Compliance Assessment (Pty) Ltd. The committee approved the risk-based internal audit plan for 2020 financial year. The engagement partner of the internal audit firm has unrestricted access to anyone in the organisation and reports the findings of the internal audit work to the committee on a regular basis. Internal audit reports functionally to the committee chairperson and operationally to the Chief Executive Officer ('CEO'). The committee is satisfied with the effectiveness of these arrangement for internal audit.

During the year under review, the committee met with the external and internal auditors without management being present. The committee considers internal audit to be functioning effectively and to have addressed material risks pertinent to the Export Credit Insurance Corporation of South Africa ('the Corporation' or 'ECIC') in its audit.

External audit and non-audit services

The 2019 financial year was the first year of the tenure of the consortium of SizweNtsalubaGobodo Grant Thornton Inc and AM PhakaMalele Inc as the Corporation's external auditors. The committee is satisfied with the independence and objectivity of the external auditors, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought from and provided by AuditorGeneral of South Africa (AGSA) that internal governance processes within the firm support and demonstrate its claim to independence.

To assess the effectiveness of the external auditor, the committee considered the external auditors' fulfilment of the agreed audit plan and variations from the plan, and the robustness and perceptiveness of the external auditors in their handling of key accounting treatments and disclosures. The committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2020 financial year.

Any non-audit services to be provided by the external auditors are governed by a formal written policy and all such services are to be pre-approved by the committee to ensure that such services do not impair the independence of the external audit firms.

The committee has recommended, for approval at the Annual General Meeting, the reappointment of the consortium of SizweNtsalubaGobodo Grant Thornton Inc and AM PhakaMalele Inc as external auditors of the Corporation for the 2021 financial year.

The committee 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 Corporation and is satisfied that they are appropriate and comply with the International Financial Reporting Standards, the requirements of the Companies Act and Public Finance Management Act (PFMA).

Internal financial controls

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

Finance function

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

Integrated reporting

The committee has reviewed the integrated report of the Corporation for the year ended 31 March 2020 and submits that management is presenting an appropriate view of the entity's position and performance.

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

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

Evaluation of financial statements

The committee has evaluated the annual financial statements of the ECIC for the year ended 31 March 2020. It has also reviewed:

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

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

To address the prior year external audit finding relating to the accounting for unsettled investment trades, the committee recommended that management ensures that the investment reconciliations are updated to ensure that the cash and cash equivalents are not reported net of unsettled investment trade debtors and creditors.

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

The committee performed the following activities during the year:

- Reviewed the Corporation's integrated report and processes and recommended the same to the board for approval;
- Approved the engagement letters, audit plan and budget for the external audit firm and the internal audit firm;
- Considered the Corporation's annual financial statements;
- Reviewed accounting policies and practices and consider any significant changes or departure from accounting policies and practices;
- Reviewed the basis on which the company has been determined a going concern;
- Reviewed the policy for non-audit services to be rendered by the external auditors to the company and pre-approving the contracts for non-audit services to be rendered by the external auditors;
- Considered and recommended for Board's approval the quarterly performance reports to be submitted to the Department of Trade, Industry and Competition **(the dtic)**; and
- Reviewed the finance function and the Chief Financial Officer's performance.

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

The committee reviewed, and recommended to the Board for approval, the Combined Assurance Plan in line with King IV to implement the 5 lines of defence. King IV expands on the King III's combined assurance model to incorporate all assurance providers to enable an effective control environment to strengthen decision making.

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

Conclusion

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

At its special meeting on 04 September 2020 the committee recommended the approval of the annual financial statements to the Board.

L Mothae
Chairperson

Directors' Responsibility Statement and approval of the Annual Financial Statement

The external auditor is responsible for auditing the financial statements whereas the Board of Directors ('Board') is responsible for the preparation, integrity and fair presentation of the financial statements. The Board acknowledges its duty to ensure balanced content and fair presentation that provides a comprehensive assessment of the Corporation's performance for the financial year ended 31 March 2020.

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 company's financial position at year-end and the results and cash flows for the year.

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

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

As part of internal controls, the company's internal audit function conducts inspections, financial and specific audits. The external auditors are responsible for reporting on the company's financial statements. The financial statements were audited by the independent auditors, the consortium of SizweNtsalubaGobodo Grant Thornton Inc and AM PhakaMalele 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 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 judgements and estimates.

The performance information fairly reflects the operations, actual output against planned targets for performance indicators as per the Corporation's strategic plan and annual performance plan for the financial year ended 31 March 2020. The performance information has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury.

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

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

- Material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year: refer to note 22.1 of the annual financial statements.
- Any criminal or disciplinary steps taken because of such losses or irregular expenditure or fruitless and wasteful expenditure: there were no instances where the Corporation sustained material losses.
- Any losses recovered or written off: no material losses were recovered or written off other than in the ordinary course of business.

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

The financial statements of the Corporation for the year ended 31 March 2020 that appear on pages 14 to 75 were approved by the Board of Directors on 08 September 2020 and are signed on its behalf by:

D Dharmalingam
Chairperson
30 September 2020

K Kutoane
Chief Executive Officer
30 September 2020

Company Secretary's Certification

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

I certify that, in respect of the reporting period, the Corporation has lodged with the Companies and Intellectual Property Commission (CIPC) all returns, and notices required in terms of the Companies Act, 71 of 2008 as amended.

C Kgoale
Company Secretary
30 September 2020

Directors' Report

Nature of business
The Corporation is a self-sustained, state-owned, national export credit agency that is supervised and regulated by the Financial Sector Conduct Authority (FSCA) and Prudential Authority (PA). The Corporation's main business is to promote trade with countries outside the Republic by providing for insurance on behalf of the Government of South Africa of contracts relating to export transactions, investments and loans or similar facilities connected with such transactions.

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

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

Board of Directors
The current directors are reflected on General Information page. During the 2020 financial year, there were no resignations and appointments.

Executive management
The Board noted the appointment of Chief Actuarial and Investment Executive in June 2019.

Financial results
The financial results of the Corporation are fully disclosed on pages 14 to 75.

Dividends
No dividend has been declared for the current and previous financial year in line with the Corporation's dividend policy.

Taxation status
The Corporation pays income tax in terms of the Income Tax Act of 1962, as amended. The Corporation is also subject to and complies with all other South African taxes, including employees' tax and value-added tax. As at year end the Corporation was in good standing with respect to its tax responsibilities. The Corporation is in the process of applying for an income tax ruling to calculate the tax liability in US Dollar functional currency and not the Rand functional currency.

The Corporation has requested that the Interest Make-Up (IMU) grant received from **the dtic** be exempted from income tax. The request is subject to the tax legislation process. The amendment tax bill which will designate the IMU grant as tax exempt in terms of Schedule 11 of the Income Tax Act is yet to be published.

Changes in accounting policies
The accounting policies applied during the year ended 31 March 2020 are in all material respects consistent with those applied in the annual financial statements for the year ended 31 March 2019, as no changes in accounting policies were effected in this financial year, with the exception of IFRS 16 which was effective in the current year.

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

Going concern
The Board of Directors believes that the Corporation will continue to be a going concern in the foreseeable future. For this reason, the directors have adopted a going-concern basis in preparing the annual financial statements, refer to note 36 for a detailed assessment.

Audit Committee information
The names of the Audit Committee members and attendance records are reflected below:

Members	26 April 2019	30 July 2019	24 October 2019	28 January 2020
L Mothae (Chair from 01 August 2019)	X	-	X	X
V Matsiliza (Chair until 31 July 2019)	X	X	X	X
S O'Mahony	X	X	-	X
S Mayekiso	X	X	X	X

Legends:
X > in attendance
- > apology

Litigation
The directors are not aware of a material litigation against the Corporation.

Related-party transactions

The related-party transactions are specified in the Notes to the Annual Financial Statements on pages 67 to 69.

Performance against pre-determined objectives

The Corporate strategic objectives and targets are developed and approved by the Board of Directors. The table below compares the planned and related actual performance for 2020 on the high-level corporate strategic objectives, and indicate the degree to which the Corporation met or exceeded its strategic objectives for the year under review.

Output	Performance Measure or Indicator	2019-20 Annual Target	Actual Achievement
ENHANCE KNOWLEDGE AND SKILLS TO IMPROVE ORGANISATIONAL CAPACITY			
Implementation of the Annual training plans	% of annual training plan implemented	80 - 100% implementation of training plan for 2019/20	Target achieved 90% % of training plan implemented.
BUILD AND LEVERAGE STRATEGIC PARTNERSHIPS TO ADVANCE BUSINESS			
Strategic partnerships plans implemented	Percentage (%) collaboration initiatives implementation as per the annual strategic partnership implementation plan	80 - 100% implementation of strategic partnership plan	Target achieved 80% of strategic partnership plan implemented.
ADVANCE TRANSFORMATION TO BUILD AN INCLUSIVE ECONOMY			
Transformation strategy implemented	B-BBEE score	Achieve a level 3 B-BBEE score	Target achieved. Level 1 B-BBEE score achieved.
ENHANCE BUSINESS PROCESSES TO IMPROVE OPERATIONAL EFFICIENCY			
Develop appropriate report to track cost-to-income ratio on a periodic basis	Cost to income ratio calculated as current operating costs excluding investment related costs as a ratio of 3-year average income (earned premium, assessment fees and commission received)	Cost to income ratio (as defined) 32%	Target achieved. The cost to income ratio is 26%*.
Business processes improvement plan implemented	% of Business processes improvement plan implemented	60 - 80% of business process improvement plan implemented	Target achieved. 70% of business process improvement plan implemented.
INCREASE BUSINESS DEVELOPMENT INITIATIVES TO GROW THE BUSINESS			
Increase business development initiatives to grow the business	Value of approved transactions	USD 550m - USD575m	Target not achieved. Total approval: USD27,5m
Research and identify new opportunities	Number of research reports to identify new opportunities	3 research projects to identify new opportunities	Target achieved. 3 research reports presented to EXCO.
INCREASE COMMUNICATION TO CREATE BETTER AWARENESS AND UNDERSTANDING OF THE ECIC			
Increase communication and Brand awareness	Number of marketing and communications campaigns implemented	Implement 2 marketing and communications campaigns for 2018/19	Target achieved. All Marketing and Communications campaign elements completed for Q4. 100% of Marketing & Communications Plan implemented.
INCREASE CAPITAL BASE TO UNDERWRITE MORE BUSINESS TO FULFILL ECIC'S MANDATE			
Increase in capital base	Percentage (%) increase in equity excluding foreign exchange movements and related tax	5 - 10% in equity	Target achieved. Increase of 10%*.
INCREASE STAKEHOLDER/CUSTOMER SATISFACTION			
Increased stakeholder and customer satisfaction	Percentage (%) implemention of the annual stakeholder and customer engagement plan	Implement 80 - 100% of annual stakeholder and customer engagement plan	Target achieved. 86% of Stakeholder Engagement Plan implemented. 100% of Customer Engagement Plan implemented.

