ESTABLISHED IN 2001

ECIC

EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LTD

INTEGRATED REPORT 2018

YOUR EXPORT RISK PARTNER

Acronyms and abbreviations

AfCFTA	African Continental Free Trade Agreement
Afreximbank	African Export-Import Bank
ALM	Asset-Liability Matching
AVID	African Investment and Integrated Desk
Berne Union	International Union of Credit and Investment Insurers
B-BBEE	Broad-based Black Economic Empowerment
BRICS	Countries of Brazil, Russia, India, China and South Africa
CA(SA)	Chartered Accountant (South Africa)
CEO	Chief Executive Officer
CIC	Credit Insurance Committee
CRR	Concentration Risk Reserve
DBSA	Development Bank of Southern Africa Limited
DIRCO	Department of International Relations & Cooperation
ECA	Export Credit Agency
EXIM	Export-Import
FAIS	Financial Advisory and Intermediary Services
FSB	Financial Services Board
FSCA	Financial Sector Conduct Authority
Government	The government of the Republic of South Africa
IBNR	Incurred but not yet reported
ICT	Information and Communications Technology
IDC	Industrial Development Corporation of South Africa Limited
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IMU	Interest Make-up
<IR> Framework	International Integrated Reporting Framework
INSETA	Insurance Sector Education and Training Authority
IPS	Investment Policy Statement
MIS	Management Information System
NEPAD	New Partnership for Africa's Development
OECD	Organisation for Economic Cooperation and Development
PA	Prudential Authority
PAA	Public Audit Act of South Africa, 25 of 2004
PFMA	Public Finance Management Act, 1 of 1999
SAA	Strategic asset allocation
SAM	Solvency and Asset Management
SARB	South African Reserve Bank
SATIPP	South Africa-Africa Trade and Investment Promotion Programme
SCR	Solvency Capital Required
SMMEs	Small-, medium- and micro enterprises
SO	Strategic objective
SOE	State-Owned Entity
the dti	Department of Trade and Industry
UPP	Unearned premium provision
URP	Unexpired risk provision
USA	United States of America

CONTENTS

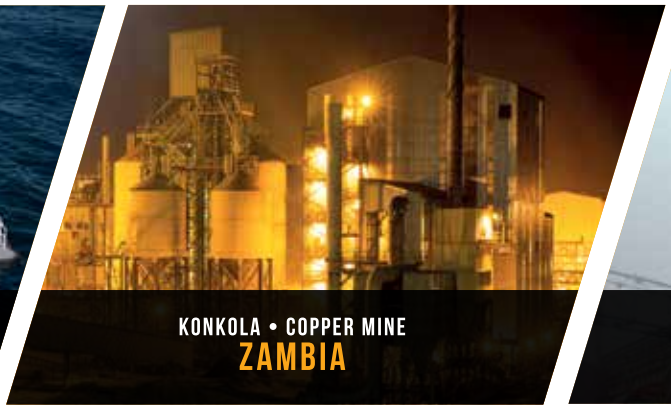
SUCCESSFULLY GROWING OUR PORTFOLIO IN FRONTIER MARKETS

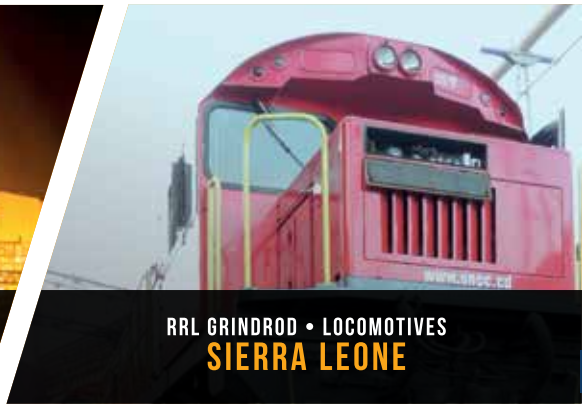

MOZAL • ALUMINIUM
MOZAMBIQUE


MTN IRAN • TELECOMMUNICATIONS
IRAN


BELL EQUIPMENT • COPPER & COBALT MINE
DRC


VEECRAFT MARINE • BOATS
NIGERIA


KONKOLA • COPPER MINE
ZAMBIA


RRL GRINDROD • LOCOMOTIVES
SIERRA LEONE


CENPOWER • GAS TURBINE POWER
GHANA


ZINARA INFRALINK • TOLL ROAD
ZIMBABWE


LIQHOBONG • DIAMOND MINE
LESOTHO

Since 2001 we have continued to provide commercial and political risk insurance for cross-border transactions, offering risk mitigation solutions to South African exporters of capital goods and investors . We have partnered with credible financial institutions and believe through partnerships economic growth can be achieved. As Export Credit Insurance Corporation of South Africa SOC Ltd (ECIC) we are committed to supporting our South African businesses who export and invest in capital projects beyond our borders.

If you're planning on exporting to or investing in capital projects beyond our borders, contact ECIC for assistance

+27 12 471 3800 | info@ecic.co.za | www.ecic.co.za
ECIC is a registered service provider with the FSB No. 30656

South Africa
Inspiring new ways

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AT A GLANCE

Financial assets

R7 billion

Total insured value

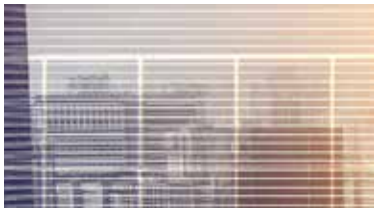
R27 billion

Valuation of Afreximbank equity

R508 million

Solvency ratio

635%

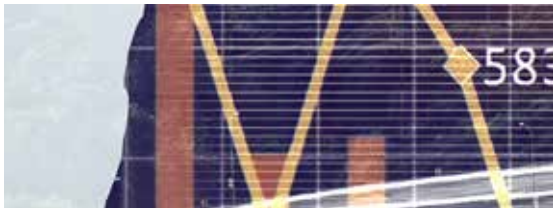


Gross written premiums

R887 million

Underwriting profit

R389 million

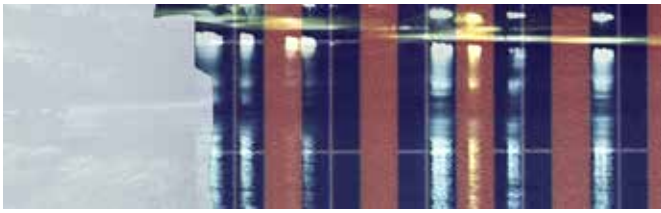


Targets achieved

100%

Total equity

R4 billion



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

Dr Rob Davies

For the first time in many years, global economic prospects have begun to improve substantially. The International Monetary Fund (IMF) has raised its global economic forecast to 3.1 % in 2018, while emerging markets are expected to grow by 4,5% and commodity-exporting emerging markets are forecasted to grow by 2.7% in 2018 as commodity prices continue to recover.

In recent years, the gap between SA GDP growth and emerging market growth had widened, primarily due to policy uncertainty and declining business and consumer confidence. In 2018, we are beginning to see this gap closing, with National Treasury forecasting that the South African economy will grow by at least 1.5% in 2018. The greater optimism in the South African economy is underpinned by improving confidence levels.

The buoyant outlook in the global and domestic economy is threatened by trade wars between major economies with concomitant damage for South Africa and the rest of the African continent. The major concern is the disregard of the multilateral rules and principles that underpin international trade.

In the context of unilateralism and threatening trade wars, the development integration agenda we are pursuing in Africa becomes even more important. The integration agenda entails market integration and the promotion of industrial and infrastructure development.

The signing of the agreement establishing the African Continental Free Trade Area by 44 AU states earlier this year, represents an important milestone in the overall initiative to integrate African markets and build larger economies of scale to attract investment and boost intra-Africa trade. The partnership entered into between ECIC and Afreximbank serves as a critical intervention to bolster trade and investment between South Africa and the rest of the continent.

We are pursuing an investment-led export strategy with a strong outward investment approach into key sectors on the continent. The investment-led strategy has a direct link with export promotion, as South African investors are encouraged to make long-term investments that connect them to regional supply value chains. With the pursuit of this strategy, South African investors are expected to contribute to industrial development on the continent and also cultivate strong benefits and linkages with the South African economy.

The role of ECIC in providing political and commercial risk insurance is critical in facilitating and supporting more South African companies to seek new markets, pursue investment opportunities and expand trade flows between South Africa and the rest of the continent.

I would like to congratulate ECIC for its sterling work in helping South African companies to expand their footprint on the continent and encourage it to continue this momentum into the future for the mutual benefit of South Africa and the host countries.

Dr Rob Davies, MP
Minister of Trade and Industries

OUR BUSINESS

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- OUR OUTCOMES
- WHERE WE OPERATE
- WHAT WE STRIVE FOR

Cenpower Generation, Ghana

About this Report

The Corporation's second integrated annual report sets out how the strategy, governance, performance and prospects of South Africa's Export Credit Insurance Corporation (ECIC) create value over time. In preparing the report, management and the Board considered the Companies Act, 71 of 2008 and other applicable legislation, as well as the King Report on Corporate Governance for South Africa 2017 (King IV).

The preparation of the contents was guided by various acts and frameworks, as well as the purpose and nature of the Corporation's core business, the usefulness of the contents to our stakeholders and the sector in which we operate, the imperative of credible reporting and best practices associated with integrated reporting. The level of reporting is our best attempt to address these requirements.

We believe that the report provides our shareholder, the South African government, and key stakeholders with an accurate summary of our financial and sustainability performance and a balanced appraisal of the material issues that affected our ability to create business value during the 2017/18 financial period.

The Executive team regularly identify material issues as they relate to probable risks, strategy development and stakeholder engagement, to ensure that we respond and/or mitigate timeously and appropriately.

The report was recommended for approval to the Board on 27 August 2018 and submitted to our shareholder representative, the Department of Trade and Industry (**the dti**) and related entities, such as National Treasury, the Auditor-General of South Africa and Parliament.

Scope, boundary and key principles

This report concerns the operations of the Corporation for the period 1 April 2017 to 31 March 2018 and, where applicable, our activities in other countries. No other ECIC group companies or subsidiaries exist and the scope and boundary of the report has not changed materially compared to that of last year.

The principles of the International Integrated Reporting Framework (<IR> Framework) are the key principles on which we based our integrated reporting to describe our organisational activities in terms of two fundamental concepts of the <IR> Framework: organisational value creation over time and organisational resources and relationships as they relate to the six capitals of the <IR> Framework against which we report our activities: financial, manufactured, intellectual, human, social, and natural.

The following key acts and guidelines are important to the nature of our business, the sector in which we operate and the emerging best practices associated with integrated reporting:

- Public Finance Management Act, 1 of 1999
- Companies Act, 71 of 2008
- King IV Report on Corporate Governance for South Africa (2016)
- Broad-Based Black Economic Empowerment Act, 53 of 2003 (amended by 46 of 2013)
- National Development Plan 2030.
- Short-Term Insurance Act, 53 of 1998 (as amended)
- Export Credit and Foreign Investments Insurance Act, 78 of 1957 (as amended)

Responsibility and assurance

As the Accounting Authority, the Board acknowledges its responsibility for the accuracy of the 2017/18 integrated annual report. The Board applied its collective expertise to this end and is satisfied with the quality of information and processes used to prepare the report. In the Board's opinion, the report addresses all strategic and material issues and presents an integrated and accurate view of the Corporation's performance during the year under review.

This assurance comes from our internal processes and we do not deem it necessary to conduct third party assurance over any information in the report.

Our business

General information about the Corporation

Registered name	Export Credit Insurance Corporation of South Africa SOC Ltd
Registration numbers	ECIC is a registered Financial Services Provider: FSB No. 30656 CIPC Registration number 2001/013128/30
Founded	2 July 2001
Enabling act	Export Credit and Foreign Investments Insurance Act, 78 of 1957 (as amended)
Shareholder	South African government, represented by **the dti**
Registered address	Block C7 & C8 Eco Origins Office Park, 349 Witch Hazel Avenue, Highveld Ext 79, Centurion 0157, South Africa
Postal address	PO Box 7075, Centurion 0046, South Africa
Telephone	+27 (0)12 471 3800
Email	info@ecic.co.za
Website	www.ecic.co.za
External auditor	AGSA, 300 Middel Street, New Muckleneuk, Pretoria
Banking details	First National Bank, Fehrsen Street, Steven House, Brooklyn 0181, Pretoria, South Africa
Company Secretary	Charles Kgoale
Contact person for this report	Noluthando Mkhathazo, Acting Chief Financial Officer +27 (0)12 471 3800 nmkhathazo@ecic.co.za
Reporting period	1 April 2017 to 31 March 2018
Reporting cycle	Annually
Date of last report	2017

WHO WE ARE

Our business profile

At age 17, Export Credit Insurance Corporation of South Africa (ECIC) continues to provide, on behalf of the South African government, exporters of capital goods and services locally with commercial and political risk insurance that supports medium- and long-term loans from banks and other financial institutions.

Our export credit and investment insurance solutions rest on best practice risk management principles and act as a catalyst for private investments where commercial lenders are either unwilling or unable to accept long-term risks.

The delivery of our mandate is aligned with South Africa's national imperatives of inclusive economic growth, job creation and competitiveness in global markets, especially in Africa and other emerging markets that are considered as too risky for conventional insurers.

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

Our competitive strength stems from a singularly experienced footprint in Africa, as well as a substantial appetite for insuring against political risk on a continent known for political volatility and underwriting large, long-term projects with flexible terms and conditions that suit project-specific needs and cash-flow profiles.

Our role in South Africa is to support the export of local products and services into international markets with a strong focus on Africa and other emerging markets. This enables South African exporters to attract foreign buyers. In return, this secures foreign direct income, stimulates economic growth and creates local jobs.

South Africa needs to partner with the African continent to industrialise. SADC is an important platform from which to build. An investment-led strategy implies a focus on outward investment into key sectors on the continent and correlates directly to export promotion and the development of complementary regional value-chains. The advantage of such a strategy is that SA will be contributing to industrialisation on the African continent while achieving its own development objectives.

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

WHAT WE DO

ECIC business model

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

Our legislative and strategic operating environment

South Africa's legislative framework for corporate entities applies to the Corporation. As a self-sustaining, limited liability and registered financial services provider (FSP 30656) and a Schedule 3B entity under the Public Finance Management Act (PFMA), 1 of 1999 (as amended), we are, respectively, regulated by the Financial Sector Conduct Authority and Prudential Authority and subject to legislation that applies to state-owned entities (SOEs).

Our business operations are governed by the Export Credit and Foreign Investments Insurance Act, 78 of 1957 (ECIC founding act), the PFMA as augmented by Treasury Regulations (to ensure transparency, accountability and the sound management of revenue, expenditure, assets and liabilities in SOEs) and the Companies Act, 71 of 2008. The Corporation maintains all the governance structures and arrangements required by this act.

The Corporation ensures that it remains up-to-date on emerging legislation, standards and regulations that may affect its operations materially. We did not receive any requests for information in terms of the Promotion of Access to Information Act, 2 of 2000, during the reporting period.

The non-binding guidelines

The Corporation is an active participant in the Berne Union (International Union of Credit and Investment Insurers), an international non-profit association and community for global export credit and investment insurers, and the Prague Club Committee within the Berne Union, an information-exchange network for new and maturing export credit and investment insurers. The Berne Union is guided by principles of ethical conduct that favour sustainability, sound business practice, environmental responsibility, transparency and cooperation.

The political and economic environments of target economies

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

OUR INPUTS

Capitals

Human capital	Financial capital	Intellectual capital	Social & relationship capital

VALUE CREATION

Workforce	Finance	Reputation & brand	Partnerships
Our workforce consists of highly skilled employees with a multi-disciplinary set of skills	Our initial R1.1 billion seed capital increased to R4 billion in 2018 (2017: R3.6 billion), which supported insurance exposure of R26.7 billion (2017: R22.6 billion)	We are experts in underwriting political risk in Africa and our solution is unique and complementary to the private sector	We partner with various stakeholders, including local and foreign governments, financial institutions, export councils and their members and multilateral institutions

Strategic objectives

- Improve knowledge and skills

- Decrease cost-to-revenue ratio
- Increase revenue
- Increase capital base

- Increase product range
- Improve business processes
- Improve business development

- Increase strategic partnerships
- Improve communication and stakeholder/ customer management
- Increase stakeholder/ customer satisfaction

Letseng Diamond Project, Lesotho

OUR OUTPUTS

Brands, products and services

FINANCIAL INSTITUTION PRODUCTS

Buyer's credit cover	Financial credit insurance cover	Performance bond insurance cover	Lines of credit cover
Protects financial institutions from losses suffered when foreign buyers do not pay because of political and commercial risk events.	Provides political risk cover to South African financiers that provide medium- to long-term commercial loans to foreign enterprises and governments.	Provides comprehensive political risk cover for performance bonds issued to export goods/services by South African exporters. Cover is limited to 90% of the value of the performance bond.	Provides comprehensive political and commercial risk cover to enable SA financial institutions to lend to foreign banks to support small and medium export transactions that do not exceed US$20 million.

EXPORTER PRODUCTS

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

Lease of equipment cover	Return of plant cover
Provides political and commercial risk cover for equipment on operational or financial lease outside South Africa. Cover is for financial institutions/leasing companies and exporters.	Designed for contractors whose plant and machinery are to be returned to South Africa after use on project sites. Cover is limited to 90% of the damages or the book value for the replacement of the equipment arising from the inability to transport the equipment out of the host country due to defined political risk events.

INVESTOR PRODUCTS

Investment insurance cover

Provides political risk insurance to South African companies and individuals investing equity or shareholder loans in foreign entities.

OUR OUTCOMES

Developmental outcomes

The alignment of ECIC products and services with the local procurement and industrial growth imperatives of South Africa's National Development Plan to stimulate jobs and economic well-being does not preclude the Corporation from covering projects that intend to develop regional or continental industries or infrastructure.