** The performance of this target is based on the South African Functional Currency financial statements in Note 39 on pages 74-75 of the Annual Financial Statements*

Independent Auditors' Report

Independent auditor's report to the Parliament on Export Credit Insurance Corporation of South Africa SOC Ltd

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of Export Credit Insurance Corporation of South Africa SOC Ltd (the public entity) set out on pages 14 to 73, which comprise the statement of financial position as at 31 March 2020, the statement of comprehensive income, statement of changes in equity and statement cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. 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 Ltd as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis of opinion

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

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

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

Emphasis of matter

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

Restatement of prior year figures.

7. We refer to Note 37 to the financial statements which indicates that the previously issued financial statements for the years ended 31 March 2019 and 31 March 2018, have been restated. As described in Note 37, the restatement is as a result of errors occurring when reporting and presenting financial results in prior years, cash and cash equivalents was reported net of unsettled investment trade debtors and creditors.

Responsibilities of the accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the PFMA and the Companies Act, 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objective presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

13. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicator included in the planning documents. Our procedures do not examine whether the actions taken by the public entity enabled service delivery. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

14. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in annual performance report of the public entity for the year ended 31 March 2020.

Objective	Pages in the annual performance report
Objective 1 – Increase capital base	9

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

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

Other matters

17. We draw attention to the matter below. Our opinions are not modified in respect of this matter.

Achievement of planned targets

18. Refer to the annual performance report on page 9 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

20. We did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

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

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

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

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

Internal control deficiencies

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

Other reports

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

26. We were engaged to perform the following audit-related services.

Quantitative Reporting Template in compliance with the Insurance Act, 2017 (the Act) for the year ended 31 March 2020.

Auditor tenure

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

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

30 September 2020

20 Morris East Street
Woodmead
2191

Annexure – Auditor's responsibility for the audit

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

Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.

   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.

   - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Export Credit Insurance Corporation of South Africa SOC Ltd to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern.

   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

Statement of Financial Position

	Note(s)	2020 R'000	2019 Restated* R'000	01 April 2018 Restated* R'000
Assets				
Intangible assets	6	2 606	3 420	3 094
Property and equipment	7	14 988	5 770	5 684
Deferred tax	8	22 407	-	11 988
Financial assets at fair value	9	8 271 983	7 461 180	6 715 775
Current tax receivable	27	-	860	-
Trade and other receivables	10	2 140 689	1 912 296	1 703 800
Cash and cash equivalents	11	331 400	351 114	211 711
Total assets		**10 784 073**	**9 734 640**	**8 652 052**
Equity and liabilities				
Equity				
Share capital and share premium	12	316 051	316 051	316 051
Foreign currency translation reserve		3 724 172	2 605 270	1 649 939
Fair value adjustment through other comprehensive income reserve		(57 414)	39 818	27 577
Retained earnings		2 066 808	2 052 463	2 036 478
Total equity		**6 049 617**	**5 013 602**	**4 030 045**
Liabilities				
Insurance contract liabilities		3 249 088	3 227 840	3 242 505
Provision for unearned premiums	13.1	2 744 083	2 664 482	2 572 262
Provision for unexpired risks	13.2	505 005	268 164	175 497
Provision for claims reserves	13.3	-	295 194	494 746
Deferred tax	8	-	25 938	-
Employee benefit liability	14	3 764	3 253	3 078
Trade and other payables	15	280 286	206 719	164 106
Lease liability	16	9 169	-	-
Liability for interest make-up	17	1 181 056	1 257 288	1 172 883
Current tax payable	27	11 093	-	39 435
Total liabilities		**4 734 456**	**4 721 038**	**4 622 007**
Total equity and liabilities		**10 784 073**	**9 734 640**	**8 652 052**

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

Statement of Comprehensive Income

	Note(s)	2020 R'000	2019 R'000
Insurance premium revenue	19	213 930	154 278
Change in unearned premiums	13.1	452 668	477 734
Change in unexpired risks	13.2	(143 308)	(51 169)
Net insurance premium revenue		**523 290**	**580 843**
Assessment fees		232	617
Net investment income	20	122 549	320 224
IMU grant receipts		233 511	183 248
Other income		114	72
Net income		**879 696**	**1 085 004**
Claims incurred		**76 875**	**189 433**
Insurance benefits and claims		(259 647)	(124 131)
Claims paid	13.3	(373 787)	(206 469)
Salvages income		114 140	82 338
Change in claims reserves	13.3	336 522	313 564
Commission paid to intermediaries		(161)	(229)
Operating expenses	22	(169 016)	(167 773)
Interest expense	23	(390)	(4)
Loss on exchange differences	24	(347 899)	(582 513)
Expense for interest make-up	17	34 704	(101 527)
SED & ESD contributions		(39 653)	(13 355)
Profit before taxation		**434 156**	**409 036**
Taxation	25	(419 811)	(393 051)
Profit for the year		**14 345**	**15 985**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences	21	1 118 902	955 331
Fair value adjustments of financial assets		(125 299)	15 774
Deferred tax on fair value of financial assets		28 067	(3 533)
Total items that may be reclassified to profit		**1 021 670**	**967 572**
Other comprehensive income for the year net of taxation		**1 021 670**	**967 572**
Total comprehensive profit for the year		**1 036 015**	**983 557**

Statement of Changes in Equity

	Share capital and share premium R'000	Foreign currency translation reserve R'000	Fair value adjustment through other comprehensive income reserve R'000	Total reserves (foreign currency & fair value adjustment) R'000	Retained earnings R'000	Total equity R'000
Balance at 01 April 2018	**316 051**	**1 649 939**	**27 577**	**1 677 516**	**2 036 478**	**4 030 045**
Profit for the year	-	-	-	-	15 985	15 985
Effect of translation to presentation currency	-	955 331	-	955 331	-	955 331
Fair value adjustment net of taxation	-	-	12 241	12 241	-	12 241
Total comprehensive income for the year	**-**	**955 331**	**12 241**	**967 572**	**15 985**	**983 557**
Balance at 01 April 2019	316 051	2 605 270	39 818	2 645 088	2 052 463	5 013 602
Profit for the year	-	-	-	-	14 345	14 345
Effect of translation to presentation currency	-	1 118 902	-	1 118 902	-	1 118 902
Fair value adjustment net of taxation	-	-	(97 232)	(97 232)	-	(97 232)
Total comprehensive income for the year	**-**	**1 118 902**	**(97 232)**	**1 021 670**	**14 345**	**1 036 015**
Balance at 31 March 2020	**316 051**	**3 724 172**	**(57 414)**	**3 666 758**	**2 066 808**	**6 049 617**
Note(s)	12					

Statement of Cash Flow

	Note(s)	2020 R'000	2019 Restated* R'000	01 April 2018 Restated* R'000
Cash flows from operating activities				
Cash generated from underwriting activities	26	(46 060)	56 866	516 793
Interest received		237 150	216 485	194 172
IMU grant receipts		233 511	183 248	188 272
Dividends received		61 264	61 311	33 712
IMU claims paid		(284 427)	(281 623)	(319 230)
Interest paid		(390)	(4)	(2)
Taxation paid	27	(428 109)	(398 953)	(218 909)
Net cash outflow from operating activities		**(227 061)**	**(162 670)**	**394 808**
Cash flows from investing activities				
Acquisition of equipment	7	(140)	(1 137)	(543)
Sale of equipment		35	19	-
Acquisition of intangible assets	6	(100)	(146)	(602)
Net sale of financial assets		204 800	302 103	(436 898)
Net cash inflow from investing activities		**204 595**	**300 839**	**(438 043)**
Cash flows from financing activities				
Lease payments		(2 585)	-	-
Increase in cash and cash equivalents		**(25 051)**	**138 169**	**(43 235)**
Cash and cash equivalents at the beginning of the year		351 114	211 711	284 614
Effect of translation on cash and cash equivalents		36 109	20 325	(44 007)
Unrealised foreign exchange loss on cash and cash equivalents		(30 772)	(19 091)	14 339
Total cash and cash equivalents at end of the year	**11**	**331 400**	**351 114**	**211 711**

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

1. Presentation of Financial Statements

1.1 General Information

The ECIC is a state owned entity incorporated in South Africa. The nature of risk underwritten by the Corporation 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.

1.2 New standards, amendments and interpretations issued

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

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

The standard requires an entity to identify portfolios of insurance contracts and to group them into the following groups at initial recognition:
- Contracts that are onerous
- Contracts that have no significant possibility of becoming onerous subsequently; and
- The remaining contracts in the portfolio.

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

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:
- The liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin) and
- The liability for incurred claims (fulfilment cash flows related to past service).

An entity may simplify the measurement of a group of insurance contracts using the Premium Allocation Approach (PAA) if certain criteria is met.

The new standard will have a significant impact on the financial statements when it is initially applied which will include changes to the measurement of insurance contracts issued and the presentation and disclosure. A detailed assessment of the impact has not been made, however the Corporation does not envisage using the simplified PAA method under IFRS 17.

The standard is effective for annual periods beginning on or after 1 January 2023 and has to be applied retrospectively. Early adoption is permitted. The Corporation is expecting to adopt IFRS 17 in its financial statements for the year ending 31 March 2024. The Corporation will in future periods estimate the impact of IFRS 17 on its financial statements.

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

(i) IFRS 4, Insurance Contracts; Extension of the temporary exemption from applying IFRS 9 defers the fixed expiry date of the following temporary exemptions from applying IFRS 9 to annual periods beginning on or after 1 January 2023:
- A temporary exemption from IFRS 9 granted to an insurer that meets specified criteria; and
- An optional accounting policy choice allowing an insurer to apply the overlay approach to designated financial assets when it first applies IFRS 9.

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

ECIC has elected to defer the implementation of IFRS 9 to January 2023 when IFRS 17 is expected to be effective. A detailed assessment of the impact has not been made .

IFRS 9 provides a temporary exemption that permits ECIC to apply IAS 39 rather than IFRS 9 when accounting for financial instruments for annual periods beginning before 1 January 2023.

The Corporation is eligible to apply the temporary exemption from IFRS 9 due to the following criteria:
- it has not previously applied any version of IFRS 9; and
- its activities are predominantly connected with insurance

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

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

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

Financial asset	2020 Fair value balance (R'000)	2020 Fair value adjustments (R'000)	2019 Fair value balance (R'000)	2019 Fair value adjustments (R'000)
Financial assets at fair value	8 271 983	(445 892)	7 461 180	97 226
Trade and other receivables	2 140 689	-	1 912 296*	-
Cash and cash equivalents	331 400	-	351 114*	-
Total	**10 744 072**	**(445 892)**	**9 724 590**	**97 226**

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

(ii) IFRS 16, Leases; IFRS 16 replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this IFRS 16 has resulted in the Corporation recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those having a remaining lease term of less than 12 months from the date of initial application. For leases with remaining term of less than 12 months, the Corporation has recognised lease expenses on a straight-line basis over the remaining lease term.

The new Standard has been applied using the modified retrospective approach, Prior periods have not been restated.

For contracts in place at the date of initial application, the Corporation has elected to apply the definition of a leases from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Corporation has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 01 April 2019. At this date, the Corporation has also elected to measure the right-of-use assets at an amount equal to the lease liability.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Corporation has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 8.2%.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 01 April 2019:

	30 March 2019 as previously presented R'000	01 April 2019 IFRS16 Adjustments R'000	01 April 2019 Restated R'000
ASSETS			
Non-current assets	**-**	**99**	**99**
Right of use asset	-	99	99
EQUITY AND LIABILITIES			
Non-current liabilities	**-**	**61**	**61**
Lease liability	-	61	61
Current liabilities	**-**	**38**	**38**
Lease liability	-	38	38

The following is a reconciliation of total operating lease commitments at 31 March 2019 (as disclosed in the financial statements to 31 March 2019) to the lease liabilities recognised at 01 April 2019:

	R'000
Total operating lease commitments disclosed at 31 March 2019	**4 036**
Leases with remaining lease term of less than 12 months	(4 036)
Adjustments relating to commitments not disclosed in the previous year	110
Operating lease liabilities before discounting	**110**
Discounted using incremental borrowing rate	(11)
Total lease liabilities recognised under IFRS 16 at 1 April 2019	**99**

(iii) IFRIC 23, Uncertainty over income tax treatments; IFRIC 23 clarifies that where it is unclear how tax law applies to a particular transaction or circumstance, an entity will have to assess whether it is probable that the tax authority will accept the entity's chosen tax treatment. Where it is probable that the tax authority may not accept the chosen tax treatment, disclosure about judgements made, assumptions and other estimates used; and the potential impact of uncertainties that are not reflected may be required. The interpretation also requires the entity to reassess the judgements and estimates applied if the facts and circumstances change.

The impact is not material. The Corporation's tax computation is independently reviewed by external parties, and all the uncertainties are resolved before the finalisation of the AFS.

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

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

ECIC has elected to defer the implementation of IFRS 9 to 01 April 2023 when IFRS 17 is expected to be effective. A detailed assessment of the impact has not yet been made by ECIC.

IFRS 9 provides a temporary exemption that permits ECIC to apply IAS 39 rather than IFRS 9 when accounting for financial instruments for annual periods beginning before 1 January 2023.

(ii) IAS 1, Presentation of Financial Statements; The following amendment were made:

Definition of Material: The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. Effective for annual periods beginning on or after 01 January 2020.

Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 clarify how debt and other liabilities are classified as current or non-current. Effective for annual periods beginning on or after 01 January 2022.

(iii) IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors; Definition of Material: The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. Effective for annual periods beginning on or after 01 January 2020.

(iv) IAS 37, Provisions, Contingent Liabilities and Contingent Assets; Onerous Contracts - Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment and whether a contract will be loss-making. Effective for annual periods beginning on or after 01 January 2022.

(v) IAS 16, Property, Plant and Equipment; Proceeds before Intended Use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. Effective for annual periods beginning on or after 01 January 2022.

(vi) IAS 39, Financial Instruments: Recognition and Measurement; Interest Rate Benchmark Reform: The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.

- The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform.

- In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

  Effective for annual periods beginning on or after 01 January 2020.

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

1.3 Basis of preparation

The annual financial statements of the Corporation are prepared on the going concern basis in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of 1999, as amended South Africa and the Companies Act of 2008, as mended South Africa. As at 31 March 2020 the Corporation was solvent with total assets exceeding total liabilities by R 6 049 617 000.

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

The financial statements of Export Credit Insurance Corporation of South Africa has been authorised for issue by the Board of directors on 08 September 2020.

1.4 Critical accounting judgements ,estimates and assumptions

The preparation of the annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements 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 judgements, estimates and assumptions relate to insurance contract liabilities, valuation and tax treatment of the liability for interest make-up valuation of financial assets with a fair value hierarchy of level 3 and the recoverability of trade and other receivables are detailed in note 2.

1.5 Recognition and measurement of insurance contracts

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

1.5.1 Gross written premiums

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

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

1.5.2 Unearned premium provision

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

1.5.3 Unexpired risk provision

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

1.5.4 Claims incurred

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

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

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

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

Claims and loss adjustment expenses are charged to 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 Corporation. Refer to note 2 for additional information.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material.

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

1.5.5 Salvages

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

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

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

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

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

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

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

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

1.5.6 Liability adequacy test

The net liability recognised for insurance contracts is tested for adequacy by assessing the expected future cash flows over the remaining contractual term and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision for unexpired risk is made and the Corporation recognises the deficiency in the statement of comprehensive income in that year. Liability adequacy tests are performed at reporting date.

1.5.7 Solvency capital requirement

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

1.6 Foreign currency translation

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

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

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

At the end of each reporting period:

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

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

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

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

Average rates are used for transactions where there are multiple transaction dates that are not easily identifiable and spot rates are used for transactions where the transaction date is easily identifiable.

The resulting exchange differences are recognised in other comprehensive income and accumulated separately in a foreign currency translation reserve, which is a separate component of equity. The foreign currency translation reserve is reclassified from equity to profit and loss when the statement of financial position items is disposed.

Appropriateness of using average rates
Average rates are considered appropriate since there were no significant fluctuations for the greater part of the financial year. The exchange rates fluctuated significantly in the last month of the financial year, however the impact on the average rate is not significant as the Corporation uses the daily exchange rates to calculate the average for the financial year.

1.7 Property, equipment and intangible assets

1.7.1 Property and equipment

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

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

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

Equipment is depreciated over the following estimated useful lives:

Computer equipment	6 years
Furniture and fittings	9 years
Office equipment	9 years
Vehicles	9 years

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

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

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

1.7.2 Intangible assets

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

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

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

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

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

1.7.3 Leased Assets

The right of use asset is measured at cost less accumulated depreciation and accumulated impairment losses. Cost is made up of the initial measurement of the lease liability, plus any initial direct costs incurred by the Corporation.

The Corporation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the end of the lease term. The Corporation also assesses the right-of-use asset for impairment when such indicators exist.

Right of use assets are depreciated over the following periods:

Buildings:	2 years
Computer Equipment:	3 years

The carrying amount of leased assets is derecognised on termination of the lease agreement.

1.8 Leases

The Corporation has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17.

1.8.1 Accounting policy applicable from 1 April 2019

Identification of the lease

For any new contracts entered into on or after 1 April 2019, the Corporation considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'.

To apply this definition the Corporation assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation;

- The Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Corporation has the right to direct the use of the identified asset throughout the period of use. The Corporation assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

a) Initial measurement of the right of use asset and lease liability

At lease commencement date, the Corporation recognises a right of use asset and a lease liability on the Statement of Financial Position.

The lease liability is measured at the present value of the lease payments unpaid at that date, discounted using the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

b) Subsequent measurement of the right of use asset and lease liability

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or the statement of comprehensive income if the right-of-use asset is already reduced to zero.

1.8.2 Accounting policy applicable to contracts which are exempt from IFRS16 (former operating leases with a remaining lease term of less than 12 months)

Operating leases

Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such a maintenance and insurance, are expensed as incurred.

1.9 Financial assets and liabilities

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

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

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

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

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

1.9.1 Initial measurement

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

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

1.9.2 Subsequent measurement

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

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

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.

Realised gains and losses is the difference between net sales proceeds and the original cost and are recorded on occurrence of the sale transaction.

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

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

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

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

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

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

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

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

1.9.3 Gains and losses on subsequent measurement

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

1.9.4 Interest and dividends

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

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

1.9.5 Derecognition

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

1.9.6 Offset

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

1.10 Trade and other receivables

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

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

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

1.11 Impairment

Financial assets
Financial assets other than those carried at fair value through profit and loss, are assessed for evidence of impairment at each reporting date. If any such evidence exist the carrying value is reduced to the estimated recoverable amount by means of a charge to the 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. The impairment is recognised through an allowance account.

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

If, in a subsequent period, the amount of the impairment loss relating to a financial asset carried at amortised cost or a debt instrument carried as available-for-sale decreases due to an event occurring after the impairment was originally recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income.

Impairments relating to financial assets in available-for-sale equity instruments are not reversed through the statement of comprehensive income.

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

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

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.

1.12 Provisions

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

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

1.13 Share capital and share premium

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

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

1.14 Taxation

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

Taxable income used to calculate the tax expense is based on ZAR functional currency (See note 39).

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

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

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

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

Value Added Tax
Transactions and assets are recognised net of the Value Added Tax amount where applicable. The net amount of Value Added Tax recoverable from, or payable to, South African Revenue Service is included as part of receivables or payable in the statement of financial position.

1.15 Employee benefits

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

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

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

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

1.16 Assessment fees

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

1.17 IMU grant receipts

The Corporation took over **the dtic**'s IMU obligations that arose from the IMU Scheme Support Agreements (see note 17).

The IMU Scheme is an incentive scheme that limit the interest rate charged to borrowers of export credit loans (borrowers). The Government (through the ECIC) compensates the Financial Institutions for the loss of income they would have received from the borrowers, had interest been levied at the usual rate.

The Corporation receives IMU grants from **the dtic** to assist in funding the IMU obligations towards the Financial Institutions (see the Cash Flow Statement).

1.18 SED & ESD contributions

SED & ESD contributions encompasses projects that are external to the normal business activities of the Corporation and not directly for purposes of increasing profit. These projects have a strong developmental approach and utilise Corporation resources to benefit or uplift communities and are not primarily driven as marketing initiatives.

SED & ESD contributions are recognised as an expense when paid to the beneficiary.

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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

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

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

1.21 Contingent liabilities

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

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

1.22 Commitments

Commitments are disclosed when there is a contractual arrangement.

1.23 Contingent assets

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

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

1.24 Events after the reporting date

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

2. Critical accounting judgements, estimates and assumptions

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

Insurance contract liabilities
The Corporation's estimates for reported and unreported losses are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of comprehensive 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 Corporation's process for determining significant reserving assumptions is outlined in note note 13.4.

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

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

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

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

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

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

Incurred But Not Reported (IBNR)claims provision
ECIC holds an IBNR for contracts where management, on the basis of information gathered during the monitoring process, believes that it is likely a claim has materialised even though it has not yet been reported.