Market outcomes

Given that stronger emerging markets could affect the financial viability and therefore ability of the Corporation to support local export-related economic growth, the Board constantly assesses product diversification, deal origination efforts and access to new markets to ensure business growth and sustainability.

Social and natural environment outcomes

The Corporation adheres to responsible lending principles and applies the Equator Principles to stave off the criticism that export credit agencies at times support projects that exploit local populations and destroy the natural environment.

The Board and the Credit Insurance Committee reviews the environmental impact of all applications before making a recommendation and to ensure that ECIC-supported projects comply with the Equator Principles that govern environmental and social issues.

Industry-related outcomes

As a responsible corporate citizen, the Corporation strives to provide the industries in which we operate with the skills and financial resources that will help to develop our country (see our corporate social investment initiatives on page 56 to 57).

Organisational value chain

The impact of our activities often manifest long after we have 'processed' the projects that we support and implement, which makes our value chain similar to that of a services organisation. We use the capitals of the <IR> Framework to identify opportunities that create additional value or mitigate impact.

Our supply chain

The procurement of goods and services at the Corporation is centralised and led by the Chief Financial Officer. Increasing our spend with small-, medium- and microenterprises (SMMEs), especially Black-owned and Black women-owned enterprises is a priority, while we place special emphasis on enterprise and supplier development, as well as socio-economic development aligned with **the dti** codes.

Estimated payments to suppliers for the 2017/18 financial period amounted to R83 million (2017: R91 million), marginally less than the previous year, with a B-BBEE procurement spend of 94% (2017: 91%), slightly higher than the previous year. The B-BBEE verification assessment conducted for 2018 confirmed that the Corporation complies with the B-BBEE Act, 53 of 2003 (as amended) as a Level 4 contributor with a BEE recognition level of 100%.

The Corporation's supply chain consists of an estimated 250 suppliers, situated within South Africa and Africa and in international cities such as New York and London.

Our suppliers consist mainly of fund managers, asset consultants, management consultants, auditors and travel agencies, as well as service suppliers of human resources and training, marketing and advertising, ICT, accessories and computers, stationery, cleaning materials, catering and venue hiring, transportation/deliveries, office furniture, office maintenance and security, accounting and tax, enterprise development and donations, general merchandise and printing.

Human capital

Our human capital focus is on entrenching a quality-rich and performance-driven organisational culture with an emphasis on flexibility, excellence and innovative thinking. The key drivers of our human capital strategy are talent acquisition, equity, retention of diverse talent, transformation and capacity building, and work-engaged employees. We offer our employees appropriate rewards and recognition, work satisfaction and a pleasant and productive workplace while they expect a committed, responsive and supportive leadership and stable work environment.

Risk and materiality

Risk framework

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

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

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

The Board Risk Committee reviews the effectiveness of the risk management system and reports any findings to the Board.

ECIC Board risk oversight

The Board uses the three lines of defence model to ensure that risk is managed circumspectly at source throughout the Corporation in the business and operational areas:

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

The Board is satisfied that this combined assurance approach identifies relevant risks timeously and escalates them effectively to the Board for attention.

Risk management

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

Country risk

- a risk that is integral to the commercial and political risk protection that the Corporation's insurance policies offer clients.

Risks that the Corporation manage emanate from the socio-economic, political and legal environments of individual countries by drawing on in-house experience, research and expertise and, *inter alia*, using OECD (Organisation for Economic Cooperation and Development) and IMF (International Monetary Fund) best practice guidelines to assess and price country risk. This includes sovereign debt repayment ability and/or willingness and/or affinity for acquisition/confiscation of private entity assets without compensation. Berne Union meetings create opportunities and platforms to share information with peers to augment the Corporation's understanding of country risks and to keep abreast of global trends in this regard.

Underwriting risk

- the risk that the actual claims experience varies from the expected claims, due to fluctuations in the timing, frequency and severity of claims.

The Corporation uses various tools and analyses to assess the entire project value chain to manage underwriting risk circumspectly. These include insurance reserving techniques, credit and technical risk assessments, market risk analysis of project output price and quantity and sector-specific potential substitution or technological advancement risks. The underwriting risk assessment includes the use of specialised technical advisors, competent persons and forecasting and analytical techniques to determine the future project viability.

Currently, the underwriting capacity is determined by the level of solvency capital level required (SCR) by the FSB's (the forerunner of the Prudential Authority) Solvency Assessment and Management (SAM) guidelines.

Investment risk

- the risk of the probability or likelihood of the occurrence of losses relative to the expected return on any particular investment.

ECIC invests premium income from underwriting activity with fund managers to earn investment returns and ensure continued financial sustainability. The investment strategy is underpinned by the Corporation's liability risk profile, which results in the selection of a strategic asset allocation (SAA), implemented by fund managers. Given the comparatively longer period during which investment performance is measured, the Corporation monitors manager performance and their target-driven risk-taking appetites against selected benchmarks to intervene early before adverse styles result in unjustifiable losses.

Operational risk

- the risk of a change in actual losses being different to expected losses due to the inadequacy or failure of internal processes, systems, people or from the effect of unanticipated external events.

The Corporation's ability to manage operational risks effectively has evolved and matured appreciably after conducting several risk and control self-assessments over the past years. Operational risks are categorised under people, systems and processes and use the Committee of Sponsoring Organisations (COSO) framework and, where applicable and complementary, incorporate ISO 31000 best practices to assess risks and opportunities to manage operational risk.

Global economic overview

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

The World Bank expects the global economy to grow at 3.1% in 2018, on the back of a strong performance in 2017 and as recovery in investment, manufacturing and trade continues. The developed economies (excluding the USA whose Federal Reserve Bank (the Fed) commenced balance sheet reduction back in October 2017) are expected to commence with the unwinding of the post-crisis accommodation policies, resulting in modest growth.

The Fed's asset disposal that started in October 2017 is expected to continue in 2018 until the target level is achieved. Emerging markets and developing economies (EMDE) are projected to post strong growth as commodity prices peak. In its April 2018 World Economic Outlook publication, the IMF sees global growth on track to reach 3.9%, driven by growth in the Euro area, Japan, China, the United States and commodity exporting nations that include most African countries. Other economies projected to do better are Brazil, Mexico and emerging Europe.

The Bretton Woods Institutions concur that growth in 2018 is more broad-based than it has been since the global financial meltdown. However, the World Bank expects EMDEs to grow much faster, at a rate of 4.3%. This growth is underpinned by revitalised commodity prices, including oil and sustained demand from countries such as China. Growth in advanced economies is projected to decelerate beyond 2019-2020 as the unwinding and reversal of accommodative policies take effect. On the continent, the oil producing economies of Nigeria, Angola and Ghana, among others, are expected to experience higher economic growth. Ghana has been hailed by the IMF as a model country for Africa after expanding its economy by 8.5% in 2017.

After assessing the economic activity outlook comprising the labour market and inflation, the Federal Open Market Committee (FOMC) agreed unanimously in May 2018 to maintain the target range for the Federal funds rate at 1.50-1.75%. The Personal Consumption Expenditure (PCE)

breached the Fed's symmetric 2% objective, while the Core Inflation rate, which excludes food and energy inflation for the 12 months to March 2018, was 1.9%.

According to the Fed's minutes, the unemployment rate remained at 4.1% for a sixth consecutive month. While there has been market optimism, sections of the market have expressed apprehension at the trade wars unfolding following the US government's imposing of tariffs on imported steel and aluminium.

How the Board manages risk

Enterprise risk management (ERM)

The Corporation's ERM initiative reached the critical reporting milestone in the period under review. Following work on identifying and developing key performance areas (KPAs), key performance indicators (KPIs) and key risk indicators (KRIs), a report was submitted to EXCO on the Corporation's enterprise-wide risks.

ECIC makes use of quantitative techniques and analysis to determine trends and new developments to position the business appropriately. Early warning signals and tripwires ensure early detection of risks and/or opportunities.

Risk governance

The Board is the ultimate authority in the Corporation's governance framework. The Chief Risk Officer (CRO), in liaison with the Board and the executive committee, articulates the Corporation's risk appetite and makes recommendations to the Risk Committee and Board for approval.

During the period under review, the risk appetite statement was expanded to ease cascading and measurement as indicated below:

- The Corporation should be able to reduce its risk exposures to acceptable levels within the capacity of its balance sheet to remain financially sustainable on a stand-alone basis
- Given its national interest role, the Corporation's brand positioning and reputation in the market is critical to instilling confidence in the shareholder and customers that ECIC has the right people and resources to deliver its mandate
- The Corporation must manage the portfolio distribution and quality in a manner that does not create undue concentration risk
- The Corporation will target an investment strategy that limits portfolio volatility to within allocated capital while targeting capital preservation, taking into account 'real return' in the investment portfolio as measured on a rolling three-year basis
- The Corporation will strive to integrate its systems to embrace technology as a business enabler and risk mitigation tool.

The new risk appetite statement consists of four qualitative and one quantitative measure as indicated in the table below. The quantitative measure is expressed as a regulatory capital measure, also known as the SCR cover.

Table 2 Excerpt from the risk appetite statement

Core principle	Risk appetite statement	Risk tolerance
Become self-sustaining on a stand-alone basis	The Corporation will grow its business by maintaining a SCR cover ratio of between 130% and 200%	The SCR cover ratio will remain between 115% and 300%
Protect brand and reputation	The Corporation will manage or avoid situations/actions that could harm its reputation and/or brand	N/a
Limit portfolio concentration	The portfolio concentration shall be managed to avoid undue concentration	N/a
Preserve capital and reduce volatility in investment portfolio	The investment portfolio will be managed to reduce volatility to remain within allocated capital, taking into account real return on a three-year rolling basis	N/a
Technology integration	Improve business processes by acquiring systems that integrate into existing infrastructure	N/a

Despite the regulatory solvency cover requirement being at 1-time, the Corporation aims at a conservative limit of 1.15-times and upper limit of 3-times to preclude taking on undue risk while allowing optimal returns on investment capital.

Materiality process

The Corporation's robust and systematic approach to identifying and managing material issues rests on Board and governance processes guided primarily by our risk framework. Similar to the previous reporting period, the Executive team participated in a materiality workshop to identify and map the impact and significance of issues material to the Corporation and its key stakeholders as reflected in the material issues map on page 19.

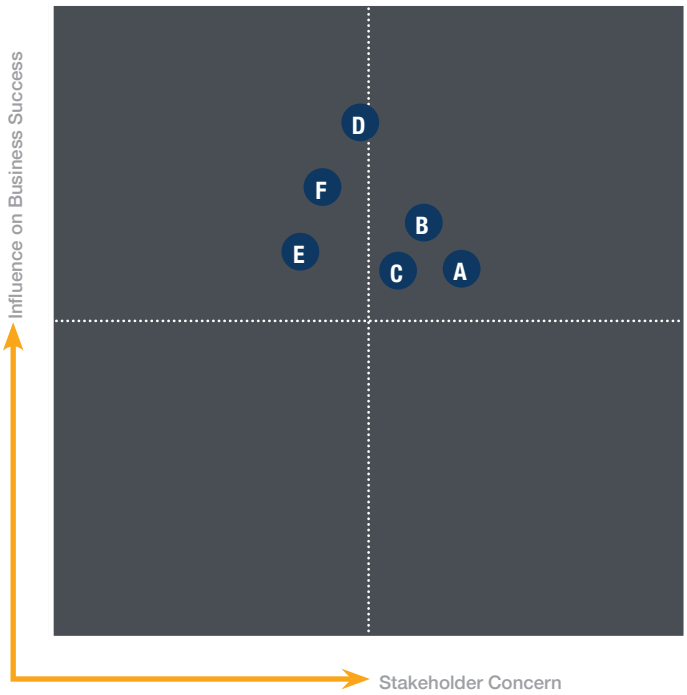
A key objective of integrated reporting is to report on value creation over time. Value creation depends on resources that are influenced by an organisation's external environment and stakeholder relationships. We describe those material issues here to reflect on and understand how they impact on our key stakeholders to either create or erode value.

These material issues are included, with our strategic objectives, as focal management areas and performance assessments in our strategy (refer to the strategy section of this report for further information).

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

The $5 billion (R62.8bn) Nacala Corridor Rail and Port project sponsors and financiers at the signing ceremony.

Material issues



Material issues map

Key:

A: Government and credit rating downgrades
B: Interest make-up (IMU) liability risk perceptions
C: ECIC EXIM bank launch opportunities
D: Afreximbank – a new opportunity
E: Scarce and evolving skills requirements
F: Limited investment options

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

Material issues

Government and credit rating downgrades

The Corporation insures export credit risk on behalf of government. The difference between our net balance sheet and exposure book is government-guaranteed and reflects as a contingent liability in the budget of the South African government.

Any government downgrade would downgrade and reclassify the Corporation with a higher risk profile and increase the cost for customers to work with us. This can cause an automatic loss of business and impair our competitiveness significantly.

The increase in business confidence has alleviated the negative outlook of South Africa in the eyes of the rating agencies, despite the lingering concerns that continue about the growth prospects of the South African economy.

MI

IMU liability risk perceptions

The absorption of the interest make-up (IMU) liability into our financial results from 1 October 2016, as directed by **the dti** and approved by the Financial Services Board (FSB) and the Minister of Finance, has made the Corporation the principal responsible for the payment of the IMU obligations owing to financial institutions that supported ECIC backed export transactions.

The fair value of the liability was determined on a discounted cash flow basis of all future IMU payments on existing agreements. **The dti** made provision in its three-year budget cycle to provide the Corporation with grants to cover a portion of the IMU payments and mitigate the negative impact of this financial liability for the Corporation.

Since the IMU payments are set to continue until October 2029, it is appropriate to discount cash flows to allow for time value of money. The cash flows are denominated in USD; we use a US Treasury Bills Yield Curve and allow a credit default spread.

The projected drawdown and repayment schedules used in calculating the future IMU payments are according to the relevant loan agreement. The Corporation faces currency risk since **the dti** IMU grants are in rand and the obligations payable are denominated in US Dollars.

Market concerns about the impact of the liability on the Corporation were mitigated through stakeholder engagements that confirmed it as a once-off event.

The sensitivity of liability estimates to particular movements in assumptions as used in the estimation process, are shown in note 17 of the Annual Financial Statements on page 120.

MI

ECIC EXIM Bank opportunities

The establishment of an export/import (EXIM) bank as a subsidiary of the Corporation will open up business opportunities among a wide range of supported clients, from those involved in large projects to initiating SMMEs into international trade. The focus of such an EXIM bank will be to offer dedicated financial and advisory support to exporters to complement the insurance offering of ECIC and address market gaps not adequately serviced by the private sector and other existing role players.

The creation of an EXIM bank will enhance the overall product offering of the Corporation, improve our services to exporters and provide access to a new customer base.

Our intention to establish such a bank remains robust but the legislative process and the mobilisation of all the key stakeholders and operational readiness may take more than a year to realise. There is little doubt, however, that operating as an EXIM bank will increase business opportunities for the Corporation and our clients and create a comprehensive offering that will take us beyond insurance to providing loans that support exports.

Nacala Corridor Rail and Port, Malawai and Mozambique

MI

Afreximbank – a new opportunity

The Corporation bought an equity stake in Afreximbank in November 2017 and concluded a cooperation agreement with the bank which gives us access to new business opportunities, including deal origination that will support local exports into the rest of Africa. We will also share risk to de-risk our book, conduct collaborative research into trade and investment opportunities on the continent and share knowledge.

New opportunities created through Afreximbank and EXIM bank will give us more tools to implement a strategy that goes beyond insurance to a lending tool and a window of opportunity to execute our strategy more effectively. We will measure performance over the medium-term to determine the sustainability impact on the country and the business going forward.

MI

Scarce and evolving skills requirements

The Corporation needs a competent and competitive workforce to implement our business strategy and strategic objectives. The expansion of our mandate and the development of an EXIM bank will require new skills and systems. The risk of insufficient capacity is potentially great, while there is significant shared value in sufficient internal capacity. Value creation includes meeting client expectations, creating knowledge-sharing platforms and new products, facilitating employee growth and development, and new skills for the EXIM bank, MoUs with international agencies and outperforming competitors.

Launching an EXIM bank will be informed by a business case that will include human capital, ICT platform and other operational requirements. Different banking skills to those that exist currently within the Corporation will be sourced from within and/or outside the country, with an opportunity to second staff to Afreximbank and collaborate on knowledge sharing and skills development.

MI

Limited investment options

The Corporation recorded an increase in investment returns for the 2017/18 financial year compared to the previous year (R260 million compared to R135 million) despite being restricted by limited investment options in our US dollar portfolio.

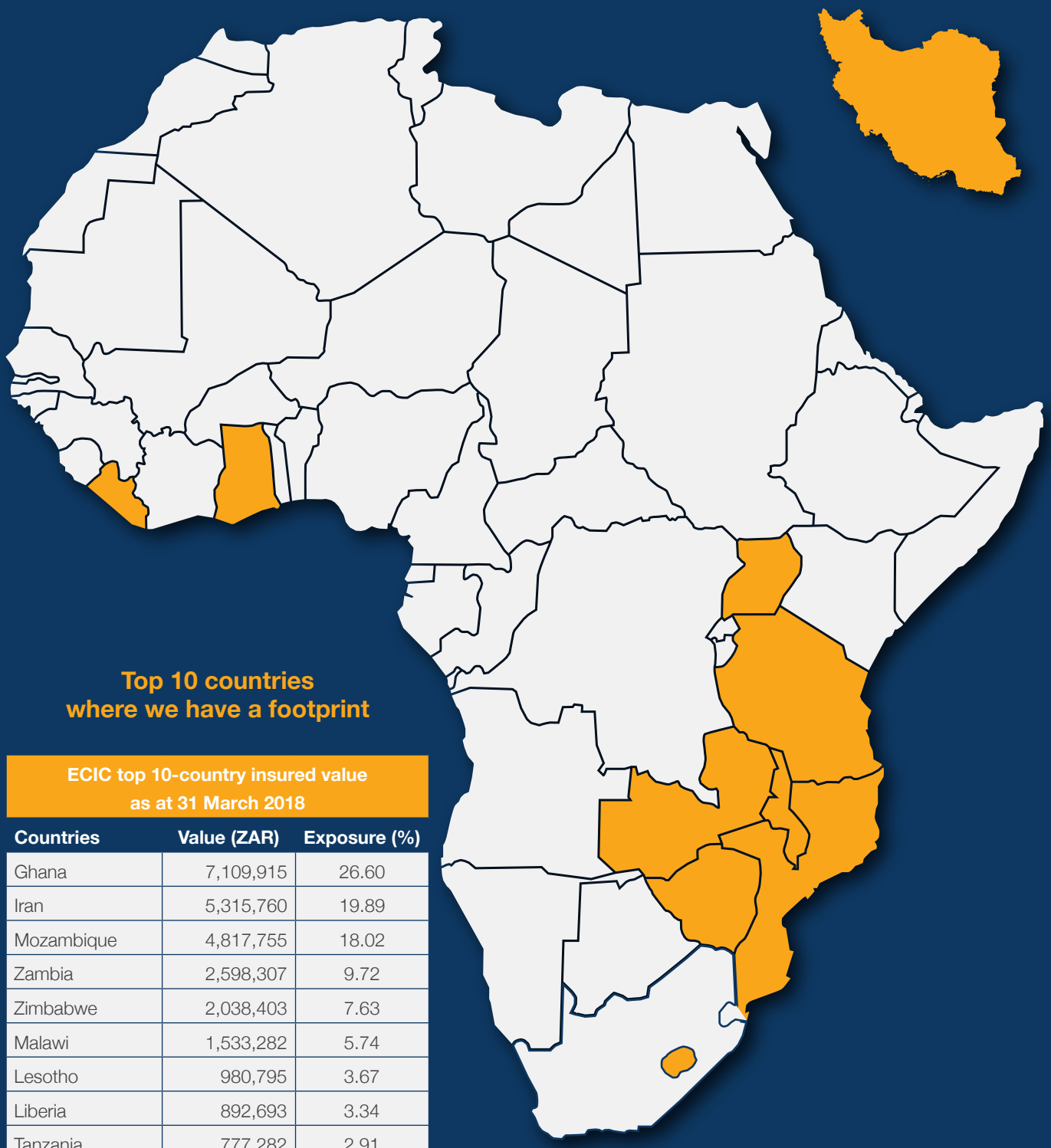
Our concerns about the impact of these limitations on investment growth, coupled with the current market environment, spurred a request to **the dti** in early 2016 to widen our investments options to include diversification beyond bonds, such as equity, and the use of derivatives for efficient portfolio management. The benefits include access to more business opportunities, increased competitiveness, reduced risks exposure and new capital inflows.

We received shareholder feedback to our request post-year end as reported under *Expected changes in the investment strategy* on page 55 of this report.

We are pleased to confirm that **the dti** has given permission for the Corporation to create a more efficient and diversified investment strategy that extends the range of instruments and asset classes in which we can invest, including offshore equities. In the year ahead, we will revise our investment strategy and associated investment policies to incorporate and implement the new approved instruments.

We are confident that the broader range of investment options will improve diversification and reduce the risk of losses due to asset class and regional concentration.

WHERE WE OPERATE



Top 10 countries where we have a footprint

ECIC top 10-country insured value as at 31 March 2018

Countries	Value (ZAR)	Exposure (%)
Ghana	7,109,915	26.60
Iran	5,315,760	19.89
Mozambique	4,817,755	18.02
Zambia	2,598,307	9.72
Zimbabwe	2,038,403	7.63
Malawi	1,533,282	5.74
Lesotho	980,795	3.67
Liberia	892,693	3.34
Tanzania	777,282	2.91
Uganda	272,873	1.02

WHAT WE STRIVE FOR

Vision

The Corporation is committed to sustainable business growth through innovative solutions, operational and service excellence, business development and strategic partnerships.

Mission

We strive to provide export credit and investment insurance solutions that support South African capital goods and services by applying best practice risk management principles.

Values

Our business conduct reflects our values of:

- Accountability, through transparent and responsible decisions and actions
- Excellence, through a commitment to performance at the highest level and the continuous improvement of our skills and business practices
- Innovation, by encouraging open-mindedness and supporting innovation, new ideas and processes that continuously improve our Corporation
- Integrity, through conducting every aspect of our business with honesty, integrity and fairness
- Teamwork, by working together as a team internally and collaborating with our stakeholders and customers externally.

As a team, our achievements far outweigh what we accomplish as individuals. Our values are reinforced by the ECIC Code of Ethics and Business Conduct and reflected in our policies and procedures, which confirm a commitment to avoiding environmental and social harm.

Industry involvement

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

External principles and Charters

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

LEADERSHIP REVIEW AND STAKEHOLDERS

- MESSAGE FROM THE CHAIRPERSON
- CHIEF EXECUTIVE OFFICER'S OVERVIEW
- CORPORATE STRUCTURE
- BOARD OF DIRECTORS
- EXECUTIVE MANAGEMENT
- KEY STAKEHOLDERS

Nacala Corridor Rail and Port, Malawai and Mozambique

MESSAGE FROM THE **CHAIRPERSON**

Mr Dheven Dharmalingam

Export trade is critical in managing our trade balances. We've always had a lot to offer the world in our commodities but we need to build our manufacturing and beneficiation capabilities so that we increase diversification in our export trade.

Change was afoot at ECIC during the past financial year. From a governance perspective, I joined the Board as Chairperson along with three new directors during the course of 2017 and strategically, ECIC joined Afreximbank as a shareholder to give our local exporters wider access to markets in Africa.

As new Board members, we are excited to join the commendable ECIC team. We are cognisant of our accountability to ECIC's stakeholders: our employees, customers, business partners and the Government and citizens of South Africa. We commit to the principles of sound governance and ethical business conduct and will continue to embed a work environment and organisational culture that already instil stakeholder confidence and trust in ECIC as a viable, dependable and sustainable business entity.

For a significant portion of my career I worked in the private sector and it is from that vantage point that I first witnessed the value that ECIC adds to its financial partners and South African exporters alike in terms of risk sharing and mitigation. I have seen enough in the few short months since joining the Corporation to appreciate greatly its unique role in and contribution to the South African economy.

ECIC's mission is to provide export credit and investment insurance to support South African capital goods. As an African export credit agency with a strong footprint across the continent, ECIC is an invaluable strategic partner for doing business in Africa.

Challenges, needs and opportunities

In a time when international trade wars are dramatically changing trade opportunities, ECIC's support for South African exporters is critical and relevant, specifically through its focus on increasing the export of capital goods and investments into the rest of Africa.

Export trade is integral to managing South Africa's trade balances. Our commodities have always had a lot to offer international markets but only about 27 percent of the country's GDP comes from export. There is no doubt that to become a sustainable country with less reliance on commodities, we need a strong manufacturing sector and vastly improved beneficiation capabilities to attract investment, create high-quality jobs and long-term growth and diversify our export trade.

Simply put, we need to fast-track growth in South Africa's export sector to keep a positive trade balance and drive

more strategic investment into the manufacturing sector to increase the role that ECIC can play in growing the local economy.

There are areas of concern: South Africa is recognised as a G20 nation but we are not in the top-20-ranking of countries by GDP. In the last 20 years, our trade growth relative to other G20 nations, has declined. And in 2015, according to the World Trade Organization (WTO), South Africa recorded the biggest trade balance deficit (-7.5%) among the G20 states.

In addition, our SMMEs have limited exposure to international customers and supply chains despite recognition, globally, of their critical role in economic growth. Not only does South Africa lag behind international competitors in this regard, it detracts from our potential as a nation.

These challenges signal an opportunity, and necessity, to do more. Research confirms that companies that export grow faster and are more resilient, innovative and sustainable than those that do not. Exports create jobs and grow industries. And viewed through a progressive lens, the export sector can advance the interests of groups previously disadvantaged, especially in trade, such as our black communities, women and the youth.

Clearly then, export trade and cross-border investments should be leveraged to drive growth. ECIC's export credit scheme enables local traders in the manufacturing sector to export goods and services to the rest of the continent and encourages our exporters to develop sustainable regional supply value chains.

The digitalisation and internet connectivity of the 4th industrial revolution have the ability to drive Africa forward through opportunities for industrialisation and regional trade that will accelerate economic transformation. Capitalising on these opportunities will require the right incentives, such as export-orientation, support for SMME manufacturing and policies that drive productivity. Much hinges on our success in traversing the new digital landscape to the benefit of our exporters, the country and the region.

An important milestone

As an African export credit agency with a 17-year footprint across Africa, ECIC has done well to reinforce South Africa's political and economic ties on the continent through bilateral relations and supported a wide variety of transactions in many sectors of the economy.

A significant achievement this past year was the ECIC/African Export-Import Bank (Afreximbank) memorandum of understanding (MoU) to launch a $1 billion financing programme to promote and expand trade and investments between South Africa and the rest of Africa. This includes a South Africa-Africa Trade and Investment Promotion Programme (SATIPP) to identify, prepare and appraise trade transactions and projects, explore co-financing and risk-sharing opportunities and share knowledge on intra-African trade matters through technical cooperation, staff exchanges, research and joint events.

South Africa joined Afreximbank as a shareholder in November 2017 and became eligible for the bank's trade promotion programmes and financial services with ECIC as its designated investor. It provides us with a financing product to include in our service offering to South African exporters. The South African government's trust in ECIC to lay the foundation for this important initiative is testament to shareholder confidence in the strength and dependability of the Corporation.

Acknowledgements

The past financial year was, indeed, a busy one for ECIC. On behalf of the Board, I thank our executive management team for the impressive strides made towards transforming ECIC's operations. While change is not always easy, history teaches us that it is essential.

My appreciation also to all ECIC employees who are realising that change. I'm confident that South Africa's exporters have the trade partner they need and deserve – one that is willing and can adapt alongside them to the changing global landscape.

Finally, I would be remiss in not expressing great appreciation to my predecessor, Mr Motshoanedi Lesejane, for his excellent work and dedication as Board Chairperson over the course of the past six to seven years. During this tenure, ECIC entrenched sound governance processes, built a remarkable management team and developed value-adding product offerings.

We also welcome on board Charles Kgoale, who has taken over as Company Secretary from Lindelani Mphaphuli, who passed away in 2017. Our sincere condolences again to her family and appreciation for her unfaltering commitment and loyalty to ECIC.

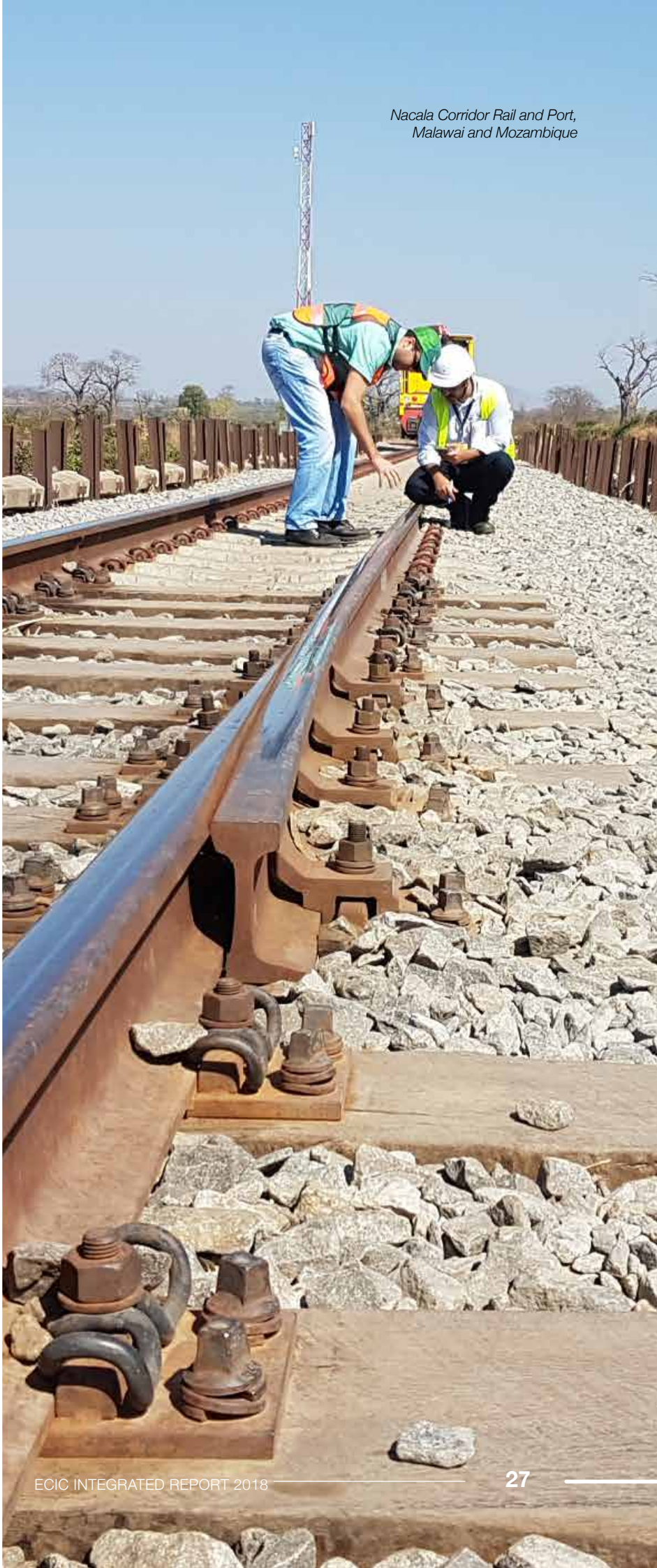
Outlook

The Board, management and employees are mindful of the challenges and opportunities ahead in achieving a successful digital transformation towards 'industry 4.0' for export trade. We are committed to steering ECIC along a growth trajectory with the economic impact that our shareholder, partners, customers and society expects of us. I am convinced that South African exporters could not have a more dedicated team of professionals to help them succeed in their global ambitions.

I look forward to sharing the ECIC journey.

Mr Dheven Dharmalingam
Chairperson

27 August 2018



Nacala Corridor Rail and Port, Malawai and Mozambique

CHIEF EXECUTIVE **OFFICER'S OVERVIEW**

Mr Kutoane Kutoane

Despite economic instability locally and in the international markets in 2017, the export credit assurance market may well expand in the near future due to continuing growth in demand for credit insurance products as new markets open up and trade, especially in Africa, becomes more integrated.

Given the cyclical nature of our market and its strong correlation to GDP, ECIC is keenly aware of the effects of market trends in export trade finance and insurance on the Corporation. During the review period and for the year ahead, these included the acceleration in global growth, imperative for trade credit insurance in an increasingly fast-changing risk environment and possible risk rating upgrades in some countries, especially in Africa. I reflect upon our preparedness, positioning and pro-active response to these and other trends during the period reported on and looking ahead for ECIC in this overview.

Strategic partnerships

Strategically, our focus on establishing and enhancing key partnerships with relevant institutions locally, in Africa and in the global export credit arena remained robust during the past financial year. The importance of partnering and continuously leveraging these partnerships was exemplified by a significant achievement in March 2018: the signing of a Memorandum of Understanding (MoU) between the Corporation and the African Export-Import Bank (Afreximbank).

Signed in Cairo, Egypt at the end of the current reporting period, this agreement launched a $1 billion financing programme that is set to promote and expand trade and investments between South Africa and the rest of Africa. Jointly with Afreximbank, ECIC will implement a South Africa-Africa Trade and Investment Promotion Programme (SATIPP) that will identify, prepare and appraise trade transactions and projects, explore co-financing and risk-sharing opportunities and share knowledge, particularly on intra-African trade through research, technical cooperation, staff exchange and joint events.

Facilitated by **the dti** and the National Treasury, South Africa became an Afreximbank shareholder in November 2017 with ECIC as its investor agency and eligible for participation in the Bank's trade promotion programmes and financial services. This joint ECIC/Afreximbank initiative will support business growth through capacity building and market information initiatives, as well as help small and medium-sized entrepreneurs join regional supply chains and provide advisory services and guarantees to South African investors seeking trade and investment opportunities in Afreximbank member states in Africa.

We realise that one of the best ways to enhance our exporting capabilities as a country is by intensifying mutually beneficial trade with the rest of the continent. Joining Afreximbank as a shareholder has made it possible for South Africa to widen its access into other African markets as envisioned in the African Continental Free Trade Agreement (AfCFTA).

Financial performance

Table 1: Premiums, claims and underwriting profit summary 2013/14-2017/18 (R'000)

	2017/18	% movement 2016/17	2016/17	2015/16	2014/15	2013/14
Insurance premium revenue	**886,948**	514.82	144,262	411,894	1,788,350	130,642
Underwriting profit	**388,496**	-33.50	584,199	615,603	366,649	360,459
Investment income	**259,570**	91.74	135,374	254,300	277,102	243,750

Table 2: Asset growth 2013/14-2017/18 (R'000)

	2017/18	% movement 2016/17	2016/17	2015/16	2014/15	2013/14
Financial assets through profit and loss and other comprehensive income	**6,715,775**	0.45	6,685,902	7,072,663	2,582,549	4,993,017
Total assets	**8,539,519**	-0.24	8,560,482	9,432,312	7,964,563	5,549,667
Total equity	**4,030,045**	12.89	3,569,876	5,247,856	4,324,239	3,736,967

Growing our business

In growing our business, we are pursuing deal sourcing aggressively through a number of initiatives launched by our business development unit. Our primary focus is on the key sub-Saharan regions of west Africa, southern Africa and east Africa, while opportunities in the rest of Africa are being dealt with on the basis of enquiries received. The team's successful cross-continent endeavours this past year is evidenced in the expansion in ECIC's healthy and growing projects pipeline.

An aspect of our business that has always been very close to my heart relates to the third pillar of our strategy, namely that of ensuring that our internal controls enable operational efficiency, process optimisation and a high level of governance excellence in our supply chain and the interaction with our regulators. I have encouraged our Information and Communications Technology (ICT) unit to align all our systems on one platform to adopt and harness the benefits of digitisation wherever possible.