Indicators that a claim will arise are often triggered by events such as:
- The occurrence or a high probability that a non-payment of a scheduled instalment under the insured contract (protracted default) would occur;
- The occurrence or high probability that a political cause of loss (e.g, war, change in law sabotage, transfer restriction, inconvertibility) will occur;
- The occurrence or a high probability that commercial causes of loss (e.g. insolvency or an act of insolvency) will occur. A rating scale is applied in assigning the probability of loss.

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

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

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

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

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

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

The provision for doubtful debts is calculated on a project basis, based on indicators present at the reporting date. However, for future premiums the adjustment is made to unearned premium reserve (see premium refund in note 13.1).

Financial assets with a fair value hierarchy of level 3

Financial assets available for sale

The fair value of the investment is determined on a discounted cash flow basis of expected future free cash flows to equity during the explicit forecast period and in perpetuity at a rate that reflects the risk inherent in the future cash flows.

The discount rate applied in determining the fair value is the cost of equity which is determines using the Capital Asset Pricing Model (CAPM).

The Corporation makes estimates and judgements when forecasting the expected future free cash flow and the discount rate.

When making estimates and judgments, management take into account the following:
- nature of the investee's business,
- historical and projected financial information,
- The global and regional economic outlook; and
- the global constraints and uncertainties casted by the impact of COVID-19 pandemic on international trade and overall economic activities in the short-to-medium term.

3. Terms and conditions of insurance contracts

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

3. 1 Nature of risk covered

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

The Corporation thus enters into insurance contracts with and for the benefit of persons carrying out business in South Africa for purposes of outward trade and/or investments to other countries primarily for medium to long-term tenures.

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

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

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

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

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

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

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

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

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

Risk factors include:

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

4. Insurance risk management

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

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

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

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

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

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

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

4.1 Concentrations of insurance risk

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

	2020 R'000	2019 R'000
Ghana	9 904 490	8 569 552
Iran	8 091 990	6 568 560
Mozambique	5 996 009	5 316 477
Zimbabwe	2 871 173	2 343 203
Malawi	2 567 401	2 098 060
Lesotho	1 245 232	1 133 524
Liberia	932 737	869 531
Uganda	439 446	346 949
Zambia	411 283	1 792 928
Ethiopia	218 484	177 351
Tanzania	189 187	414 549
Swaziland	130 297	-
Democratic Republic of Congo	123 550	-
Mauritius	79 505	23 909
Republic of Congo	60 026	48 726
Sudan	-	295 504
Cote d' Ivoire	46 013	37 349
	33 306 823	**30 036 172**

4.2 Claims development

The Corporation takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for claims notified but not yet paid, and a provision for claims incurred but not reported.

In terms of IFRS 4, an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claims payments not resolved within one year. The Corporation has no outstanding claims at year-end.

Below is the claims run-off for projects that have been provided for:

2020 provisions R'000	2020	2019	2018	2017	2016	2015	2014	2013	2012
IBNR Provision	-	-	-	-	-	-	-	-	-
Claims paid	-	-	-	-	-	-	-	-	-
OCR Provision	-	-	-	-	-	-	-	-	-
Claims paid	-	-	-	-	-	-	-	-	-

2019 provisions R'000	2020	2019	2018	2017	2016	2015	2014	2013	2012
IBNR Provision	-	284 574	218 814	279 819	273 200	182 473	164 679	139 464	76 052
Claims paid	363 194	-	-	-	-	-	-	-	-
OCR Provision	-	10 620	26 202	-	-	-	-	-	-
Claims paid	10 593	20 630	19 968	-	-	-	-	-	-

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

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

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

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

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

5.1 Market risk

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

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

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

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

	2020 R'000		2019 R'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value	8 271 983	8 271 983	7 461 180	7 461 180
Listed equities	810 381	810 381	1 121 648	1 121 648
Listed preference shares	573	573	1 205	1 205
Money market	66 558	66 558	324 064	324 064
Unlisted equities	667 520	667 520	643 559	643 559
Listed bonds	6 726 951	6 726 951	5 370 704	5 370 704
Trade and other receivables	2 101 571	2 101 571	1 912 296*	1 912 296*
Cash and cash equivalents	331 400	331 400	351 114*	351 114*
Trade and other payables	(252 897)	(252 897)	(164 597)*	(164 597)*
Lease liability	(9 169)	(9 169)	-	-
Liability for interest make-up	(1 181 056)	(1 181 056)	(1 257 288)	(1 257 288)
	9 261 832	**9 261 832**	**8 302 705**	**8 302 705**

5.1.1 Currency risk

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

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

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

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

	2020 R'000	2019 R'000
Cash and cash equivalents	162 821	151 697*
Financial assets at fair value	1 631 126	2 322 948
Trade and other receivables	23 209	16 581*
Insurance contract liabilities	(7 384)	(4 051)
Lease liability	(9 169)	-
Other liabilities	(60 270)	(36 973)*
	1 740 333	**2 450 202**

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

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

	2020 R'000	2019 R'000
US Dollar to SA Rand exchange rates:		
Closing rate	17,9822	14,5968
Average rate	14,7757	13,7511

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

	Profit/(loss) after tax		Equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
2020	(118 236)	148 283	426 092	(426 092)
2019	(707 252)	863 994	447	(447)

5.1.2 Interest rate risk

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

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

The sensitivity analysis for interest rates illustrates how changes in the interest rates will impact on the fair values of assets and liabilities. The US interest rates have been used for this sensitivity as Corporation's assets and liabilities are predominantly in US dollars.

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

	Profit/(loss) after tax		Equity	
	100 BP Increase R'000	100 BP Decrease R'000	100 BP Increase R'000	100 BP Decrease R'000
2020	(177 866)	176 003	(177 866)	176 003
2019	(173 840)	178 524	(173 840)	178 524

5.1.3 Market (or equity) price risk

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

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

The table below reflects the Corporation exposures to equity risk.

	2020 R'000	2019 R'000
Basic resources	214 079	322 713
Industrials	42 515	76 402
Consumer goods	64 560	82 339
Telecommunications	4 200	7 369
Financials	847 051	914 343
Health	26 247	21 943
Consumer services	165 029	202 833
Technology	18 233	1 920
Commodity-linked	-	2 902
Energy	-	1 759
Real estate	95 987	130 683
Note 8 (listed and unlisted equities only)	**1 477 901**	**1 765 206**

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

	Profit/(loss) after tax		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
2020	35 232	(35 232)	61 132	(61 132)
2019	40 354	(40 354)	65 324	(65 324)

5.2 Liquidity risk

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

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

The Corporation's investment strategy is set to be cognisant of the term of financial liabilities and assets. Operational cash task team monitors adherence to liquidity requirements.

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

2020	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Financial assets at fair value	1 741 790	2 265 818	4 264 375	8 271 983
Trade and other receivables	522 027	1 018 331	561 213	2 101 571
Cash and cash equivalents	331 400	-	-	331 400
Totals	**2 595 217**	**3 284 149**	**4 825 588**	**10 704 954**
Financial liabilities				
Trade and other payables	252 897	-	-	252 897
Insurance contract liabilities	539 848	1 376 549	1 332 691	3 249 088
Lease liability	5 773	3 396	-	9 169
Liability for interest make-up	267 802	743 062	366 019	1 376 883
Totals	**1 066 320**	**2 123 007**	**1 698 710**	**4 888 037**

2019	Within 1 year R'000	1 to 5 years R'000	Greater than 5 years R'000	Total R'000
Financial assets				
Financial assets at fair value	2 370 765	2 002 616	3 087 799	7 461 180
Trade and other receivables	402 100	891 963	618 233	1 912 296*
Cash and cash equivalents	351 114	-	-	351 114*
Totals	**3 123 979**	**2 894 579**	**3 706 032**	**9 724 590**
Financial liabilities				
Trade and other payables	164 597	-	-	164 597*
Insurance contract liabilities	579 923	1 219 255	1 428 662	3 227 840
Liability for interest make-up	283 775	720 833	430 037	1 434 645
	1 028 295	**1 940 088**	**1 858 699**	**4 827 082**

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

5.3 Credit risk

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

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

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

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

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

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

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

5.3.1 Credit rating

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

2020	AAA-A+ R'000	A-BBB+ R'000	BBB and lower R'000	Not Rated R'000	Total R'000
Financial assets at fair value	6 236 225	1 222 907	1 897	810 954	8 271 983
Trade and other receivables	-	-	-	2 101 571	2 101 571
Cash and cash equivalents	331 400	-	-	-	331 400
	6 567 625	**1 222 907**	**1 897**	**2 912 525**	**10 704 954**

2019	AAA-A+ R'000	A-BBB+ R'000	BBB and lower R'000	Not Rated R'000	Total R'000
Financial assets at fair value	5 252 811	1 078 046	7 471	1 122 852	7 461 180
Trade and other receivables	-	-	-	1 912 296	1 912 296*
Cash and cash equivalents	351 054	60	-	-	351 114*
	5 603 865	**1 078 106**	**7 471**	**3 035 148**	**9 724 590**

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

A National rating was applied to all South African investments, while a National equivalent of the International ratings were applied to all foreign investments.

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:

2020	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Provision for doubtful debt R'000	Net carrying amount R'000
Trade and other receivables	2 095 779	5 757	424	(389)	2 101 571

2019	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Provision for doubtful debt R'000	Net carrying amount R'000
Trade and other receivables	1 900 425	11 804	522	(455)	1 912 296*

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

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

2020	<30 days R'000	31- 90 R'000	91-120 R'000	Greater than 120 R'000	Total R'000
Trade and other receivables	5 468	-	-	289	5 757

2019	<30 days R'000	31- 90 R'000	91-120 R'000	Greater than 120 R'000	Total R'000
Trade and other receivables	9 437	1 371	-	996	11 804

5.3.4 Reconciliation of the provision for doubtful debt

2020	Opening balance R'000	Additions R'000	Recovered R'000	Write-off R'000	Closing balance R'000
Provision for doubtful debt	(455)	(373)	-	439	(389)

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

5.4 Regulatory solvency management

The Corporation recognises share premium, retained earnings and other reserves as capital. For internal management purposes, the Corporation refers to the statutory solvency requirements as prescribed by the Prudential Authority (PA). Refer to solvency ratio in note 33.

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

6. Intangible assets

	2020			2019		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Computer softwares and models	6 809	(4 203)	2 606	5 426	(2 006)	3 420

Reconciliation of intangible assets - 2020

	Opening balance R'000	Additions R'000	Amortisation R'000	Translation effect R'000	Closing balance R'000
Computer softwares and models	3 420	100	(1 050)	136	2 606

Reconciliation of intangible assets - 2019

	Opening balance R'000	Additions R'000	Amortisation R'000	Translation effect R'000	Closing balance R'000
Computer softwares and models	3 094	146	(669)	849	3 420

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

7. Property and equipment

	2020			2019		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Owned assets						
Furniture and fittings	11 113	(9 354)	1 759	9 021	(6 087)	2 934
Motor vehicles	238	(238)	-	193	(162)	31
Office equipment	4 238	(2 985)	1 253	3 508	(2 096)	1 412
Computer equipment	5 353	(3 909)	1 444	4 868	(3 475)	1 393
	20 942	**(16 486)**	**4 456**	**17 590**	**(11 820)**	**5 770**
Leased assets						
Building	13 221	(3 296)	9 925	-	-	-
Computer equipment	689	(82)	607	-	-	-
	13 910	**(3 378)**	**10 532**	**-**	**-**	**-**
Total	**34 852**	**(19 864)**	**14 988**	**17 590**	**(11 820)**	**5 770**

Reconciliation of property and equipment - 2020

	Opening balance R'000	Additions R'000	Adjustment on transition to IFRS 16 R'000	Depreciation R'000	Translation effect R'000	Closing balance R'000
Owned assets						
Furniture and fittings	2 934	-	-	(497)	(678)	1 759
Motor vehicles	31	-	-	-	(31)	-
Office equipment	1 412	-	-	(148)	(11)	1 253
Computer equipment	1 393	140	-	(211)	122	1 444
	5 770	**140**	**-**	**(856)**	**(598)**	**4 456**
Leased assets						
Building	-	11 189	-	(2 790)	1 526	9 925
Computer equipment	-	466	99	(66)	108	607
	-	**11 655**	**99**	**(2 856)**	**1 634**	**10 532**
	5 770	**11 795**	**99**	**(3 712)**	**1 036**	**14 988**

Reconciliation of property and equipment - 2019

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

Pledged as security
None of the equipment is pledged as security for liabilities.

8. Deferred tax

	2020 R'000	2019 R'000
Deferred tax asset/(liability)	22 407	(25 938)
Reconciliation of deferred tax asset/(liability)		
Deferred tax through the statement of comprehensive income		
Provisions	9 548	9 931
Fair value gain on financial assets	34 067	(28 535)
Unrealised foreign exchange (gain)/loss on equities	(37 613)	(4 253)
Carry-forward of CGT losses	-	9 245
Payment received in advance	160	160
Other (temporary differences relating prepayments and fixed assets)	(328)	(992)
	5 834	**(14 444)**
Deferred tax through other comprehensive income		
Fair value on financial assets through other comprehensive income	16 573	(11 494)
	22 407	**(25 938)**

9. Financial assets at fair value

Through profit or loss		
Listed equities	810 381	1 121 647
Bonds	6 726 951	5 370 705
Money market	66 558	324 064
Preference shares	573	1 205
	7 604 463	**6 817 621**
Available for sale		
Unlisted equities*	667 520	643 559
Total financial assets	**8 271 983**	**7 461 180**

*Investment in the Afreximbank.

9.2 Maturity profile of financial assets

2020	Within 1 year R'000	1 to 5 years R'000	More than 5 years R'000	Total R'000
Financial assets				
Bonds	917 714	2 212 382	3 596 855	6 726 951
Unlisted equities	-	-	667 520	667 520
Money market	13 122	53 436	-	66 558
Listed equities	810 381	-	-	810 381
Preference shares	573	-	-	573
	1 741 790	**2 265 818**	**4 264 375**	**8 271 983**

2019	Within 1 year R'000	1 to 5 years R'000	More than 5 years R'000	Total R'000
Financial assets				
Bonds	975 722	1 950 742	2 444 240	5 370 704
Unlisted equities	-	-	643 559	643 559
Money market	272 190	51 874	-	324 064
Listed equities	1 121 648	-	-	1 121 648
Preference shares	1 205	-	-	1 205
	2 370 765	**2 002 616**	**3 087 799**	**7 461 180**

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

	2020 R'000	2019 R'000
Level 1		
Listed equities	810 381	1 121 648
Bonds	6 482 702	5 360 929
Listed preference shares	573	1 205
Money market	-	174 373
	7 293 656	**6 658 155**
Level 2		
Bonds	244 249	9 775
Money market	66 558	149 691
	310 807	**159 466**
	7 604 463	**6 817 621**

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

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

Reconciliation of financial assets at fair value through profit or loss

2020

	Opening balance R'000	Interest and dividends net of management fees R'000	Total loss in statement of comprehensive income R'000	Net sales R'000	Foreign exchange gain and currency translation R'000	Total R'000
Financial assets	6 817 621	248 986	(165 645)	(470 390)	1 173 891	7 604 463

2019

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

The COVID-19 restrictions had a negative impact on SA Equities and SA Bonds; and resulted in R431 000 000 losses being reported during the last quarter of the financial year. COVID-19 had an impact on our investment from January 2020 mainly as a result of negative international sentiment which impacted emerging markets and their respective currencies. This was exacerbated by low growth expectations in South Africa.

Fair value hierarchy of financial assets available for sale

	2020 R'000	2019 R'000
Level 3		
Unlisted equities	667 520	643 559

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

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

2020	Total value R'000	Change %
Reported value	667 520	
Discount rate of 9,06% - higher by 1%	565 123	-15,34
Discount rate of 9,06% - lower by 1%	812 898	21,78
Terminal Growth rate of 3,22% - higher by 0,5%	718 903	7,70
Terminal Growth rate of 3,22% - lower by 0,5%	624 247	-6,48
Minority discount of 15,0% - higher by 1%	657 984	-1,43
Minority discount of 15,0% - lower by 1%	677 056	1,43
Marketability discount of 15,0% - higher by 1%	657 984	-1,43
Marketability discount of 15,0% - lower by 1%	677 056	1,43

2019	Total value R'000	Change %
Reported value	643 559	
Discount rate of 8,04% - higher by 1%	517 684	-19,6
Discount rate of 8,04% - lower by 1%	850 602	32,2
Terminal Growth rate of 3,9% - higher by 0,5%	720 932	12,0
Terminal Growth rate of 3,9% - lower by 0,5%	582 946	-9,42
Minority discount of 15,0% - higher by 1%	634 366	-1,4
Minority discount of 15,0% - lower by 1%	652 753	1,4
Marketability discount of 15,0% - higher by 1%	634 366	-1,4
Marketability discount of 15,0% - lower by 1%	652 753	1,4

Valuation process

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

Reconciliation of financial assets available for sale

2020	Opening balance R'000	Interest and dividends net off management fees R'000	Total loss in statement of other comprehensive income R'000	Dividends received R'000	Foreign exchange gain and currency translation R'000	Total R'000
Financial assets	643 559	16 695	(125 299)	(16 695)	149 260	667 520

2019	Opening balance R'000	Interest and dividends net off management fees R'000	Total gains in statement of other comprehensive income R'000	Dividends received R'000	Foreign exchange gain and currency translation R'000	Total R'000
Financial assets	508 050	14 095	15 774	(14 095)	119 735	643 559

The market conditions leading up to valuation date which were characterised by sharp declines in global equity markets, coupled with elevated market volatility reflecting the disruption in global economic activity and the uncertainty of the impact and duration of COVID-19.

Yields on government bonds, declined at a rapid pace as government institutions implemented deeper interest rate cuts and quantitative easing programs to assist the ailing economies. Credit spreads widened-out, reflecting heightened credit risk. For this reason, the average spread over the month March 2020 was used to value the investment and the negative growth rate was projected for 2020. This resulted in a unrealised loss of R125 299 000 being reported during the financial year.

10. Trade and other receivables

	2020 R'000	2019 R'000
Insurance receivables		
Premium receivables	1 753 960	1 733 384
Salvages receivable	96 583	67 430
Trade receivable due from related parties	53 390	7 552
Other receivables**	-	3 483
	1 903 933	**1 811 849**
Non-Insurance receivables		
Trade and other receivables due from related parties	39 448	40
Unsettled investments trades and accrued income	187 726	95 822*
Other receivables***	9 582	4 585
	236 756	**100 447**
	2 140 689	**1 912 296**

Most of the insured lenders are not anticipating any payment default as a result no significant impact of COVID-19 is expected in the recoverability of trade and other receivables. In an event of a claim, all outstanding premiums are deducted from the claim amount.

** The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

*** Other receivables disclosed under insurance receivables mainly comprises of assessment fees.*

**** Other receivables disclosed under non-insurance receivables mainly comprises of prepayments, sundry debtors and travel cost recoveries receivables.*

11. Cash and cash equivalents

	2020 R'000	2019 R'000
Cash at bank and on hand	222 369	205 990*
Short-term deposits	109 031	145 124
	331 400	**351 114**

The aggregate interest rate on cash at bank and on hand at the reporting date was 3.48 percent (2019 3.62 percent).

The percentage is low because the Corporation holds significant cash in foreign currency, which does not earn interest.

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

12. Share capital and share premium

	2020 R'000	2019 R'000
Authorised		
10 000 000 ordinary shares of R1 each	10 000	10 000
Issued		
100 ordinary shares at R 1 each	-	-
Share premium (100 ordinary shares issued at a premium of R3 160 504 each)	316 051	316 051

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

13. Insurance contract liabilities

13.1 Provision for unearned premiums

	2020 R'000	2019 R'000
Balance at beginning of year	2 664 482	2 572 262
Amount transferred to the statement of comprehensive income	(452 668)	(477 734)
Premium refund	-	(4 165)
Foreign exchange gain	(2 278)	(3 540)
Foreign currency translation loss	534 547	577 659
Balance at end of year	**2 744 083**	**2 664 482**

Maturity profile	Within 1 year R'000	1 to 5 years R'000	More than 5 years R'000	Total R'000
2020	539 848	1 376 549	827 686	2 744 083
2019	569 303	1 219 255	875 924	2 664 482

13.2 Provision for unexpired risks

	2020 R'000	2019 R'000
Balance at beginning of year	268 164	175 497
Amount transferred from the statement of comprehensive income	143 308	51 169
Foreign exchange gain	(1 238)	(810)
Foreign currency translation loss	94 771	42 308
Balance at end of year	**505 005**	**268 164**

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

13.3 Provision for claims reserves

	2020 R'000	2019 R'000
Balance at beginning of year	295 194	494 746
Outstanding claims reserve	10 620	26 202
Incurred but not reported claims reserve	284 574	468 544
Amount transferred to the statement of comprehensive income	(336 522)	(313 564)
Change in estimate	37 265	(107 085)
Outstanding claims reserve	(125)	(468)
Incurred but not reported claims reserve	37 390	(106 617)
Payments of claims previously provided for	(373 787)	(206 469)
Outstanding claims reserve	(10 593)	(20 630)
Incurred but not reported claims reserve	(363 194)	(185 839)
Foreign currency translation loss	41 328	114 013
Outstanding claims reserve	98	5 516
Incurred but not reported claims reserve	41 230	108 497
Balance at end of the year	-	295 194
Outstanding claims reserve	-	10 620
Incurred but not reported claims reserve	-	284 574

The claim payments made relate to underwritten exposures in Sudan and Nigeria.