As a result, ECIC employees benefit from increased mobility and connectivity wherever they work, which undoubtedly is improving operational efficiency and effectiveness. We have recruited a very experienced ICT manager to drive this process as part of our envisaged process re-engineering programme in the year ahead.

Our strategy rests on the three pillars of strategic partnerships, business growth and operational excellence. These are underpinned by a three-year strategic plan, while our mandate is continuously evolving and enhanced by the requirements of the time. Similarly, our strategic objectives are not static but adjust to and are augmented by the dynamic nature of our business environment. In giving effect to our mandate, we support the priorities of the National Development Plan, which are also augmented and improved upon by the changing nature of national imperatives.

I lead a team of proficient specialists who are aware of the strategic need for flexibility and innovation and mindful of the pitfalls in the countries where we operate. A major challenge is dealing constructively with situations that could compromise governance. To mitigate the danger of a disconnect with ECIC's strong ethical foundation in our pursuit of business opportunities, we regularly engage our teams in sessions to discuss the importance of upholding ethics and good governance and how to deal with challenges when they arise. We want our employees, especially those who transact in Africa, to be uncompromising in their ethical business conduct and always aware of governance requirements and the need to avoid sanctionable transactions.

An example of such a challenge emerged from a small-scale gold mining project in Liberia, where a wash of cyanide from the mining operations spilled into an adjacent river. We insisted, with all the other project role players, financiers, environmentalists and the local government, that mining operations be halted and not restarted until we were satisfied that the mine had dealt with the problem. We are unswerving and resolute about instilling discipline and good governance to ensure that where projects benefit from our support, the environment is protected and the project is sustainable.

We also subscribe strongly to the sustainable development goals (SDGs) of the United Nations and I am satisfied with how we continue to deal with project challenges and the way in which our partners are aligned with our approach to avoid the 'unintended consequences' of development.

Key achievements

During the past financial period, ECIC achieved 100% of our key performance targets. This performance and profit earned for 2017/18 indicates that we have turned the corner from the loss we sustained through the impact of a R2 billion liability related to the Interest Make-Up (IMU) that was incurred in the previous financial year.

This outcome supports my belief at the time that with our flexible and sustainable strategy, underpinned by a healthy projects pipeline and excellent project execution, we would mitigate the effect of the IMU liability.

ECIC is also involved, jointly with a number of other banks including the African Development Bank as the transaction lead-arranger, in the $5 billion (R62.8bn) Nacala Corridor Rail and Port project in Mozambique. As one of the largest infrastructure development projects ever financed in Africa, the Nacala Corridor spans Mozambique and Malawi and will deliver nearly 1 000 km of railway lines, as well as a coal terminal in the port of Nacala. Our involvement in this significant intra-Africa project has an exposure of $400 million that covers various banks in South Africa and was, indeed, a highlight during the reporting period.

Another noteworthy achievement was the signing in March 2018 of the $1 billion South Africa–Africa Trade and Investment Promotion Programme (SATIPP), under which Afreximbank and ECIC will collaborate in trade transactions and projects, jointly finance and share the risk in business opportunities, as well as share knowledge, specifically on intra-African trade matters.

The challenges

The recent commodity price slump affirmed the adverse effect of business cycles on our business. While there is evidence currently of a recovery in commodities price across-the-board, it may take longer for the effect to be felt in countries throughout Africa. This has left many of our key markets very vulnerable and, in some instances, in worsening public debt positions due to having spent more of their reserves on settling past accumulated debt and recurrent expenditure while unable to raise new debt at affordable rates in the global capital markets. This affects the number of available projects and we are not seeing many projects from sovereign undertakings that require insurance cover.

Infrastructure development, for which the need in Africa has not abated, remains vibrant. The challenge is the bankability of infrastructure projects. They take too long to prepare and become bankable, as it can take up to six years to put together a project and by that time the dynamics have changed.

While we have always recognised the downside of an inward-looking, nationalistic approach to projects, there is increasingly now a recognition and political will among African leaders towards integrating our economies as the only and best way to create prosperity. We have seen many such initiatives, such as AfCFTA, which will expose South African exporters to the wider continental import/export markets and enable them to secure infrastructure contracts in those countries to increase trade from and within Africa.

In my experience, almost all African Union members want to get closer to one another to spur integration through an exchange of trade and investments. There is finally political will and enthusiasm for integrated economies that will undo most challenges that exist because of a lack of infrastructure and which impedes the free movement of goods and services. Infrastructure development also offers opportunities to become involved in cross-border projects, such as the Nacala Corridor logistics project, that illustrates alignment among political players who have the will to support projects with a regional rather than a country focus to create the economies of scale required to support sustainable development.

The will to work together between governments and even private sector companies in Africa is encouraging indeed. The continent is too small to pursue an inward-looking, nationalist agenda, we need to harmonise our trade protocols and align policies to create economies of scale that stimulate trade and fast-tracks real growth throughout the continent. If we don't, we will be trapped in the default position of merely exporting raw materials and importing manufactured goods from other countries at substantial cost.

ECIC's advocacy role on these issues is critical. We participate in forums to enhance intra-Africa trade. Research is an important mechanism that provides input into the dissemination of information to clients. We have identified a lack of customer information as a key impediment to export market accessibility. Our research positions us to create client and stakeholder awareness about our business offerings and provide them with information on how we can assist them in participating in this exuberant consumer market which is ballooning among the young middle-class. This re-iterates the importance of participating in and benefitting from the digital economy, which is the home-ground of the next business generation.

The upcoming business generation uses various platforms to communicate with one another in ways and across platforms that were unimaginable not very long ago. That in itself enhances the narrative around trade and, one hopes, will stimulate new ideas and fast-track the expansion in trade and align payment systems and the dissemination of client information across secure platforms in a vibrant digital environment.

An example of this reality is an increase in the use of currencies other than the US dollar for trade payments between countries in Africa, mostly South African rand and the West African franc. This means that intra-Africa trade is taking place and growing. The way that the digital economy enables Africans to trade among ourselves is a really exciting development that is being driven and enabled by a focus on digitisation within the context of the 4th industrial revolution.

Looking ahead

There can be one thing only to explain in looking ahead from where we are at the moment and that is the hope of improved governance in the countries in sub-Saharan Africa. We have seen positive changes in Zimbabwe, Angola, Kenya, Côte d'Ivoire and a number of other countries where free and fair elections have taken place or are expected to do so and where stability has increased. The risk ratings and confidence indices of these countries have improved with the reward of increased foreign direct investment also increasing.

Those – the brave and courageous – who take advantage of this renewed stability, especially with a long-term view, will benefit greatly. We are building the pillars for the foundation of transformation in intra-African trade and ECIC is excited about the opportunity to support these developments.

Looking ahead, the key challenge will be an increase in competition from other export credit agencies. We may consider Africa as our 'turf' but many other export credit agencies (ECAs) from Europe and elsewhere across the globe are moving into Africa. The threat lies in more competitive business offerings where ours may be more expensive due to the perceived low creditworthiness of our insurance policies, which relates directly to our government's credit ratings. When

those are downgraded for the country, our investment rating suffers and our policies become unattractive because of a higher cost of capital.

We are also involved with government to determine national content requirements for South African exporters. The duality at play here is that we support government's localisation programme when it comes to procurement from South Africa but exports support presents a different scenario. We must convince our shareholder and government that South African exporters cannot remain globally competitive with a 70% national content requirement. We are working towards presenting a case to the Minister of Trade and Industry that will benefit the South African export market and, in effect, the country.

The Trump-effect remains a challenge globally and is hampering vibrant, export-led growth in Africa. The US-initiated tariffs war with China is exposing Africa to collateral damage as we trade substantially with both economies. Going forward, ECIC will enhance its investment insurance product in an intra-Africa trade context to ensure our meaningful presence in African trade transformation and development programmes throughout the continent.

ECIC is also passionate about youth development and we are involved in an exciting grass-roots intern development programme. Since we started our learnership programme in 2009, 22 graduates have worked at ECIC as interns of whom five (23%) joined the Corporation and seven were placed with other companies (32%), therefore 12 (55%) employed. Five graduates (23%) are currently on internships at the Corporation, while a number of our employees are also giving of their time to teach maths and science classes.

And finally, we have been aligning ECIC systems and processes with the new regulatory insurance regime to implement SAM, which will affect the manner in which we manage our capital. I believe that we are well-positioned in this regard and confident that we will meet deadlines and disseminate new information proactively to our Board and other stakeholders.

Acknowledgements

I continue to appreciate the smooth collaboration between ECIC's management team and the Board. Our Board drives our compliance with best practices and good governance, and ensures our alignment with the Organisation for Economic Co-operation and Development (OECD) guidelines for officially supported export credits or the so-called OECD arrangement. We voluntarily manage this business in close alignment with these OECD principles and the recommendations of the International Union of Credit and Investment Insurers, also known as the Berne Union, an international non-profit association and community for the global export credit and investment insurance industry. We are involved in international working groups (IWG) of the group of export credit agencies (ECAs) globally working towards defining the common export credit and investment industry underwriting standards.

I thank the Board for its continued support and wise counsel and my management team and all ECIC employees for their unstinting contributions to our performance over the past year. On behalf of ECIC, we are grateful to our shareholder, **the dti**, and all relevant government departments for their support and assistance in delivering on our mandate.

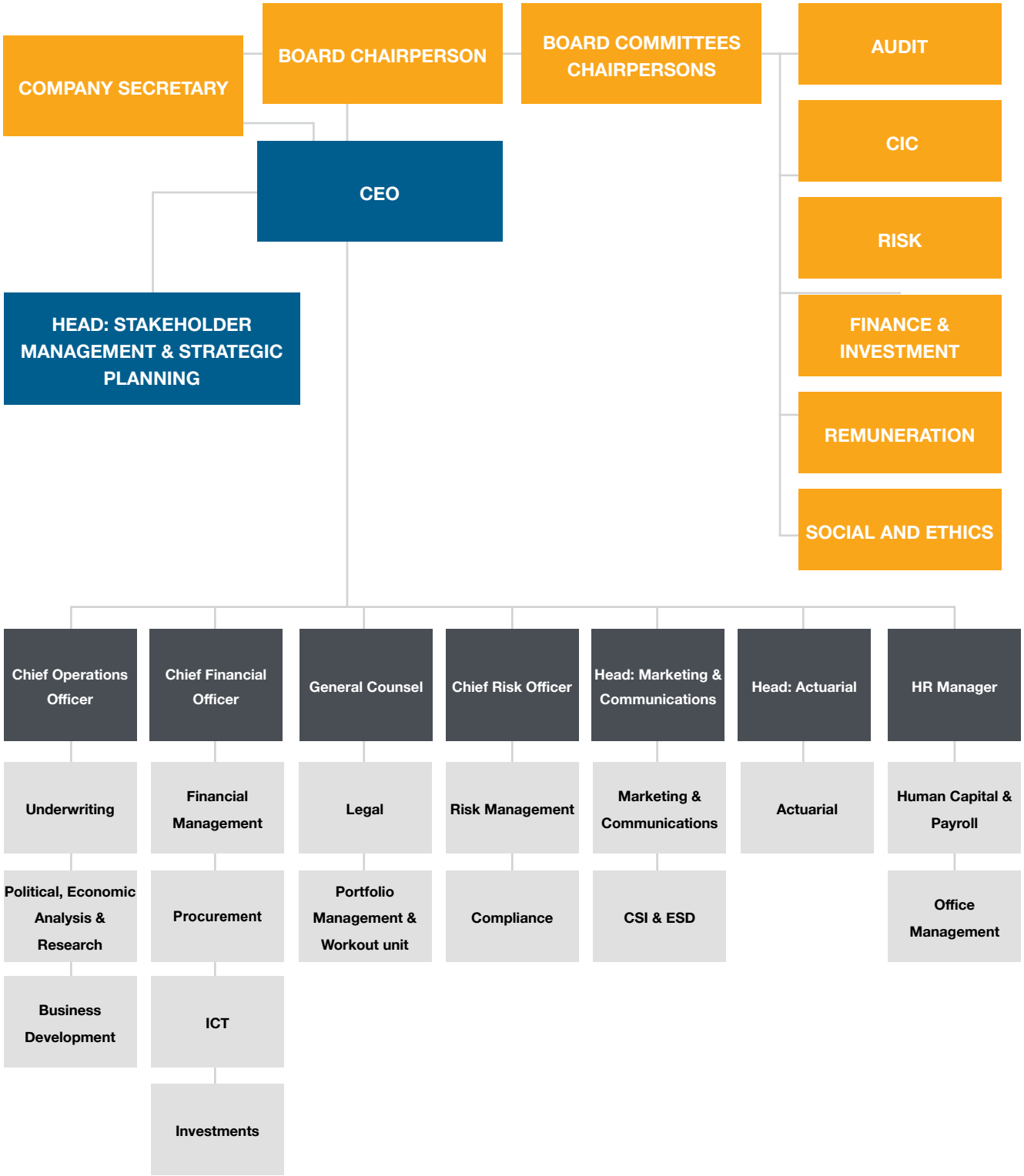
And as always, we thank our development partners for actively participating in our endeavours to create transformation in and prosperity for our continent.

Mr Kutoane Kutoane
Chief Executive Officer

27 August 2018

CORPORATE STRUCTURE

HIGH LEVEL ORGANISATIONAL STRUCTURE – MARCH 2018



BOARD OF DIRECTORS

The Corporation's board is responsible for determining the Corporation's strategic direction and ensuring that the strategy is being carried out in compliance with the law and relevant regulations. The directors serve at most two terms of three years each. Six board committees – all of which include representatives from **the dti** as the sole shareholder and the National Treasury – help the board fulfil these roles.

Dheven Dharmalingam, Chairperson

Qualifications:	CA(SA), Member of the Institute of Directors
Areas of expertise:	Finance; Taxation and Insurance; Strategy; Change management and Organisational Redesign
Age:	52
Years of Service:	5 months
Position on other boards:	NED and chairman of the audit committee for HBZ Bank SA Ltd, Executive Director of Companies with personal investments

Kutoane Kutoane, Executive Director

Qualifications:	MA (econ), Advanced Management Programme (Harvard), Programme on Investment Appraisal and Management, Advanced Credit and Trade Finance.
Areas of expertise:	Project finance, international trade finance, economics and investment management
Age:	49
Years of Service:	5 years
Position on other boards:	None

Vuyelwa Matsiliza, Independent Non-Executive Director

Qualifications:	MBL
Areas of expertise:	Treasury management, project finance, corporate finance and investment management
Age:	51
Years of Service:	5 years
Position on other boards:	Board member at Chris Hani Development Agency (CHDA)

Siobhain O'Mahony, Independent non-Executive Director

Qualifications:	BSc (Hons) (Actuarial Science), Fellow of the Actuarial Society of South Africa, Fellow of the Institute and Faculty of Actuaries
Areas of expertise:	Actuarial valuations, asset-liability matching, capital adequacy requirements and calculations, analytics, pricing and profitability (banking), loyalty programme design and modelling
Age:	31
Years of Service:	5 years
Position on other boards:	None

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

Qualifications:	MEcon (Economic Development), Executive Development Programme, Secondary Education Diploma, Certificate in Mineral Economics, Certificate in Contract Negotiations
Areas of expertise:	Finance and regulation
Age:	52
Years of Service:	4 years
Position on other boards:	None

Sisa Mayekiso, Independent non-Executive Director

Qualifications:	CA(SA), CFA
Areas of expertise:	Accounting, Treasury, Investment & Risk Management.
Age:	35
Years of Service:	5 months
Position on other boards:	RST Africa Pharmaceuticals (Pty) Ltd - Executive Director Volantis Capital (Pty) Ltd - Executive Director Mcobothi Trading CC - Executive Director

Lerato Mothae, Independent non-Executive Director

Qualifications:	CA(SA)
Areas of expertise:	Auditing, Finance, Financial Management
Age:	42
Years of Service:	5 months
Position on other boards:	None

Adriaan Jacobus Le Roux, Non-Independent, non-Executive Director **(the dti)**

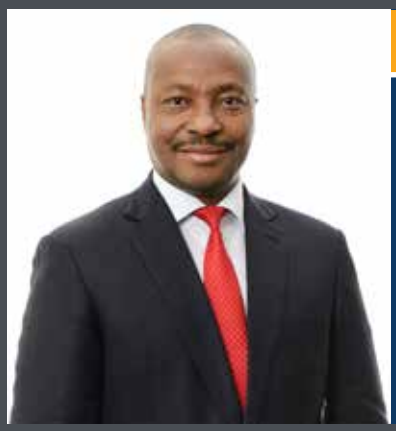
Qualifications:	M Comm
Areas of expertise:	Trade and Investments
Age:	58
Years of Service:	10 months
Position on other boards:	None

Charles Jaarman Kgoale, Company Secretary

Qualifications:	LLB, Advance Certificate for Municipal Governance, Advance Diploma Project Management, Management Development Programme, Post Graduate Diploma Programme and Project Management
Areas of expertise:	Compliance and Corporate Governance and Project Management
Age:	38
Years of Service:	Appointed on 18 April 2018
Position on other boards:	Non- Executive Director (volunteer) Childhood Cancer Foundation (Non-remunerated).