Maturity profile	Within 1 Year R'000	1 to 5 years R'000	More than 5 years R'000	Total R'000
2020	-	-	-	-
2019	10 620	284 574	-	295 194

Post year-end the Corporation received a claim under the relevant ECIC insurance policy with a date of loss cited as 18 March 2020. It is ECIC's view that the policyholder does not have a valid claim and as a result the claim has been rejected. For this reason, a claims reserve has not been raised. It should be noted that the nature of these insurance policies is such that in the event of a valid claim, the ECIC will typically have a salvage recovery that approximate the claim, save for currency risk and the time value of money.

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 dependent on the country risk rating, project risk rating and the unexpired period.
- A concentration risk provision is held; this is calculated by comparing the distribution of exposures by country and industry in the Corporation's portfolio with that of a well diversified portfolio.
- The unexpired risk provision allows for inadequacy in the unearned premium provision, which might occur where the risk factors considered in the pricing basis change from that used in pricing the contract initially. It is thus appropriate to allow for a change in the unexpired risk provision as soon as the unearned premium provision is insufficient to cover the future claims risk of the unexpired period. This would occur if the pricing process is updated or if political or commercial risk on a contract is changed.

Change in assumptions

The assumptions and methodologies used in the calculation of the technical provisions are reviewed at the reporting date and the impact of any resulting changes in estimates is reflected in the statement of comprehensive income as they occur.

Sensitivity analysis

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Corporation's estimates. The Corporation believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based on certain variables and assumptions which could differ when claims arise.

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

2020	Liability R'000	Change %
Reported value	3 249 088	
CRR LGD at 90%	3 199 659	(1,5)
Exchange rate set 10% higher	3 572 145	9,9
Exchange rate set 10% lower	2 926 031	(9,9)
IBNR "Upwards" stress	3 249 088	-
IBNR "Downwards" stress	3 249 088	-

2019	Liability R'000	Change %
Reported value	3 227 840	
CRR LGD at 90%	3 199 713	(0,8)
Exchange rate set 10% higher	3 546 962	10,0
Exchange rate set 10% lower	2 904 059	(10,0)
IBNR "Upwards" stress	3 229 828	0,1
IBNR "Downwards" stress	3 003 883	(6,9)

Impact of COVID-19

No explicit or additional allowance has been made in the reserves in terms of premium sufficiency for the uncertainty around COVID-19 and the delivery of projects or payment of performance bonds and any trade credit default in the reserves. A COVID-19 review has been conducted. In terms of the three projects impacted by the lockdown, lenders have agreed to a capital deferral with further negotiations taking place

14. Employee benefit liability

2020

	Opening balance R'000	Additions R'000	Leave taken R'000	Leave paid R'000	Closing balance R'000
Leave provisions	3 253	6 180	(4 213)	(1 456)	3 764

2019

	Opening balance R'000	Additions R'000	Leave taken R'000	Leave paid R'000	Closing balance R'000
Leave provisions	3 078	5 972	(4 256)	(1 541)	3 253

15. Trade and other payables

	2020 R'000	2019 R'000
Sundry creditors and accruals	17 760	15 165
VAT	-	13 833
Unsettled investment trades and accrued expenses	235 137	149 432*
Bonus provision	27 389	28 289
	280 286	**206 719**

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

16. Lease liability

The Corporation has leases for the office building and printers, each lease is reflected on the balance sheet as a right of use asset and a lease liability. The Corporation classifies its right-of-use assets in a consistent manner to its property and equipment.(See note 7).

The Corporation is prohibited from subleasing, selling or pledging the underlying leased assets as security.

For leases over office buildings, the Corporation must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. The Corporation is bound to the lease term of the lease without cancellation during the lease term or any exercised renewal with an option to renew the lease agreement before the termination date.

For other leases, the Corporation must ensure that items of property and equipment are used in accordance with the lease contracts. The Corporation shall have the right to terminate the lease on or after expiry of a lease term by providing one calendar month notice. The lease agreement shall not be extended without mutual agreement by the Corporation and the lessor. In the event that the lease is terminated by the Corporation prior to the expiry of the lease term, then the Corporation shall be obliged to pay a settlement amount in respect of the unexpired lease term.

The remaining lease term for the office building is 18 months. The average remaining lease term for the printers is 32 months. It is not probable that the option to renew the leases will be exercised and as such these were not taken into account when the lease terms were determined.

The average effective incremental borrowing rate is 7,9%.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 March 2020 were as follows:

	2020 R'000	2019 R'000
Minimum lease payments due		
- within one year	6 248	-
- in one to two years inclusive	3 323	-
- later than two years	145	-
	9 716	**-**
less: future finance charges	(547)	-
Present value of minimum lease payments	**9 169**	**-**

Lease payments not recognised as a liability

The Corporation has recognised lease expenses on a straight-line basis over the remaining lease term for all leases which had a remaining lease term of less than 12 month on adoption on the new standard (See note 22).

	2020 R'000	2019 R'000
Reconciliation of the lease liability		
Opening balance	-	-
Adjustment on transition to IFRS 16	99	-
Lease liability recognised during the period	11 655	-
Finance charges	388	-
Lease payments	(2 973)	-
	9 169	**-**
Total lease payments		
Lease payments	(2 973)	-
Short-term leases/Operating leases (See note 22)	(3 825)	(5 672)
	(6 798)	**(5 672)**

17. Liability for interest make-up

The dtic offered the interest make-up dispensation in order to allow local banks and other financiers to offer buyers of South African export goods and services financing for projects at internationally competitive rates. The IMU dispensation was administered by the Corporation on behalf of **the dtic** until 01 October 2016 when it took over as the principal. The approvals were obtained from the FSB, **the dtic** and the Minister of Finance.

The fair value of the liability is determined on a discounted cash flow basis of all future IMU payments on existing agreements.

The IMU payments stretch out to October 2029; hence, discounting the cash flows to allow for time value of money is appropriate. The cash flows are denominated in US Dollars, hence a US Treasury Bills Yield Curve is used and allows for credit default spread.

The projected drawdown and repayment schedules used in calculating the future IMU payments, is as per the relevant loan agreement.

	2020 R'000	2019 R'000
Opening balance	1 257 288	1 172 883
Expense for interest make-up	(34 704)	101 527
Change in estimate	(73 518)	43 138
Unwind of interest	38 814	58 389
Payments	(284 427)	(281 623)
Foreign exchange loss and currency translation	242 899	264 501
	1 181 056	**1 257 288**

The contractual amount to be paid is R 1 376 883 000 (2019: R 1 434 645 000) which is R 195 827 000 (2019: R 177 357 000) higher than the carrying amount.

Asset sell-off pressure in emerging markets remains high as demand for safer haven bets soars in the wake of uncertainty around the ultimate impact of COVID-19. This has caused emerging markets debt spreads to blow out, especially during the month of March 2020. For this reason, the average spread over the month March 2020 was used to value the liability as at 31 March 2020 which resulted in the reduction of the liability by R 72 267 000.

Sensitivity analysis

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

2020	Liability R'000	Change %
Base IMU Liability	1 181 056	
Increase discount rates by 10%	1 179 605	-0,12
Decrease discount rates by 10%	1 182 511	0,12
Depreciation USD/ZAR Exchange rate by 10%	1 299 161	10,0
Appreciation USD/ZAR Exchange rate by 10%	1 062 950	-10,0

2019	Liability R'000	Change %
Base IMU Liability	1 257 288	
Increase discount rates by 10%	1 249 041	-0,7
Decrease discount rates by 10%	1 265 637	0,7
Depreciation USD/ZAR Exchange rate by 10%	1 383 017	10,0
Appreciation USD/ZAR Exchange rate by 10%	1 131 559	-10,0

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

This liability has been classified as a level 3 as the fair value is determined using valuation techniques based on assumptions neither supported by prices from observable current market transactions in the same instrument nor based on available market data. The instruments classified in this level were valued by discounting future cash flows.

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

Reconciliation of financial liabilities at fair value through profit or loss measured at level 3 - 2020

	Opening balance R'000	Unwind of interest R'000	Change in estimate R'000	Settlements R'000	Foreign exchange loss and currency translation R'000	Closing balance R'000
Liability for interest make-up	1 257 288	38 814	(73 518)	(284 427)	242 899	1 181 056

Reconciliation of financial liabilities at fair value through profit or loss measured at level 3 - 2019

	Opening balance R'000	Unwind of interest R'000	Change in estimate R'000	Settlements R'000	Foreign exchange loss and currency translation R'000	Closing balance R'000
Liability for interest make-up	1 172 883	58 389	43 138	(281 623)	264 501	1 257 288

18. Categories of assets and liabilities

Categories of assets and liabilities - 2020	Note(s)	Financial assets and liabilities at fair value through profit or loss R'000	Financial assets available for sale R'000	Financial assets and liabilities at amortised cost R'000	Other non-financial assets and liabilities R'000	Total R'000	Current assets and liabilities R'000	Non-current assets and liabilities R'000
Assets								
Property and equipment	7	-	-	-	14 988	14 988	-	14 988
Intangible assets	6	-	-	-	2 606	2 606	-	2 606
Deferred tax	8	-	-	-	22 407	22 407	-	22 407
Financial assets at fair value	9	7 604 463	667 520	-	-	8 271 983	1 741 790	6 530 193
Trade and other receivables	10	-	-	194 184	1 946 505	2 140 689	561 146	1 579 543
Cash and cash equivalents	11	-	-	331 400	-	331 400	331 400	-
		7 604 463	**667 520**	**525 584**	**1 986 506**	**10 784 073**	**2 634 336**	**8 149 737**
Liabilities								
Provision for unearned premiums	13.1	-	-	-	2 744 083	2 744 083	539 848	2 204 235
Provision for unexpired risks	13.2	-	-	-	505 005	505 005	-	505 005
Employee benefit liability	14	-	-	-	3 764	3 764	3 764	-
Trade and other payables	15	-	-	252 897	27 389	280 286	280 286	-
Lease liability	16	-	-	9 169	-	9 169	5 773	3 396
Liability for interest make-up	17	1 181 056	-	-	-	1 181 056	263 251	917 805
Current tax payable	27	-	-	-	11 093	11 093	11 093	-
		1 181 056	**-**	**262 066**	**3 291 334**	**4 734 456**	**1 104 015**	**3 630 441**