EXECUTIVE MANAGEMENT

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



Kutoane Kutoane, CEO

Qualifications:	MA (econ), Advanced Management Programme (Harvard), Programme on Investment Appraisal and Management, Advanced Credit and Trade Finance.
Areas of expertise:	Project finance, international trade finance, economics and investment management
Age:	49
Years of Service:	5 years
Position on other boards:	None

Mandisi Nkuhlu, Chief Operations Officer

Qualifications:	Bachelor of Laws, Management Advancement Programme, Executive Leadership Programme
Areas of expertise:	Law and Finance
Age:	50
Years of Service:	12 years
Position on other boards:	None

Noluthando Mkhathazo, Acting Chief Financial Officer

Qualifications:	CA(SA), Management Advancement Programme
Areas of expertise:	Finance, auditing and financial management
Age:	36
Years of Service:	8 years
Position on other boards:	None

John Omollo, Chief Risk Officer

Qualifications:	MBA, Certified Public Accountant of Kenya (CPA II, III)
Areas of expertise:	Risk Management, Project & Structured Finance, Banking and Credit Rating of Financial Institutions
Age:	50
Years of Service:	7 years
Position on other boards:	None

Ntshengedzeni Gilbert Maphula, General Counsel

Qualifications:	BPROC, LLB, Master of Law (LLM) (General), Master of Law (LLM) (International Trade and Foreign Investments)
Areas of expertise:	Cross Boarder Financing, Export Credit Insurance, Political Risk, International Trade and Foreign Investments Project Finance and Sovereign Lending
Age:	47
Years of Service:	12 years
Position on other boards:	None

Nacala Corridor Rail and Port, Malawai and Mozambique

Key stakeholders

Stakeholder identification

We believe that effective and mutually-beneficial engagement with our stakeholders is integral to business well-being. Our stakeholder engagement strategy covers a broad spectrum of key stakeholders whose unique environments add value to stimulating the export of capital goods and services.

We map stakeholder importance and influence annually to ensure that we stay abreast of the dynamic environments, locally and in Africa, in which they operate. Our systems promote and record stakeholder interaction and our responses to their needs, while enhancing our understanding of trends and changes in stakeholder expectations and interests.

Material issues

MI

Material issues map

Key:

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

Stakeholder engagement

During the reporting period, our engagement with stakeholders further embedded constructive relationships that gave rise to a number of mutually beneficial, complementary and reciprocal business opportunities and cooperative initiatives.

The Corporation is participating in **the dti** Capital Project Feasibility Programme (CPFP) as a member of the Adjudication Committee that undertakes project feasibility studies in Africa to ensure that capital goods and services exported from South Africa with **the dti** grant funding are viable and sustainable.

We are also involved as a permanent invitee to the Department of Public Enterprises' Africa Steering Committee meetings. These engagements expose us to SOE capital and services projects in Africa and provides opportunities to support government's African development initiatives. Opportunities also arise to collaborate with and support other public entities, *inter alia*, Transnet, Eskom, Denel and SA Express, with finance facilitation where business opportunities in Africa arise.

We embarked on a rewarding initiative last year of engaging trade attachés/high commissioners and ambassadors in embassies and high commissions in 14 African countries to create platforms proactively to build trust and understand needs and mindsets. These relationships enable us to introduce and promote the Corporation's products and services and identify the potential scope for investments and exports.

Going forward, we will further embed our regular engagements, extend the initiative to other countries in Africa, initiate outward selling missions to specific countries and involve the Export Council CEOs to expose them to the potential and benefit of

doing business with the Corporation, which they can convey to their members. We also plan to establish an ambassador/ High Commissioner Engagement Initiative in a structured engagement programme between our CEO and ambassadors/ high commissioners of identified African countries to concretise business development structures.

Our relationship with the Financial Sector Conduct Authority (FSCA) and Prudential Authority (PA) is usually seen through the lens of compliance with regulations. A recent initiative, however, has focused on engaging with the FSCA and PA to extend this relationship beyond the regulatory environment. Our aim is to create a forum for discussing aspects of mutual interest to the Corporation and FSCA and PA.

In the year ahead, under the aegis of our Chairperson, we will invite the Portfolio Committee on Trade and Industry to accompany our team to some ECIC-financed projects for a first-hand experience of the value-add of ECIC activities in Africa to the South African economy.

The implementation of our 2017/18 stakeholder engagement strategy is summarised in Table 3.

Table 3 Implementation of the Corporation's 2017/18 stakeholder engagement strategy

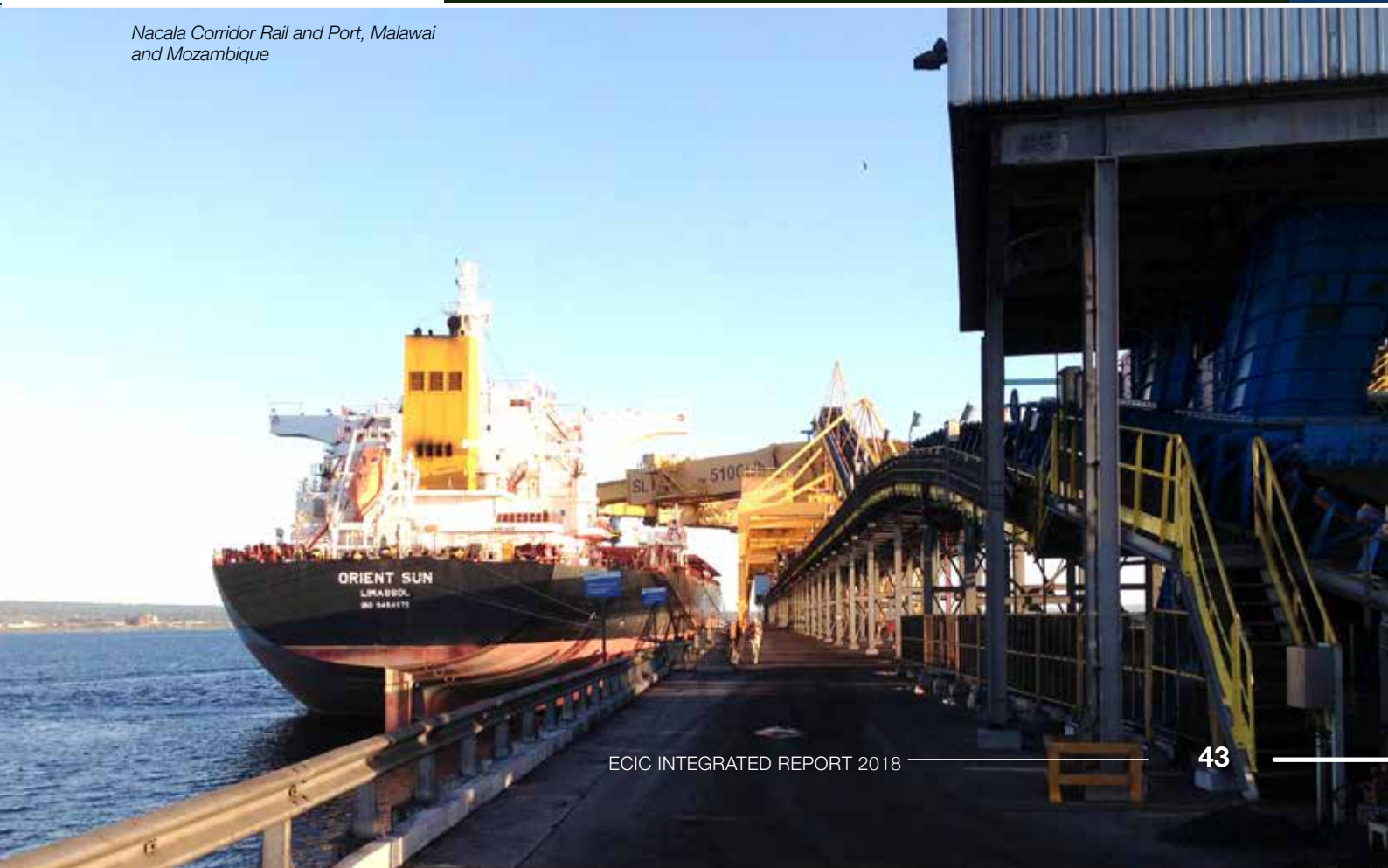
Stakeholder group	Nature of engagement	Frequency	Issues and actions
Public sector			
Portfolio Committee on Trade & Industry	• Convey value of ECIC to SA economy		• Expose members and ECIC Board to successful projects
Department of Trade & Industry (the dti)	• Objective is information sharing, pursuing business opportunities in Africa and fostering cooperation	Regular	• Focus on **the dti** stakeholders: Capital Project Feasibility Programme (CPFP) - ECIC part of Adjudication Committee and Chief Audit Executive Forum attended with ORCA • Trade Invest Africa focus in 2017/18 as well as Trade Invest South Africa
National Treasury	• Objective is information sharing, pursuing business opportunities in Africa and fostering cooperation	Regular	• Focus on the Directorate: Africa Economic Integration • Important to involve the Corporation with the inter-governmental meetings with the aim of mapping infrastructure projects in African countries
Department of International Relations & Cooperation (DIRCO)	• Political policy perspective, sharing country information ito risk ratings, access to business opportunities with DIRCO intervention	Regular	• ECIC sharing political perspectives on countries we intend exposing the Corporation to
Department of Public Enterprises (DPE)	• Establishes relationships and interaction with key government stakeholders (SOEs) and provides access to DPE business dealings in Africa • ECIC permanent invitee to Africa Steering Committee meetings	Regular	• Exposure to SOE capital and services projects abroad through Africa Steering Committee to support government's Africa development initiatives

Stakeholder group	Nature of engagement	Frequency	Issues and actions
Embassies/High Commissions in targeted African countries	• Creating stakeholder platforms through embassies/high commissions focusing on their trade representatives and Ambassadors/High Commissioners • Fourteen African countries part of initiative, more to be added • Platform to create trust and understand needs and mindsets	Annually or more frequently when required	• Identify potential business opportunities and disseminate via stakeholder platforms to relevant SA businesses through business or export councils • Initiate outward selling missions to specific countries • Establish Ambassadors'/High Commissioners' Engagement Initiative as a structured engagement programme between CEO and ambassadors/ high commissioners of identified African countries to concretise business development structures
Regulators	• Interaction with FSCA and PA from stakeholder rather than regulatory perspective proven mutually valuable	Annually or more frequently when required	• Pursue interaction with regulators
Communities, media and employees	• Address these stakeholders through CSR programmes, marketing and communication structures and internal communication • Close cooperation between stakeholder management and marketing and communication essential		• Continue cooperation with ECIC Marketing and Communication function
Private sector			
Financial Institutions (FIs) and Development Financial Institutions (DFIs)	• FIs: Board-approved Master Risk Bond Policy to increase and simplify deal-flow; focus on advance payment guarantees for contractors • DFIs: the IDC and Development Bank of SA (DBSA) aware of and using ECIC		• FIs: Master Risk Bond Policy, once adopted could be expanded to include working capital facilitation for black industrialists • Submitted to eight FIs for input and adoption. • DFIs: Establish platform to manage ECIC reputation effectively

Stakeholder group	Nature of engagement	Frequency	Issues and actions
NEPAD Business Foundation - African Investment and Integrated Desk (AVID)	• ECIC founding member of AVID to drive SA Inc concept • Three-year contract commenced in 2015 • Participate in SCMs, marketing activities, special events		• Steering Committee with focus on SA Inc did not materialise, however AVID transformed into a financial and technical advisory centre having been accredited by APMG International to deliver the Certified Professional Public Private Partnership courses. • AVID has become self-sustainable with the ECIC contract ended June 2018.
Export Councils	• Advocacy meetings with Export Council members		• Create direct interaction with Export Council members; establish platforms for interaction to raise issues pertinent to respective businesses
Insurance brokers Reinsurance brokers	• Reinsure major deals that exceed ECIC capacity, realign concentration risk, increase insurance capacity in SA market, align capital reserves with FSCA and PA requirements • Manage contingent liability for the South African government		• Pursue objective of introducing reinsurance as risk management tool • Establish reinsurance structures and solid working relationships to benefit local exporters
Manufacturers and exporters	• Breakfast programme for regular interaction between ECIC and industry CEOs		• Create platform for access to CEO to increase understanding of ECIC role and function
BRICS	• BRICS ECA CEOs Forum - important platform for cooperation, product coordination and information sharing		• Participating in Working Group deliberations on range of issues, including product offerings, operational practices and cooperation • BRICS CEO's Forum hosted in South Africa in July 2018

STRATEGY AND PERFORMANCE

- STRATEGIC PERFORMANCE PAST, PRESENT AND FUTURE
- OUR STRATEGIC OBJECTIVES
- PERFORMANCE AGAINST STRATEGIC OBJECTIVES
- SOCIAL VALUE CREATED



Nacala Corridor Rail and Port, Malawai and Mozambique

Strategic performance past, present and future

Recent positive trends in global growth recovery, the forecasted rebound in the sub-Saharan Africa economy and a predicted increase, albeit it weak and slow, in economic growth in South Africa, augurs well for the Corporation's ability to fulfil its mandate in more responsive economies in the year ahead.

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

The Corporation aligns its strategy with national priorities as identified in the National Development Plan and **the dti's** strategic priorities, and with our own organisational competencies and capabilities.

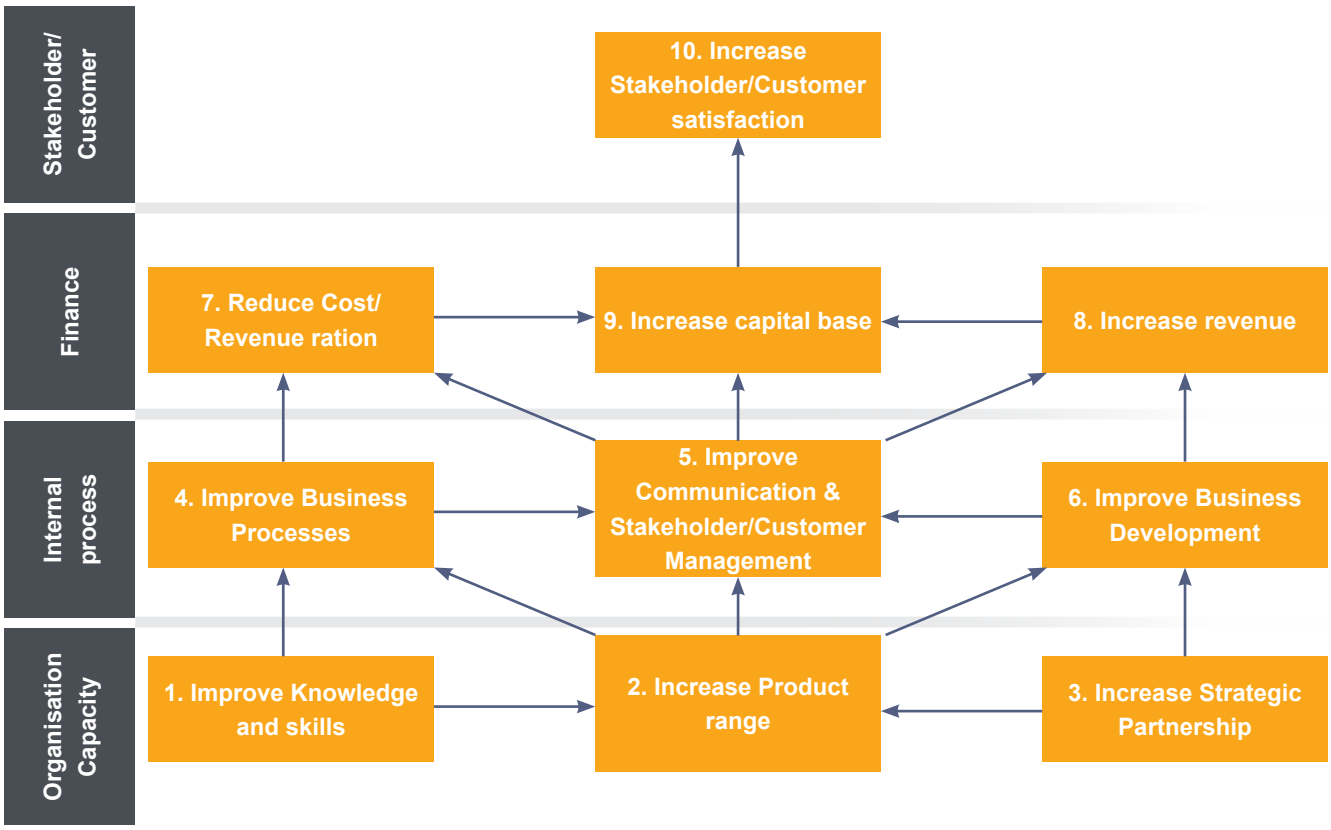
Our business is managed and measured against strategic objectives and within the context of material issues, while all issues and opportunities are assessed against risk and in terms of value creation.

ECIC Board and executive management evaluations of our competitive external environment identified challenges and business opportunities. Our adoption at the end of the 2016/17 financial year of sustainability and integrated reporting practices and principles broadened our perspectives on materiality and value creation and introduced us to best-practices that further improved our performance ability against key indicators in the export credit landscape and as a shareholder representative in Africa and abroad.

Going forward, our 2021 strategy contains seven key strategic objectives with an emphasis on strategic partnerships, business growth and operational excellence.

As we follow our business trajectory towards a mature two decades in the provision of export credit in 2021, we will continue to integrate our functional centre processes to reflect integrated thinking more fully as part of a relatively new journey in integrated reporting.

ECIC - Tier One Strategy Map



Organisational performance for the 2017/18 financial year

This report evaluates our performance for the past financial year against our strategic objectives (SOs). Our performance is also assessed in terms of stakeholder impact and value creation and, where relevant, linked to one or more of the six capitals of the <IR> Framework.

The strategic objectives and performance matrices presented here link our material issues and the ten strategic objectives against which our performance is measured to the six capitals, to highlight the value creation in our value chain.

Our strategic objectives

Linked to materiality and capitals

CAPITALS			
Financial	Intellectual	Human	Social and relationship

Strategic objectives									
Improve knowledge and skills	Increase product range	Increase strategic partnerships	Improve business processes	Improved communication and stakeholder/-customer management	Improved business development	Decrease cost-to-revenue ratio	Increase revenue	Increase capital base	Increase stakeholder/ customer satisfaction
S01	S02	S03	S04	S05	S06	S07	S08	S09	S10

Material issues					
Government and credit rating downgrades	IMU liability-based risk perceptions	ECIC EXIM Bank launch opportunities	Scarce and evolving skills requirements	Limited investment options	Afreximbank new opportunity

Performance against predetermined objectives 2017/18

Output	Performance measure and indicator	Target 2017/18	Performance 2017/18	Target achieved
Improve knowledge and skills				
Skills audit and implementation of annual training plans	% of training plan implemented	90 – 100%	91%	✓
Increase product range				
Develop and/or review new products	Number of products developed or reviewed	1	1	✓
Increase strategic partnerships				
Leverage existing partnerships to generate knowledge sharing initiatives	Number of knowledge sharing initiatives	8	9	✓
Improve business processes				
Implement new business systems plan	% implementation of MIS system	100%	100%	✓
Improved communication and stakeholder/customer management				
Improve and enhance brand visibility	% implementation of marketing and communication campaigns	80 – 100%	100%	✓
Improved business development				
Research and identify new opportunities	Number of research reports that identify new opportunities	2	3	✓
Decrease cost-to-revenue ratio				
Develop appropriate reports to track the cost-to-income ratio on a periodic basis for • management accounts • budget variance reports	Cost-to-income ratio	Not exceeding 35%	21%*	✓
Increase revenue				
Increase premium revenue	Value of projects approved	USD400 m – USD500 m	USD497 m	✓
Implement the investment strategy	Weighted ZAR and USD portfolio return vs benchmark return for the period according to the IPS	Perform within 3% of weighted ZAR and USD portfolio benchmark return for the period as per the IPS	Outperformed benchmark by 0.3%	✓
Achieve profit target	% of budgeted net profit before tax achieved	90%	558%*	✓
Increase capital base				
Increase in capital base	% increase in basic own funds/equity	5%	13%*	✓
Increase stakeholder/customer satisfaction				
Improve customer satisfaction	% implementation of customer satisfaction survey findings	90 – 100%	100%	✓

* The performance for this target is based on the South African Functional Currency financial statements in Note 34 on pages 135 to 136.

Performance against strategic objectives

S01 Improve knowledge and skills

Targets 2017/18	Performance
Skills audit and implementation of annual training plans	91% implementation

As a leader in export credit and insurance, the right people with the right skills, values and behaviour will help us deliver our mandate to grow the Corporation and the South African economy. Our human capital focus is on developing the professional and personal growth of our people by creating a quality, performance-driven work environment characterised by collegiality, tolerance and reciprocity. We provide the necessary tools, processes and resources to encourage and enable employees to meet and exceed client and stakeholder expectations and work productively and with pride.

We encourage peer recognition and reward our people for hard work and commitment to set the stage for performance excellence. Improved knowledge and skills among ECIC employees is a strategic imperative and remains a priority, year-on-year. With a competent and competitive workforce, we can implement our strategy effectively and out-perform achievement against our strategic objectives.

The advent of the digital world as the harbinger of the 4th industrial revolution, as well as the new SA EXIM Bank will require new skills and workplace systems.

The risk of insufficient capacity and, specifically, insufficiently skilled capacity to deal with these realities is potentially significant. Creating the required internal capacity and proficiency will be integral to retaining our competitiveness going forward.

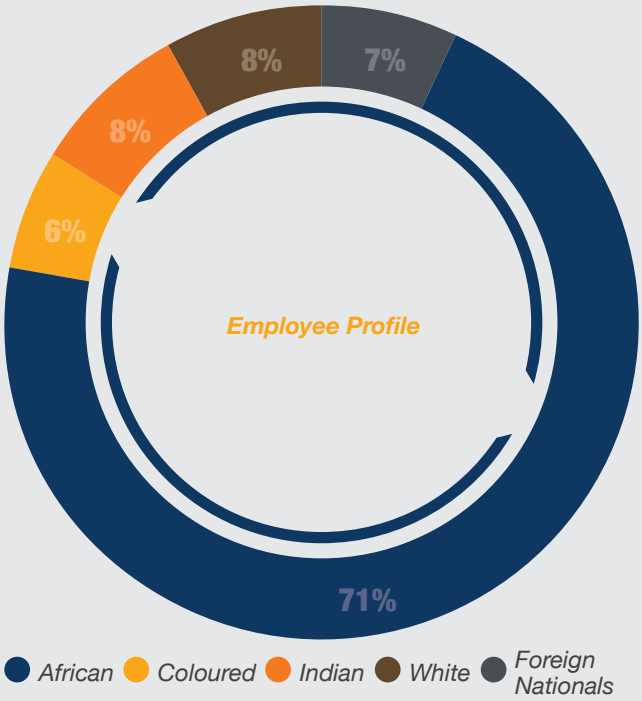
We are creating platforms to ensure that employees remain well-informed about financial and export trade developments, trends and technologies, locally and around the world. The impact of our training and education interventions have become increasingly evident in new product development.

The executive management committee, delegated by the Board, monitors and reviews employee education, training and skills development on an ongoing basis. This includes the induction of new directors when they join the Board.

Staff complement

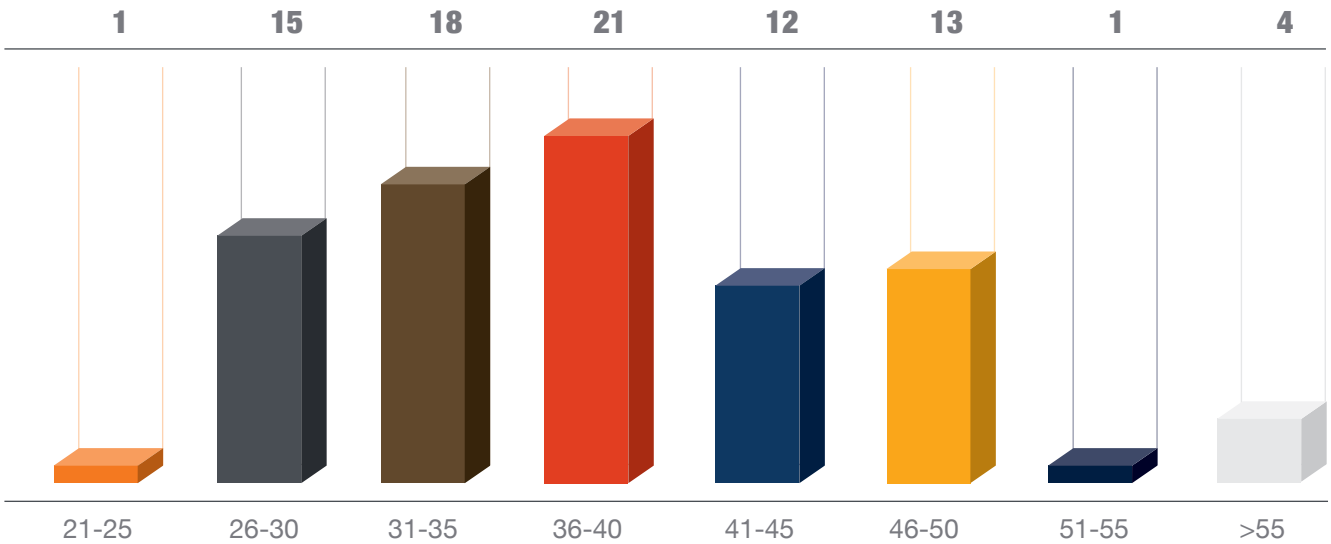
During the reporting period, our staff complement increased with one appointment to 85 (2017: 84), of whom 77 were permanent employees, eight on fixed-term contracts of whom five are graduate trainees. We progressed well in promoting and enabling diversity and inclusivity in our employee profile, with a score of 85% against a target of 90% for designated employees (excludes white males and foreign nationals). We maintained a disabled employee percentage to 2.4% (2017: 2.4%) of our workforce.

> **I have seen the benefits of digitisation in industries across the world and believe strongly that it will quicken the pace of progress in Africa where, in many sectors, we are already leapfrogging the traditional development trajectory. We cannot use the 4th industrial revolution and digitisation as a precursor to economic performance. Rather, digitisation must enhance business growth strategy, just as the use of robotic engineering, for instance, must support business growth and fast-track development across the continent.** *Kutoane Kutoane*

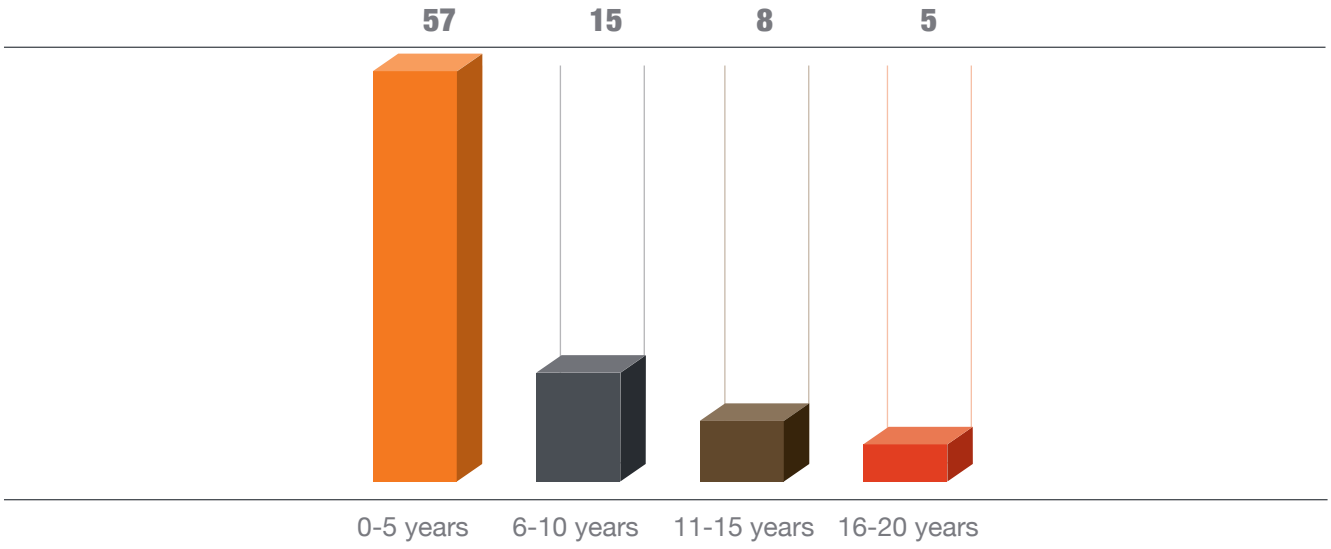


52% (2017: 56%) of management is female which exceeds our target of 50%. The majority of our employees currently are between 31-40 years old, which identifies them as millennials. This is an attribute that positions us well to participate fully in the digital reality of the 4th industrial revolution, where quantum leaps in innovation will become an imperative. Only one of our employees will be retiring in the next twelve months.

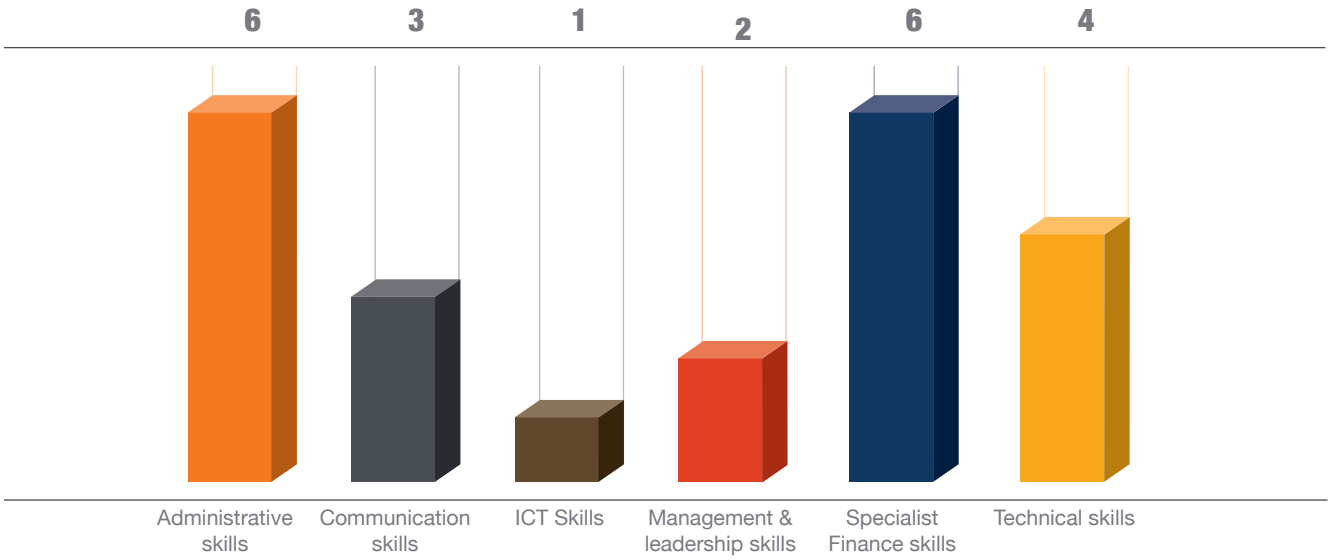
As a young organisation, the average length of service at the Corporation is five years. We do not expect this to change, given the acknowledged mobility of millennials that prohibit them from developing a sense of loyalty towards their organisations. During the period under review, our attrition and retention rates remained the same as for the previous financial year at 6% and 94%, respectively. This is well below the attrition rate in the insurance industry, which on average, is 10-15%.



Age Profile



Tenure



Training plan implementation per skills group

The Corporation's commitment to investing in the growth and development of its people saw the creation and implementation of a 22-initiatives training plan during the year under review. The total learning and development spend amounted to R3.5 million (2017: R5,2 million), while pivotal training approved by the INSETA also generated a credit.

Our training expenditure, expressed as a percentage of salary costs, translated to 3,96% of salaries paid. Employee costs, including benefits, increased by 3,52% in 2018 (R88,639) compared to 2017 (R85,625).

Employee wellness remains high on our human resources agenda. Careways, a wellness provider, implemented our Employee Wellness Programme during the year under review and managed 25 cases that yielded an annual utilisation rate of 31,25%.

S02 Increase product range

Target/s 2017/18	Performance
Develop and/or review one product	One

We aim to increase our product range to meet customer needs, address market gaps and remain competitive in dynamic market conditions. ECIC is pursuing policy discussions with **the dti** to establish the SA EXIM (Export-Import) bank. This entails the creation of a framework that will include lending products in ECIC's product offerings and increase its capacity to fulfil its mandate. Such a transformation will diversify our business activities, increase our resilience and competitiveness, differentiate us among new customers and create opportunities to offer exporters a better service.

During the reporting period, we reviewed our investment insurance product to broaden the coverage and include equity instruments, such as common shares, preference shares or interest acquired on cross-border investments. As a result, in future, we can cover existing investments and multiple-country portfolio investments. In the same way, our working capital insurance cover has been extended beyond the boat building industry to include other sectors that need support.

Going forward, we will continue to review our product range to look at areas for further refinement and research new areas that may be required to close market gaps.

S03 Increase strategic partnerships

Target/s 2017/18	Performance
Leverage existing partnerships to generate eight knowledge sharing initiatives	Nine

We leverage our local and international strategic partner networks in the public and private sectors to access new markets and advance our business reach. Increasing our strategic partnerships impacts directly on our ability to generate revenue.

Knowledge-sharing relationships with international export credit agencies and development finance institutions help the Corporation develop its skills base and knowledge of, and access to, international markets. Engaging with entities in Africa, such as Afreximbank and the Islamic Corporation for the Insurance of Investment and Export Credit, also creates trust and opens doors to new business.

During the reporting period, our engagement with stakeholders further embedded constructive relationships that gave rise to a number of mutually beneficial, complementary and reciprocal business opportunities and cooperative initiatives. These included our involvement as a permanent invitee to the Department of Public Enterprises' African Steering Committee meetings, which expose us to SOE capital and services projects in Africa and provides opportunities to support government's Africa development initiatives.

Other rewarding initiatives included engaging trade attachés/high commissioners and ambassadors in 14 African countries to proactively build trust and understand needs and mindsets. We also plan to establish an engagement initiative between our CEO and ambassadors/high commissioners of identified African countries to concretise business development structures.

In the year ahead, our Chairperson will accompany the Portfolio Committee on Trade and Industry to some of the ECIC-supported projects for a first-hand experience of the value-add that the Corporation creates in Africa and in the South African economy.

S04 Improve business systems – our ICT environment

Target/s 2017/18	Performance
Implement 100% of MIS system	100%

The Information and Communications Technology (ICT) Department provides the Corporation with reliable ICT services, business processes and innovative solutions to support organisational efficiency and effectiveness that creates business value.

The successful deployment of a Management Information System (MIS) during the reporting period has created a central document repository that promotes information management, provides advanced communication and enables underwriting lifecycle oversight, digital communication, cost-effective local and international collaboration and business continuity.

Further innovative improvements during the past year included mailbox migration (from physical servers) to a cloud-based environment, which enhances the availability and accessibility of services and information.

While the Corporation recognises the significant benefits of cyberspace in increasing innovation, collaboration, productivity, competitiveness and client engagement and wants to capitalise on these opportunities, cyber security is a key risk that has to be managed continuously to secure its people, information, systems and reputation in and from the threats of cyberspace.

Going forward, the Corporation will be implementing its strategic budget planning system and develop/procure a safe and effective system for trading new products.

S05 Improve communication and stakeholder/customer management

Target/s 2017/18	Performance
Implement 80% - 100% of marketing and communication campaigns to improve and enhance brand visibility	100%

The key strategic objectives of our marketing and communication strategy are to improve communications and stakeholder management through the creation of awareness and understanding of ECIC's mandate, as well as to unlock business opportunities in line with government priorities and ensuring effective communication.

During the 2017/18 reporting period, we developed and implemented initiatives that showcased the Corporation as a thought-leader and the value-addition of its capabilities across various communication channels. Some of our print material included the 2017 Integrated Report, Strategic Plan 2018/19-2020/21, reports on trade and investment opportunities for Cameroon, Senegal and Tanzania, investment and equipment leasing product-leaflet, as well as the Black industrialist factsheets.