Categories of assets and liabilities - 2019	Note(s)	Financial assets and liabilities at fair value through profit or loss R'000	Financial assets available for sale R'000	Financial assets and liabilities at amortised cost R'000	Other non-financial assets and liabilities R'000	Total R'000	Current assets and liabilities R'000	Non-current assets and liabilities R'000
Assets								
Equipment	7	-	-	-	5 770	5 770	-	5 770
Intangible assets	6	-	-	-	3 420	3 420	-	3 420
Financial assets at fair value	9	6 817 621	643 559	-	-	7 461 180	2 370 765	5 090 415
Current tax receivable		-	-	-	860	860	860	-
Trade and other receivables	10	-	-	95 977	1 816 319	1 912 296*	402 100	1 510 196
Cash and cash equivalents	11	-	-	351 114	-	351 114*	351 114	-
		6 817 621	**643 559**	**447 091**	**1 826 369**	**9 734 640**	**3 124 839**	**6 609 801**
Liabilities								
Provision for unearned premiums	13.1	-	-	-	2 664 482	2 664 482	569 303	2 095 179
Provision for unexpired risks	13.2	-	-	-	268 164	268 164	-	268 164
Provision for claims reserves	13.3	-	-	-	295 194	295 194	10 620	284 574
Employee benefit liability	14	-	-	-	3 253	3 253	3 253	-
Trade and other payables	15	-	-	164 597	42 122	206 719*	206 719	-
Deferred tax	8	-	-	-	25 938	25 938	-	25 938
Liability for interest make-up	17	1 257 288	-	-	-	1 257 288	278 662	978 626
		1 257 288	**-**	**164 597**	**3 299 153**	**4 721 038**	**1 068 557**	**3 652 481**

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

19. Insurance premium revenue

	2020 R'000	2019 R'000
Credit insurance	83 836	27 280
Investment guarantee	130 094	126 998
	213 930	**154 278**

20. Net investment income

	2020 R'000	2019 R'000
Dividend income		
Dividends income - Foreign	16 695	14 095
Dividends income - Local	43 116	47 208
	59 811	**61 303**
Other investment income		
Interest received	227 367	217 994
Realised gain/(loss) on disposal of financial assets	154 948	(41 226)
Change in fair value of financial assets	(320 593)	81 452
Sundry income	30	64
Interest received on cash and cash equivalents	986	637
	62 738	**258 921**
	122 549	**320 224**

21. Currency translation differences

The currency translation difference arises because the presentation currency (ZAR) is different to the functional currency (USD). This difference represents the changes in the foreign exchange movement between the historic or average rate and the closing rate on net assets.

For monetary assets currency translation difference arises as a foreign exchange movement

	2020 R'000	2019 R'000
Foreign exchange gain on monetary assets and liabilities	1 077 876	951 563
Gross unearned premium reserve	(237)	(174)
Property, equipment and intangible assets	1 175	1 973
Payments in advance	414	319
Technical reserves movements	39 674	1 650
	1 118 902	**955 331**

22. Net operating expenses

Net operating expenses are arrived at after taking into account:

	2020 R'000	2019 R'000
External auditors' remuneration		
Audit fees for the current year	1 872	1 911
Other services	-	325
	1 872	**2 236**
Internal auditors' remuneration	1 181	972
Depreciation and amortisation		
Equipment	922	2 123
Intangible assets	1 050	669
Building	2 790	-
	4 762	**2 792**
Directors' emoluments		
Remuneration paid to executive director	5 908	5 783
Remuneration paid/payable to non-executive directors	1 570	873
	7 478	**6 656**
Employee costs		
Salaries	65 482	66 088
Prior year over provision for bonus	(243)	(707)
Provision for bonus for current year	25 173	26 199
	90 412	**91 580**
Short-term leases/Operating leases		
Equipment	315	336
Property rental	3 510	5 336
	3 825	**5 672**
Remuneration to non-employees		
Actuarial services	953	529
Consulting services	2 646	3 904
Legal services	344	178
	3 943	**4 611**
General administrative expenses	33 167	32 743
Total operating expenses (excluding portfolio fees)	**146 640**	**147 262**
Investment portfolio management fee	22 376	20 511
Total operating expenses	**169 016**	**167 773**

22.1. Disclosure as required by section 55 of PFMA

	2020 R'000	2019 R'000
Fruitless and wasteful expenditure		
Opening balance	-	2
Additions	-	2
Recovered	-	(4)
	-	**-**
Irregular expenditure		
Opening balance	405	431
Add: Irregular expenditure – relating to current year	-	405
Reclassified to Non-compliance	(405)	-
Condoned	-	(431)
	-	**405**

The changes in the irregular expenditure framework resulted in the opening balance of the expenditure being reclassified as non-compliance.

23. Interest expense

	2020 R'000	2019 R'000
Leases liability	388	-
Interest on other	2	4
	390	**4**

24. Loss on foreign exchange differences

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

	2020 R'000	2019 R'000
Effect of translation on cash and cash equivalents	(30 772)	(19 091)
Effect of translation on net assets (excluding insurance contract liabilities and cash and cash equivalents)	4 484	(5 530)
Effect of translation on financial assets at fair value	(325 127)	(562 243)
Effect of translation on insurance contract liabilities	3 516	4 351
	(347 899)	**(582 513)**

In March 2020, the Rand weakened against the US Dollar by 15% mainly due to COVID-19 pandemic restrictions on the economy. This resulted in additional foreign exchange losses of R226 466 000 being recognised during the period.

25. Taxation

	2020 R'000	2019 R'000
Major components of the tax expense		
Current		
Local income tax - current period	440 242	359 575
Local income tax - recognised tax for prior periods	-	(917)
Withholding tax - current period	(153)	-
	440 089	**358 658**
Deferred		
Deferred tax - current year	(20 278)	34 393
	419 811	**393 051**
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Current year's charge as a percentage of profit before taxation	96,70%	96,09%
Disallowable expenses - IMU	0,63%	(2,09)%
Disallowable expenses - other*	(0,58)%	(0,30)%
Exempt income - dividends	0,60%	0,94%
Translation effect	(69,64)%	(67,24)%
Prior year adjustment	-%	0,07%
Other**	0,29%	0,53%
	28,00%	**28,00%**

The translation effect is due to the tax expense which is based on Rand functional currency financials instead of US Dollar functional currency.

** Disallowable expenses – other disclosed under the reconciliation of the tax expense comprises mainly of disallowed SED & ESD Contributions and operating expenses that were not incurred in the production of income.*

*** Other disclosed under the reconciliation of the tax expense comprises mainly of unrealised foreign gains that relates to equity investments and related parties' receivables.*

26. Cash generated from operations

	2020 R'000	2019 R'000
Profit before taxation	434 155	409 036
Adjustments for:		
Net book value write-off	-	52
Interest income	(228 383)	(218 756)
IMU grant received	(233 511)	(183 248)
Interest expense	390	4
Dividends income	(59 811)	(61 303)
Depreciation and amortisation	4 762	2 792
Other non-cash items	(8)	32
Fair value loss/(gain) on financial assets	320 593	(81 452)
Realised (gain)/loss on disposal of financial assets	(154 948)	41 226
Loss on foreign exchange	347 899	582 513
Movements in provision for unearned premiums	(452 668)	(477 734)
Movements in provision for unexpired risks	143 308	51 169
Movements in provision for outstanding claims	(336 522)	(313 564)
Expenses for interest make-up	(34 704)	101 527
Movements in trade and other receivables	222 431	201 261
Movements in trade and other payables	(19 554)	3 136*
Movements in provisions	511	175
	(46 060)	**56 866**

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

27. Taxation paid

	2020 R'000	2019 R'000
Balance at beginning of the year	860	(39 435)
Current tax for the year recognised in the statement of comprehensive income	(440 089)	(358 658)
Accrued interest	27	-
Balance at end of the year	11 093	(860)
	(428 109)	**(398 953)**

28. Commitments

	2020 R'000	2019 R'000
Operating leases		
Minimum lease payments due		
- within one year	-	4 036

29. Retirement benefits

Defined contribution plan

The Corporation contributes to the Sanlam Umbrella Fund, which is a defined contribution plan registered in terms of the Pension Funds Act, 1956. Membership is compulsory for all full-time employees. As with all defined contribution funds, the liabilities equal the assets at all times and therefore no actuarial valuation is required.

	2020 R'000	2019 R'000
The total contribution for the current financial year	6 616	6 432

30. Related parties

Identity of related parties
The Corporation has a related party relationship with its shareholder, fellow government entities and its directors and executive officers. The sole shareholder is the government of South Africa through the Department of Trade, Industry and Competition **(the dtic)**.

Transactions with key management personnel
Details of directors' emoluments are disclosed in note 31. Key management personnel for purposes of related party information are defined as directors.

Government guarantee
In terms of Export Credit and Foreign Investments Insurance Act 1957, as amended, the Government of South Africa acts as a guarantor for the liabilities of the Corporation. Since inception, the Corporation has not called on this Government Guarantee.

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:

	2020 R'000	2019 R'000
Statement of comprehensive income effects:		
Premium		
Industrial Development Corporation of South Africa SOC Ltd	3 605	9 208
Development Bank of Southern Africa SOC Limited	104 036	45 264
Assessment fees		
Development Bank of Southern Africa SOC Limited	222	-
Industrial Development Corporation of South Africa SOC Ltd	-	106
IMU grant receipts		
Department of Trade, Industry and Competition **(the dtic)**	233 511	183 248
Other income		
South African Revenue Services (Interest)	27	59
Claims paid		
Industrial Development Corporation of South Africa SOC Ltd	363 194	-
Other operating expense		
Office Of The Compensation Commissioner	30	-
Training cost recovery		
Insurance Sector Education and Training Authority (INSETA)	195	188
Taxation		
South African Revenue Services (Income tax)	440 242	358 658
Statement of financial position effects:		
Financial assets		
Bonds - Parastatals	15 084	35 049
Bonds - National government	566 738	558 836
Trade and other receivables		
Industrial Development Corporation SOC Ltd	122	7 142
Development Bank of Southern Africa SOC Limited	53 798	398
Insurance Sector Education and Training Authority (INSETA)	40	40
Public Investment Corporation (PIC)	-	11
South African Revenue Services (Value added tax)	39 119	-
Taxation		
South African Revenue Services (Income tax)	-	860
Total assets	**674 901**	**602 336**

Other related party transactions (continued)	2020 R'000	2019 R'000
Liabilities		
Trade and other payables		
South African Revenue Services (Value added tax)	-	13 833
Taxation		
South African Revenue Services (Income tax)	11 093	-
	11 093	**13 833**

31. Directors' and executives' emoluments

Non-executive	2020 R'000	2019 R'000
D Dharmalingam	324	176
A Mawela (term ended on 31 May 2018)	-	41
S Mayekiso	308	195
S O'Mahony	178	115
V Matsiliza	285	125
L Mothae	237	136
S Subbiah	238	85
	1 570	**873**

The R1 570 000 as reflected in the 2020 financial year includes the retainers payable for the 2020 and 2019 financial years. No retainer was included in the R873 000 reflected in the 2019 financial year.