We launched a new international media campaign in September 2017, themed *"Providing credit support for buyers of South African capital goods and services"* with a focus on intra-Africa trade. The "*Unchartered Territories*" outdoor media campaign in Ethiopia and Ghana ended in August 2017 and was followed by the new campaign in Tanzania and Uganda, which continued in Benin and Senegal in January 2018 and will run until June 2018.

Additional initiatives to raise awareness included billboards at local international airports and in the Sandton CBD, radio campaigns and online media campaigns. Over 20 national and international print publications carried ECIC information, while media interviews were conducted with ECIC executive members.

We also partnered with a number of business chambers, including those in Cape Town and Nelson Mandela Bay, as well as the KZN Exporters Awards in October 2017. A television campaign was used to expose the brand in local, international and African markets to 48 countries in sub-Saharan Africa and the Indian Ocean Islands.

Traffic to the Corporation website improved considerably during the reporting period with 53 480 visits for the financial year.

We used external (two issues) and internal (four issues) newsletters to disseminate ECIC information and sponsored several sector trade events that attracted industry role players in power, rail, ports, construction, mining and high value manufacturing capital goods, as well as trade export finance. This created brand awareness, positioned ECIC in key markets, presented product offerings, identified business leads and facilitated interaction with key stakeholders, deal originators, investors and financiers from across the continent.

A number of ECIC employees also participated as invited speakers at stakeholder-specific local and regional events. These included the international Manufacturing Indaba East Africa, Mining Indaba and African Energy Indaba in 2017, which yielded business leads and offered opportunities to meet potential clients.

From a stakeholder perspective, ECIC held various local and international events, including TXF SA (Cape Town), the first Trade and Export Finance event in South Africa, in partnership with TXF and Afreximbank.

We continued to track and monitor our media exposure, online and in traditional media, to determine the impact and effectiveness of our media campaign. Overall, traditional print media decreased and online media increased by 14%. The advertising value equivalent (AVE) of our media exposure for the reporting period was R6,1 million, up from R5,3 million in the previous year.

ECIC won the "Best Small Stand Award" in the category of the most attractive stand at the recently held 10th Africa Energy Indaba Conference and Exhibition

S06 Improve business development

Target/s 2017/18	Performance
Research and identify new opportunities – deliver two research reports	Three

Business development is the creation of long-term value for an organisation from customers, markets and relationships. The Business Development Unit pursues business opportunities actively through partnerships, commercial relationships, new markets, deal origination and intermediary relationships.
Our aim is to attract business proactively from new and existing customers by participating, in conferences, trade shows and export councils to create networks and identify business opportunities for the Corporation to increase exports and cross-border investments, as well as promote the Corporation's new product offerings among customers in key markets.

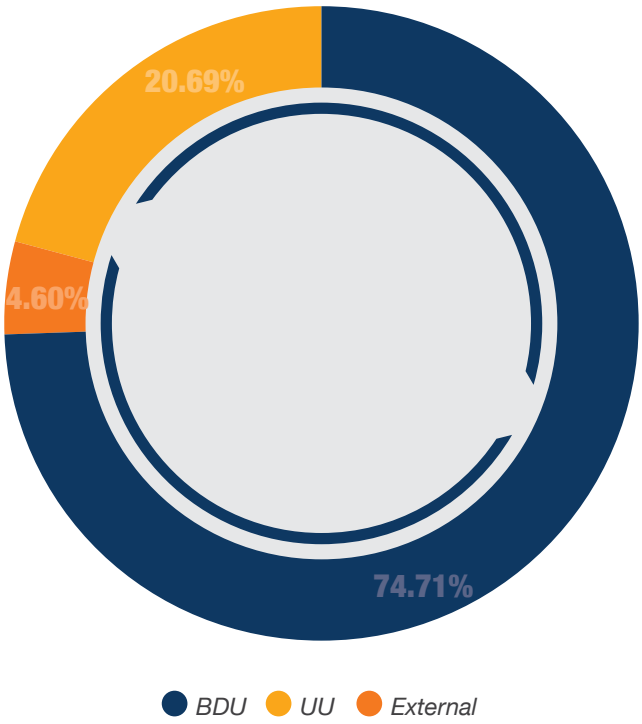
Our deal originators have commercial and technical experience locally and in Africa and are responsible for implementing a strategy and travel plan for their respective regions.

We pursue leads and opportunities in emerging markets as they arise and proactively link these with expertise or financiers to create business for the Corporation ahead of its competition.

We develop strategic relations with clients and stakeholders throughout the African continent to grow the Corporation portfolio in West Africa and East Africa and entrench its strong footprint in SADC.

Interaction with, *inter alia*, exporters, financial institutions and advisors continuously add to a growing pipeline of export and new business opportunities for customers who use a broad spectrum of our products and services.

Figure 4: Approximately 75% of the total enquiries received by the Corporation during the 2017/18 financial year were originated by the Business Development Unit.



S07 Decrease cost-to-revenue ratio

Target/s 2017/18	Performance
Cost-to-revenue ratio not exceeding 35%	21%

We aim to maintain an acceptable cost-to-income ratio consistent with industry benchmarks and ECIC objectives. Since writing new business drives our revenue (earned in terms of the covered risk profile of the contract), our success is ultimately a function of our ability to retain earnings at decent margins by maximising capital inflows and decreasing costs. We are targeting a maximum 35% cost-to-revenue ratio to become self-sustainable without funding from government.

The long-term nature of the majority of ECIC contracts results in most revenue from new business being earned only in later years. While the volume of new business written varies significantly from year-to-year, revenue earned remains relatively stable.

The Board reviews our initiatives to reduce the cost-to-revenue ratio, while the meticulous monitoring of expenditure against budget forms part of each manager's performance contract. The average cost-to-revenue ratio, including net investment income recorded for 2017/18, was 21%.

S08 Increase revenue

Target/s 2017/18	Performance
$400m-$500m projects approved	$497m
Perform within 3% of weighted ZAR and USD portfolio benchmark return for the period as per the IPS	Outperformed benchmark by 0.3%
90% of budgeted net profit before tax achieved	558%

The Corporation must increase its revenue while maintaining minimum margins to achieve business growth and establish a stronger capital base, specifically from its underwriting profit and investment returns as the main revenue streams.

This will enable us to become self-sustainable and independent from government to enhance stakeholder perceptions, reduce risk and increase competitiveness.

a. Underwriting profit

During 2017/18, the Corporation approved projects to the value of $497 million (2016/17: $479 million). We expect these projects to contribute to sustainable underwriting profit in the future.

The Corporation produced a strong underwriting profit of R389 million for the year under review. This came from an increase in premium revenue of 10%, low incurred claims and operational expenses that increased by less than 2%.

b. Investment returns

The Corporation's investment portfolio earned a net investment income of R260 million in the 2017/18 financial year. The portfolio of R7 billion is invested in US dollar fixed income and a diversified basket of assets listed in South African rand.

US fixed income markets endured a volatile year as the Fed continued its rate hiking cycle. Overall, the Fed Funds Rate increased from 1% to 1.75% during this time. Combined with political and other economic factors, this caused yields to rise and the value of fixed income securities to fall. Consequently, the Corporation's US portfolio earned a disappointing return of 0.2% for the year.

Buoyed by a year of strong returns in the South African (SA) bond market, the rand portfolio added healthy returns for the Corporation. Combined with SA stock markets, albeit underperforming long-term expectations, the rand portfolio earned 8.9% for the year.

Current SAA and fund manager allocations

In July 2017, the benchmark index for measuring the performance of SA Equities changed from the SWIX (Shareholder Weighted Index) to the Capped SWIX, where the weight of any individual security is limited to 10% of the index. This reduced the weight of Naspers from 18% to 10%, reducing its domination in the index. No changes were made to the SAA or fund manager allocations during the year. The table below sets out the allocations as at 31 March 2018.

Portfolio	SAA %	Asset class
Rand portfolio	40	SA Equity
	5	SA Property
	5	SA Corporate Bonds
	30	SA Government Bonds
	20	SA Money Market
US dollar portfolio	12.5	US Money Market
	62.5	US Government Bonds
	25	US Corporate Bonds

Fund manager	Weight %	Asset class
Allan Gray	14	SA Equity
Mazi Capital	13	SA Equity
Fairtree Capital	13	SA Equity
Coronation Fund Managers	17.5	SA Fixed Income
	5	SA Property
Sanlam Investments	17.5	SA Fixed Income
	20	SA Money Market
Argon Asset Management/Schroders	30	US Fixed Income
Investec Asset Management	40	US Fixed Income
World Bank Treasury	30	US Fixed Income

Investment strategy

The Corporation's investment strategy is set by taking cognisance of the liability profile, liquidity requirements and risk appetite of the Corporation through an asset-liability matching (ALM) exercise. We determine an optimised strategic asset allocation (SAA) that is integrated with asset class return, risk and correlation expectations. Assets are allocated and managed by external fund managers whose selection is based on their specialised skills, professional teams and suitable investment processes and styles. Each asset class in the SAA is given a representative and measurable benchmark index to assess performance.

The split between the investment portfolio's rand and US dollar denominated assets are not tactically managed but is a result of the in- and out-flows in these currencies over time. As at 31 March 2018, the allocation to rand and US dollar assets were 42.1% and 57.9% respectively.

The investment principles, ALM methodology, risk monitoring and investment strategy is described in the Corporation's Investment Policy Statement (IPS).

Expected changes to the investment strategy

In February 2018, **the dti** authorised the Corporation's application to make changes to its investment strategy. The Corporation's US dollar investment universe was restricted previously to US fixed income, causing low to negative returns on the back of rising interest rates and the unwinding of quantitative easing in the US. **The dti** noted the shortcomings of this investment strategy and approved the required diversification, use of efficient instruments and increased mandate flexibility.

Considering these approvals and the conclusion of the 2017/18 ALM exercise, a revised investment strategy will be considered for implementation in the forthcoming financial year.

The changes are expected to improve diversification and negate losses due to asset class concentration, while remaining within the risk budget and capital allocated to investment activities. The revised investment strategy will include new asset classes (Global Equity and Emerging Market Debt), the use of derivatives for currency hedging and efficient portfolio management and allowing fund managers to access a wider opportunity set based on credit ratings.

S09 Increase capital base

Target/s 2017/18	Performance
5% increase in basic own funds/equity	Exceeded by 8%

We aim to increase the capital base that supports the growth and sustainability of our business by ensuring that sufficient capital is available to maintain financial stability and withstand adverse events (such as economic downturn or a large claim event).

For the Corporation to remain self-sustainable, we must consider the impact on all aspects of the business when underwriting new transactions. Profitable new transactions result in capital growth but also introduce additional risks that require capital backing.

We are compliant with the prudential requirements of the forthcoming regulatory regime, SAM. We use the SAM standard formula to assess capital requirements throughout the parallel reporting phase and during the projected planning period to ensure that the Corporation remains solvent. We anticipate a smooth transition to the new prudential regime when effective.

S10 Increase stakeholder/customer satisfaction

Target/s 2017/18	Performance
Implement 90% - 100% of survey findings	100%

We strive to maintain stakeholder and customer satisfaction through consistently delivering professional services, monitoring our performance and creating exceptional brand value experiences. Using mechanisms such as the IPSOS market survey supports our commitment to understanding and responding meaningfully to stakeholder and client needs.

During the reporting period, we dealt with all (100%) the 2017/18 customer satisfaction and brand perception survey findings. We conduct these surveys, respectively, every second and third year.

Social Value created

Corporate Social Responsibility (CSR)

Under the ECIC CSR programme, we implement sustainable socio-economic interventions in education, skills and community development to improve quality of life in disadvantaged communities nation-wide. During the 2017/18 financial year, ECIC invested R5,5 million in our CSR initiatives.

Our interventions in basic education aim to improve the quality of learning in mathematics, science and accountancy and increase tertiary-level enrolments for these qualifications.

The impact of ECIC CSR initiatives during the 2017/18 financial year, included:

- A four-year partnership with the Maths and Science Leadership Academy (MSLA) in the Northern Cape that saw 71 of the 74 learners who completed the MSLA programme register at universities and other tertiary

education institutions for the 2018 academic year, 43 of whom are the first in their families to enrol for tertiary education

- A partnership with the Sci-Bono Discovery Centre that provided after-school lessons in mathematics, physical science, accounting and life sciences to 740 Grade 12 learners from five schools in Tshwane, which improved the pass rates in those subjects at the schools from approximately 39% in 2016 to almost 70% in 2017.
- Financial support for the Axium Education Ekurhuleni Maths and Science Centre in Mqanduli in the Eastern Cape to provide after-school tutorials to ±200 Grade 8 to Grade 12 learners
- Handed over a computer laboratory to the Sea View Senior Secondary School in Mqanduli in March 2018
- Bursaries for 16 students to study actuarial science, accounting and engineering science at various institutions through partnerships with the Thuthuka Educational Upliftment Fund, Central University of Technology and South African Actuarial Development Programme. Three of these students graduated in 2017 and were employed at reputable South African companies, while the rest are expected to graduate in 2018
- Employee participation in an ECIC-volunteerism programme in under-privileged communities on Nelson Mandela Day
- A partnership with the Tshwane Leadership Foundation (TLF) and Unisa Community Outreach and Engagement Chance-2-Advance (C2A) Project for Nelson Mandela Day with a donation to provide fittings for the TLF Youth Centre and assist communities under TLF care
- Employment at reputable boat building companies in the export industry for three of the six ECIC-funded students who completed their three-year NQF-4 Yacht and Boat-building Programme at the False Bay Technical Vocational Education and Training (TVET) College in Cape Town. The 10 students who enrolled for the programme in July 2017 are expected to complete their studies in 2019.

Enterprise and Supplier Development

The key outputs of the Enterprise and Supplier Development (ESD) programme ensure ECIC compliance with B-BBEE legislation and scorecard, supplier diversity through strategic sourcing and the development of Black-owned SMMEs.

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

ECIC ESD programme focus:

- Enterprise development (ED) to support the growth of local enterprises that export goods and services
- Supplier development (SD) to support the growth of micro-enterprises, specifically emerging Black-owned enterprises.

During the review period, the ESD representative participated in a number of events, meetings and visits. These included the Seda Tshwane Annual Stakeholder event and Entrepreneur Day as part of Global Entrepreneurship Week. ECIC also resumed pre- and post-disbursement visits to ED and SD beneficiaries during the past year and look forward to an ESD profile scheduled to appear in the sector's esteemed ESD Handbook 2018/19 in the year ahead.

As at financial year end March 2018, the ESD programme had supported 28 ED entities with machinery (production capacity) and quality management system interventions.

The ESD programme has assisted 23 SD entities through business development and equipment support.

Our impact has seen a notable increase in employees at Tier 1 and Tier 2 entities. ECIC also approved funding support for 18 Tier 3 entities during the 2017/18 financial year.

CORPORATE GOVERNANCE

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

"Although some governments in Africa have only recently come to understand fully the real deleterious impact of a lack of governance in areas dealing with issues such as tax evasion/avoidance, money laundering and dumping of low quality imports on sustainable growth and development, we are seeing political will to improve this. The Corporation has always been keen to share the lessons we have learnt locally about tightening tax legislation and creating robust tax platforms as well as combatting other illicit practices to improve governance with our counterparts, clients and legislators in other African countries. *Kutoane Kutoane*"

Letseng Diamond Project, Lesotho

Corporate Governance

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

Compliance with laws, rules, codes and standards

The Corporation operates in a highly regulated environment. The Board ensures that the Corporation complies with applicable laws and considers adherence to non-binding rules, codes and standards. A dedicated compliance function identifies applicable legislation, regulatory requirements and related amendments and analyses the impact on the business. The function also facilitates compliance monitoring and control using a risk-based approach. The function collaborates with other risk assurance providers and internal functions, including Operations.

The governance committees escalate material regulatory issues to the Board and corrective action is taken to address identified non-compliance.

Legal and regulatory universe

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

The Corporation is registered as a financial services provider and must comply with applicable insurance regulations, such as the Short-Term Insurance Act, 53 of 1998, as amended by the Financial Services Laws General Amendment Act, 45 of 2013. An Export Credit Insurance Agreement and annually renewed Shareholder's Compact, both with the Minister of Trade and Industry, govern ECIC business conduct, as required by the PFMA. The Corporation also subscribes to the King Report on Corporate Governance, 2016 (King IV).

Public Finance Management Act (PFMA)

Compliance with the PFMA drives the transparency, accountability and sound management of revenue, expenditure, assets and liabilities in public entities. The Board, as the Accounting Authority, takes effective and appropriate steps to prevent irregular, fruitless and wasteful expenditure. The Corporation's Materiality and Significance Framework is reviewed annually. Compliance with PFMA reporting, according to section 55(2)(b), is disclosed on page 70 of this report.

Alignment with King IV

The Board has adopted the principles of openness, integrity and accountability as espoused in the King Code on Corporate Governance (King IV). The extent of our compliance with applicable King IV governance principles and recommendations during the past year is available online.

Board of Directors and its composition

The Corporation is governed by a unitary Board of Directors who, collectively, have the required experience and business acumen to guide the Corporation's strategy and governance. The Board consists of nine directors, including six independent non-executive directors, two non-independent non-executive directors (government representatives) and the CEO as an executive director. All directors have a fiduciary duty to exercise due care and skill in carrying out their responsibilities. The Board is accountable to the shareholder for the Corporation's activities and performance.

Board Charter

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

Chairman and Chief Executive Officer

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

Delegation of authority

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

Independence of directors

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

Company Secretary and Secretariat

The Company Secretary guides directors to discharge their legal and regulatory responsibilities in the best interests of the Corporation. Duties include providing directors with timely and unrestricted access to information, director training, induction and evaluation and meeting agendas and minutes.

Appointment policy

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

The shareholder appoints the directors (and CEO) to, typically, serve for three years. A retiring director can be reappointed at the shareholder's discretion, limited to 2 terms.