Executive remuneration 2020	Basic salary R'000	Bonus paid R'000	Provident fund R'000	Cellphone allowance R'000	Acting allowance R'000	Total R'000
K Kutoane - Chief Executive Officer (Director)	3 692	2 216	-	35	-	5 943
C Kgoale - Company Secretary	1 247	597	119	19	-	1 982
M Nkuhlu - Chief Operations Officer	2 510	1 371	231	30	-	4 142
B Fugah - Acting Chief Operations Officer	-	-	-	-	73	73
N Mkhathazo - Chief Financial Officer	1 892	1 096	301	30	-	3 319
S Esterhuisen- Chief Actuarial & Investment Executive (from 07 June 2019)	1 854	1 144	241	20	-	3 259
N Maphula - General Counsel	1 732	992	251	30	-	3 005
J Omollo - Chief Risk Officer	1 708	992	275	30	-	3 005
W Koen - Acting Chief Financial Officer (from 20th August 2019)	-	-	-	-	148	148
	14 635	**8 408**	**1 418**	**194**	**221**	**24 876**

Executive remuneration (continued) 2019	Basic salary R'000	Bonus paid R'000	Provident fund R'000	Cellphone allowance R'000	Acting allowance R'000	Settlement amount	Total R'000
K Kutoane - Chief Executive Officer (Director)	3 693	2 090	-	36	-	-	5 819
C Kgoale - Company Secretary (appointed May 2018)	1 156	-	118	22	-	-	1 296
M Nkuhlu - Chief Operations Officer	2 514	1 293	227	30	-	-	4 064
C Simpson - Chief Financial Officer (resigned May 2018)	392	1 293	39	5	-	1 077	2 806
N Mkhathazo - Chief Financial Officer (appointed January 2019	473	-	75	26	132	-	706
B Lemos - Acting Company Secretary	-	-	-	-	5	-	5
N Maphula - General Counsel	1 738	936	245	30	-	-	2 949
J Omollo - Chief Risk Officer	1 713	936	270	30	-	-	2 949
	11 679	**6 548**	**974**	**179**	**137**	**1 077**	**20 594**

32. Contingent asset and liability

Contingent asset

The Corporation has a probable salvage relating to the claims settled in the previous years. A portion of the possible salvage did not meet the recognition criteria as at the reporting date. The total amount which may be recognised in future is R 577 million.

33. Solvency

	2020 R'000	2019 R'000
Regulatory solvency ratio	237%	266%

The ratio measures the degree to which, as per the regulatory prudential requirements, the available capital (Own Funds) covers the required capital (Solvency Capital Required). The Corporation retains a strong solvency position which is above the regulatory required cover of 100%.

34. 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.

35. Dividend payable

No dividends were paid or declared in the current financial year and prior year.

36. Going concern

We draw attention to the fact that at 31 March 2020, the Corporation had accumulated profit of R 2 066 808 000 and that the Corporation's total assets exceed its liabilities by R 6 049 617 000.

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

To understand the impact of COVID-19 on the insured projects the insured lenders and investors were asked to indicate amongst other things the impact of COVID-19 on their projects and the probability of payment defaults. Most of the projects are not anticipating any payment default. For the three projects impacted by the COVID-19 lockdown; lenders have agreed to a capital deferral with further negotiations taking place.

It is anticipated that once the COVID-19 related lockdowns are over, the full impact of the COVID-19 would be felt as project restart their operations. The Corporation expects a high number of requests for restructuring and payment deferrals.

At this point, it is not possible to determine the impact on pipeline transactions. Of the Corporation's budgeted earned premiums for 2021 and 2022, pipeline transaction accounts for 8.9% and 20.5% respectively.

The Corporation has triggered its Business Continuity Management (BCM) process and has allowed staff to work remotely. To minimise the impact on the operations, the employees have been provided with the necessary resources to work remotely.

37. Restatement of prior year statements

The restatements arose as a result of errors occurring when reporting and presenting the financial results in previous years. Cash and cash equivalent was reported net of unsettled investment trade debtors and creditors.

The correction of the error(s) results in reclassification adjustments as follows:

	Presented as at 31 March 2019 R'000	Reclassification R'000	Restated as at 31 March 2019 R'000
Restatements of the statement of financial position			
Assets			
Trade and other receivables	1 816 474	95 822	1 912 296
Cash and cash equivalents	297 504	53 610	351 114
Liabilities			
Trade and other payables	57 287	149 432	206 719
Restatements of the statement of cash flows			
Cash flows from operating activities			
Cash generated from underwriting activities	57 076	(210)	56 866
Interest received	218 756	(2 271)	216 485
Dividends received	61 303	8	61 311
Cash flows from investing activities			
Net sale/(acquisition) of financial assets	303 264	(1 161)	302 103
Cash and cash equivalents at the beginning of the year	154 467	57 244	211 711
Total cash and cash equivalents at end of the year	**297 504**	**53 610**	**351 114**

Restatement of prior year statements (continued)	Presented as at 01 April 2018 R'000	Reclassification R'000	Restated as at 01 April 2018 R'000
Restatements of the statement of financial position			
Assets			
Trade and other receivables	1 648 511	55 289	1 703 800
Cash and cash equivalents	154 467	57 244	211 711
Liabilities			
Trade and other payables	51 573	112 533	164 106
Restatements of the statement of cash flows			
Cash flows from operating activities			
Cash generated from underwriting activities	516 583	210	516 793
Interest received	201 701	(7 529)	194 172
Dividends received	36 134	(2 422)	33 712
Cash flows from investing activities			
Net sale/(acquisition) of financial assets	(503 883)	66 985	(436 898)
Cash and cash equivalents at the beginning of the year	284 614	-	284 614
Total cash and cash equivalents at end of the year	**154 467**	**57 244**	**211 711**

38. Underwriting results

	2020 R'000	2019 R'000
Insurance premium revenue	213 930	154 278
Change in unearned premiums	452 668	477 734
Change in unexpired risks	(143 308)	(51 169)
Net insurance premium earned	**523 290**	**580 843**
Claims incurred	**76 875**	**189 433**
Claims paid net of salvages	(259 647)	(124 131)
Claims paid	(373 787)	(206 469)
Salvages income	114 140	82 338
Change in claims reserves	336 522	313 564
Assessment fees	232	617
Commission paid to intermediaries	(161)	(229)
Operating expenses	(146 640)	(147 262)
Underwriting results	**453 596**	**623 402**
Investment income	122 549	320 224
Portfolio management fees	(22 376)	(20 511)
Foreign exchange loss	(347 899)	(582 513)
Other income	114	72
IMU grant receipts	233 511	183 248
Interest expense	(390)	(4)
SED & ESD contributions	(39 653)	(13 355)
Expense for interest make-up	34 704	(101 527)
Profit before taxation	**434 156**	**409 036**
Taxation	(419 811)	(393 051)
Profit for the year	**14 345**	**15 985**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Foreign currency translation reserve	1 118 902	955 331
Fair value adjustments of financial assets	(125 299)	15 774
Deferred tax on fair value of financial assets	28 067	(3 533)
Total items that may be reclassified to profit	**1 021 670**	**967 572**
Other comprehensive income for the year net of taxation	**1 021 670**	**967 572**
Total comprehensive income for the year	**1 036 015**	**983 557**

39. Financial results based on South African Rand functional currency

The financial statements are prepared based on the US Dollar functional currency. Below is the statement of financial position and statement of comprehensive income on the Rand functional currency basis for information purposes:

Statement of financial position	2020 R'000	2019 Restated* R'000	01 April 2018 Restated* R'000
Assets			
Intangible assets	1 811	2 761	3 142
Property and equipment	11 536	3 355	4 535
Deferred tax	22 407	-	11 988
Financial assets at fair value	8 271 983	7 461 180	6 715 775
Current tax receivable	-	860	-
Trade and other receivables	2 140 139	1 912 161	1 703 981
Cash and cash equivalents	331 400	351 114	211 711
Total assets	**10 779 276**	**9 731 431**	**8 651 132**
Equity and liabilities			
Equity			
Share capital and share premium	316 051	316 051	316 051
Fair value adjustment through other comprehensive income reserve	(57 414)	39 818	27 577
Retained earnings	5 788 750	4 656 854	3 687 652
Total equity	**6 047 387**	**5 012 723**	**4 031 280**
Liabilities			
Insurance contract liabilities	3 246 521	3 225 510	3 240 350
Provision for unearned premiums	2 741 516	2 662 152	2 570 107
Provision for unexpired risks	505 005	268 164	175 497
Provision for outstanding claims	-	295 194	494 746
Deferred tax	-	25 938	-
Employee benefit liability	3 764	3 253	3 078
Trade and other payables	280 286	206 719	164 106
Lease liability	9 169	-	-
Liability for interest make-up	1 181 056	1 257 288	1 172 883
Current tax payable	11 093	-	39 435
Total liabilities	**4 731 889**	**4 718 708**	**4 619 852**
Total equity and liabilities	**10 779 276**	**9 731 431**	**8 651 132**

**The restatement is due to reclassification of investment trade receivables and payables which were previously presented at net basis against cash and cash equivalent. Refer to note 37.*

Statement of comprehensive income	Note(s)	2020 R'000	2019 R'000
Insurance premium revenue	19	213 930	154 278
Change in unearned premiums		465 568	476 767
Change in unexpired risks		(141 328)	(51 959)
Net insurance premium revenue		**538 170**	**579 086**
Assessment fees		232	617
Net investment income	20	122 549	320 224
Other income		114	72
Profit on exchange differences		727 080	367 805
IMU grant receipts		233 511	183 248
		1 621 656	**1 451 052**
Claims incurred		**104 565**	**194 085**
Claims paid net of salvages		(259 647)	(124 131)
Claims paid		(373 787)	(206 469)
Salvages income		114 140	82 338
Change in claims reserves		364 212	318 216
Commission paid to intermediaries		(161)	(229)
Operating expenses	22	(169 016)	(167 773)
Interest expense	23	(390)	(4)
SED & ESD contributions		(39 653)	(13 355)
Expense for interest make-up		34 704	(101 527)
Profit before tax		**1 551 705**	**1 362 249**
Taxation	25	(419 811)	(393 051)
Profit for the year		**1 131 894**	**969 198**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value adjustments of financial assets		(125 299)	15 774
Deferred tax on fair value of financial assets		28 067	(3 533)
Total items that may be reclassified to (loss)/profit		**(97 232)**	**12 241**
Other comprehensive (loss)/income for the year net of taxation		**(97 232)**	**12 241**
Total comprehensive income for the year		**1 034 662**	**981 439**

ECIC is a registered financial services provider: FSCA No. 30656
Physical address:
Block C7 & C8, Eco Origins Office Park
349 Witch Hazel Ave, Highveld Ext 79, Centurion
Postal address:
P.O. Box 7075, Centurion, 0004
+27 12 471 3800
info@ecic.co.za
www.ecic.co.za

RP346/2020
ISBN: 978-0-621-48840-1

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