Board meetings

The Board develops an annual work plan that covers its mandate and sets meeting dates and agendas. Meetings are scheduled a year in advance and special meetings are convened as required. Directors who cannot attend meetings can participate through telephone conference calls. Executive Management Committee members attend meetings to report on relevant matters. The Board met eight times during the year on 25 April 2017, 29 June 2017, 27 July 2017, 28 Sept 2017, 30 Oct 2017, 7 Dec 2017, 30 Jan 2018 and 29 March 2018. Board documentation is available digitally through a Board portal. This increased communication, decision-making and boardroom efficiency, reduced paper consumption and resulted in significant bottom-line savings.

Table: Board committees, members and meeting attendance for the period 1 April 2017 to 31 March 2018

Board and Committee Attendance	Board	Audit	Risk	Fin & Invest	Remuneration	Social & Ethics
Non-Executive Board Members						
Motshoanedi Johannes Lesejane (Chair) @	4/5*				1/1*	1/1
Dheven Dharmalingam (Chair) +	4/4*				1/1*	
Pumla Ncapayi[1]	1/1					
Willem van der Spuy[2]						
Lefentse Radikeledi	7/8	5/5		4/4		
Andiswa Mosai[3]	3/3	4/4			1/1	1/1*
Abel Mawela	8/8	5/5*	4/4		3/3	
Vuyelwa Matsiliza	6/8		3/3*	3/4		

Board and Committee Attendance	Board	Audit	Risk	Fin & Invest	Remuneration	Social & Ethics
Siobhain O'Mahony	6/8	2/5	1/1*	3/3*	3/3	2/2*
Riaan Le Roux[4]	6/7				3/3	
Sisa Mayekiso+	4/4			1/1*	1/1	
Lerato Mothae+	4/4				0/1	
Executive Board Member						
Kutoane Kutoane	8/8					1/2

@ Term ended 30 October 2017
+ Term began 01 November 2017
[1] Term ended 31 May 2017
[2] Alternate to Pumla Ncapayi – term ended 31 May 2017
[3] Term ended 31 July 2017
[4] Term began 01 June 2017

* Chairperson of committee

Director induction, orientation and ongoing education

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

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

Independent advice

The Board recognises the need for directors to take independent professional advice at the Corporation's expense according to an agreed procedure. No individual director exercised this right during the period under review.

Board and director evaluations

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

Board and committee performance were evaluated this year through questionnaires compiled by the internal auditor and edited by the Company Secretary. All nine directors, and the alternate director as the Shareholder representative, participate in the evaluation.

Information technology governance

The Audit Committee and Risk Committee monitor ICT governance by:

- Considering the efficacy of ICT controls, policies and processes and their risk to financial reporting and the effectiveness of financial controls
- Monitoring initiatives to manage ICT risks appropriately to mitigate threats to operational continuity.

Values and ethics

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

Board Committees

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

Board committees comprise of the Audit, Risk, Social and Ethics, Finance and Investment, Credit Insurance and Remuneration Committees. The Board ultimately remains accountable for the proper fulfilment of committee functions. .

Audit Committee

The Audit Committee is constituted as a statutory committee in terms of the Companies Act, 71 of 2008 During the year under review, the committee consisted of three independent, non-executive directors and one representative of National Treasury appointed by the shareholder at the annual general meeting. The Audit Committee met five times during 2017/18 on 25 April 2017, 26 June 2017, 27 July 2017, 30 October 2017 and 30 January 2018.

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

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

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

Assurance statements

The Audit Committee is satisfied that:

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

Risk Committee

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

The committee supports the Board in discharging its ICT governance duties and oversees the implementation of new, applicable regulatory developments, such as the Own Risk Self-Assessment (ORSA). Committee members serve on the Audit, Finance and Investment, Remuneration, and Social and

Ethics Committees for ease of collaboration on risk issues. The committee met four times during the period under review on 26 June 2017, 14 September 2017, 30 November 2017 and 20 March 2018.

Activities in 2017/18

The committee:

- Advised the Board on the overall risk appetite, tolerance and strategy within its existing and future macroeconomic and financial environments
- Advised the Board, prior to decision-making, on the risks and implications of proposed strategic transactions on the Corporation's risk appetite and tolerance levels, which included the sourcing of independent external advice, where appropriate
- Regularly reviewed and approved Risk Register measures and methodology
- Set Risk Dashboard standard to monitor critical risks accurately and timeously
- Advised the Board on existing risk exposures (Portfolio Report) and future risk strategy
- Received and considered all risk matters reported by the Board and/or committees
- Review risk limit reports
- Ensured that appropriate resources were available to manage risk and that those responsible had access to the necessary information to perform their function effectively
- Had oversight responsibility for the Business Continuity and Disaster Recovery Plan
- Evaluated the adequacy and effectiveness of the enterprise risk management system
- Reviewed risk policies, including the underwriting risk policy and operational risk policy.
- Monitored the Corporation's ICT framework and strategy.

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

Finance and Investment Committee

The Finance and Investment Committee comprised three independent non-executive directors and one non-independent non-executive director (**the dti** representative). Meetings are also attended by the statutory actuary and fund managers on invitation. The committee met four times during the year under review on 6 June 2017, 4 September 2017, 30 November 2017 and 1 March 2018.

Activities in 2017/18

The committee undertook, among others, the following activities:

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

Remuneration Committee

The Remuneration Committee is a subcommittee of the Board and consists of non-executive directors and shareholder representative and is advised by independent experts. Three meetings were held during the year on 22 June 2017, 20 November 2017 and 20 March 2018.

Areas of responsibility

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

Activities in 2017/18

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

- Taking account of business performance and recommended the 2016/17 short-term incentive pay-outs
- Reviewing the Corporation's remuneration policies and monitoring their implementation and effectiveness
- Developing the year's human resources strategic plan
- Reviewing the performance of the CEO.

Social and Ethics Committee Statutory Report

The Social and Ethics Committee is constituted as a statutory committee of the Board under section 72(4) of the Companies Act, 71 of 2008 (read with Regulation 43 of the Companies Regulations). This report will be presented at the ECIC 2018 Annual General Meeting for the financial year. The committee met twice during the year on 25 May 2017 and 2 November 2017.

Responsibilities

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

Activities in 2017/18

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

- Confirmation that the Corporation's business conduct is aligned with the applicable UN Global Compact Principles and OECD Recommendations Against Corruption regarding human rights, labour standards, the environment and anti-corruption
- The corporate social investment programme
- Progress against the Corporation's employment equity plans
- Consumer relationships to ensure that industry-specific consumer protection legislation and policies (FAIS, Short-Term Insurance Act) are in place and compliance managed
- Performance against **the dti's** generic Broad-based Black Economic Empowerment scorecard to achieve the highest rating possible.
- The committee focused specifically on:
  - Stakeholder engagement (page 39 of this report)
  - Marketing and communication initiatives (page 51 of this report)
  - CSI, supplier and enterprise development initiatives (pages 56-57 of this report)
  - Remedial actions for the improved occupational health and safety of employees and visitors.

Ethical conduct overview

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

Compliance

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

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

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

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

Plans for 2018/19

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

Other governance structures

Credit Insurance Committee

The Credit Insurance Committee is a statutory committee established in terms of the Export Credit and Foreign Investments Insurance Act, 78 of 1957, to evaluate insurance applications, claims and salvage actions. An amended agreement with the Minister during the reporting period placed the committee, which previously functioned independently, under Board control.

Executive Management Committee

The Executive Management Committee (EXCO) is chaired by the CEO and includes the Chief Operations Officer (COO), Chief Financial Officer (CFO), General Counsel (GC) and Chief Risk Officer (CRO). The Company Secretary serves as EXCO secretary. The CEO co-opted the Actuarial, Marketing and Communications, Human Resources, and Stakeholder Management and Strategy managers onto EXCO. The committee's five focus areas are administration, operations, projects, enterprise risk management and ICT.

Activities in 2017/18

The Executive Management Committee met at least once a month to ensure effective operational decision-making and management oversight and attend to matters delegated by the Board. These included:

- Developing the Corporation's strategy and budget for Board consideration and approval
- Ensuring effective day-to-day operations in accordance with approved strategies, policies and procedures
- Evaluating insurance cover applications and considering amendments, waivers or consents
- Monitoring the status, salvage and claims of projects
- Monitoring and reviewing employee development such as staff training, personal development and management development
- Identifying, mitigating, monitoring and reporting on enterprise-wide risks
- Overseeing stakeholder relationships
- Overseeing the effective management of ICT resources
- Approving corporate social investment and funding for enterprise supplier development projects
- Monitoring progress against corporate performance targets.

Remuneration Report

This report summarises ECIC's remuneration philosophy and policy for employees and directors. It also provides a description as to how the policy has been implemented.

The report is divided into three sections in accordance to the King IV code:

Section 1: Background statement

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

- Profit
- New business
- Execution of the investment strategy
- Research and Product development/ enhancement
- Business systems implementation plan
- Customer satisfaction
- Brand visibility.

These performance targets are set using ECIC's long-term growth objectives. The balanced scorecard reflects a rating of 79% of target, which indicates good and solid performance and a balanced scorecard with stretch targets. The comparable result for the period that ended 31 March 2017 was 76%. The achievement of balanced scorecard targets is in addition to our performance against pre-determined objectives as disclosed on page 46 of this report.

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

Policy changes

The Remuneration Committee reviewed the Performance Linked Short Term Incentive Policy and made the following enhancements:

- The income statement and profit and loss measure against which management performance is measured will no longer exclude salvages
- Investment measure amended from investment return vs benchmark investment returns of strategic asset allocation to investment income (actual vs budget).

Decisions

The key decisions taken this year were:

- Approved increases and adjustments for executives as well as all other employees
- Reviewed the Corporation's Balanced Scorecard for 2017/18FY, and the formulation and approval of the 2018/19FY Scorecard
- Approved short-term incentives for all employees
- Reviewed the Corporation's remuneration policies and monitored the implementation and effectiveness of such policies
- The services of an independent remuneration consultant were contracted to review pay scales
- Succession planning of key positions within the Corporation
- The shareholder voted in favour of the remuneration philosophy and policy tabled at the AGM.
- Key focus areas for the 2018/19 financial year
- Continue to review remuneration practices and make adjustments as required
- Ensure incentive schemes attract, retain and reward top talent.

Section 2: Remuneration Philosophy, Policy and Framework

1. Remuneration governance

The Board is ultimately responsible for the remuneration policy. To assist the Board in fulfilling its responsibilities, it has appointed and mandated a Remuneration Committee. This Committee is a subcommittee of the Board, consists of non-executive directors, shareholder representative and is advised by independent experts where necessary. Three (3) meetings were held in 2017/18.

Table 1: Remuneration Committee attendance record, 2017/18

Members	22/06/2017	20/11/2017	20/03/2018
Motshoanedi Johannes Lesejane (Chair)*	✓	-	-
Dheven Dharmalingam (Chair)**	-	-	✓
Abel Mawela	✓	✓	✓
Siobhain O'Mahony	✓	✓	✓
Sisa Mayekiso**	-	-	✓
Lerato Mothae**	-	-	×
Andiswa Mosai***		-	-
Riaan Le Roux****	✓	✓	✓

Key: ✓ Present; × Did not attend
* Term ended 30 October 2017; **Term began 1 November 2017 but formally joined REMCO after the November 2017 meeting; *** Term ended 31 July 2017, **** Term began 1 June 2017

The Remuneration Committee's principal responsibilities are to:

- Formulate, approve and monitor adherence to the remuneration policy
- Ensure alignment with the latest governance standards
- Review and approve all short- and long-term incentive structures and monitor overall liability
- Approve and report to the Board on all remuneration
- Ensure succession planning for Board and executive management
- Determines the Board's induction and continuing development programme.

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

2. Remuneration Policy and philosophy

At ECIC, we believe that great people are the foundation of our success. Remuneration, reward and recognition play a key role in facilitating the attraction, engagement, motivation and retention of such individuals. To that end, our remunerations philosophy is to remunerate and reward our employees in line with market norms. We are committed to providing total remuneration packages that ensure we are able to:

- Attract, retain and motivate high-calibre employees
- Encourage performance and reward employees who exceed business objectives
- Recognise individual & team contribution
- Reward fairly and equitably.

2.1 Executive and staff remuneration

ECIC adheres to a 'total cost to company' methodology, which we refer to as guaranteed pay. All employees, including the executive director, receive guaranteed pay based on their role in the Corporation and also linked to their individual performance. Contributions to medical aid, retirement funding and insured benefits are included in the guaranteed pay. In addition to the guaranteed pay, the Corporation offers annual short-term incentives to staff, based on Board approval.

2.1.1 Rewards approach

Our total rewards approach encompasses financial and non-financial elements. The financial elements are explained in the sections that follow.

Financial	Non- Financial
Guaranteed Pay	Challenging and meaningful work
Compulsory benefits (Medical aid & Group Life insurance)	Development and training
Short term incentives	ECIC culture and environment
Long term incentives	Opportunity to work with great people

2.1.2 Rewards structure

Our remuneration structure comprises broadly of fixed guaranteed pay, short term incentives (STI) and long-term incentives (LTI) as detailed below:

Guaranteed pay

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

Any deviations from such salaries are negotiated through the Remunerations Committee with the approval of the Board. Remuneration is reviewed on an annual basis. The Remuneration Committee uses the services of an external adviser, where necessary, to help track market trends related to all employee levels. ECIC's benefits comply with legislation and are aligned to the applicable local benchmarks.

Short-term incentives

Our short-term incentive scheme, in the form of an annual cash bonus, is linked to achieving financial, strategic and operational objectives and the employee performance against their objectives set by line management. The pool available for short-term incentives is determined by financial performance against previously set and agreed targets.

Long-term incentives

To achieve a balanced pay mix at an executive level, the Corporation will pursue the implementation of a long-term incentive scheme which has been designed but has not been approved by the shareholder.

2.2 Sign-on, retention and restraint payments

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

The Remuneration Committee may, from time to time, conclude restraint of trade agreements with members of executive management. These restraint of trade agreements may be contractual only i.e. unpaid or, where appropriate, subject to an appropriate payment, and are aligned with the overall ECIC business strategy. Disclosure of these payments will be made in line with any applicable regulatory requirements.

2.3 Payments on termination of employment

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

2.4 Board remuneration

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

Section 3: Implementation report of remuneration policy for 2018

The implementation report details the outcomes of implementing the approved policy detailed in Section 2 of this report.

3.1 Total remuneration

King IV and the Companies Act requires the disclosure of individual remuneration of all executive management members. The executive remuneration and Directors' emoluments are is disclosed in Note 29 of the AFS on pages 131-132.

Nacala Corridor Rail and Port, Malawai and Mozambique

Directors' Responsibility Statement and approval of the Annual Financial Statements

FOR THE YEAR ENDED 31 MARCH 2018

The external auditor is responsible for auditing the financial statements whereas the Board of Directors is responsible for the preparation, integrity and fair presentation of the financial statements. The Board acknowledges its duty to ensure balanced content and fair presentation that provides a comprehensive assessment of the Corporation's performance for the financial year ended 31 March 2018.

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

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

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

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

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

The performance information fairly reflects the operations, actual output against planned targets for performance indicators as per the Corporation's strategic plan and annual performance plan for the financial year ended 31 March 2018. 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 2018 that appear on pages 80 to 137 were approved by the Board of Directors on 27 August 2018 and are signed on its behalf by:

D Dharmalingam | **K Kutoane**

27 August 2018 | 27 August 2018

Audit Committee Report

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

Terms of reference

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

Roles and responsibilities

Governance of risk

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

Internal audit

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

This function is outsourced to Outsourced Risk and Compliance Assessment (Pty) Ltd. The committee approved the risk-based internal audit plan for 2017/18. The engagement partner of the internal audit firm has unrestricted access to anyone in the Corporation and reports the findings of the internal audit work to the committee on a regular basis. Internal audit reports functionally to the committee chairperson and operationally to the Head: Stakeholder Management. 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 Corporation in its audit.

External audit and non-audit services

The 2018 financial year was the first year of the tenure of AGSA as external auditor. The committee is satisfied with the independence and objectivity of AGSA, 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 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 AGSA's fulfilment of the agreed audit plan and variations from the plan and the robustness and perceptiveness of AGSA in its handling of key accounting treatments and disclosures to assess the effectiveness of the external auditor. The committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2018 financial year.

Any non-audit services to be provided by the external auditor is governed by a formal written policy and all such services are to be pre-approved by the committee to ensure that such services do not impair the independence of the external audit firm. The non-audit services rendered by the external auditor during the year ended 31 March 2018 comprised tax advisory services. There were no non-audit related fees.

The committee and the Board of Directors after being advised by the Office of the Auditor General has since noted, actioned and approved the discharge of KPMG as the appointed and registered auditor for the 2018 financial year, and have appointed AGSA as registered auditor for the 2018 financial year.

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

Financial statements and accounting practices

The committee reviewed the accounting policies and the financial statements of the Corporation and is satisfied that

they are appropriate and comply with the International Financial Reporting Standards and the requirements of the Companies Act.

Internal financial controls

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

Finance function

The committee noted the resignation of the Chief Financial Officer on 11 May 2018 and the appointment of the Acting Chief Financial Officer.

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

Integrated reporting

The committee reviewed the integrated report of the Corporation for the year ended 31 March 2018 and submits that management is presenting an appropriate view of the entity's position and performance.

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

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

Evaluation of financial statements

The committee has evaluated the annual financial statements of the Corporation for the year ended 31 March 2018. It has also reviewed:

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

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

The committee noted the external audit compliance finding regarding material misstatements in the accounting policy and categorisation of insurance receivables identified by the auditors. The accounting processes within the Corporation were in compliance with IFRS, however, the accounting policy note did not adequately reflect the internal processes.

Accounting policy notes 1.7 and 1.11, and notes 9 and 18 have been adjusted to correctly reflect the Corporation's internal process.

The committee has recommended that management form a task team to consider the effect of changes to IFRS and the impact these will have on the Corporation going forward. The accounting policies will be considered during the annual reviews of the ECIC Finance and Accounting Policy.

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

The committee performed the following activities during the year:

- Reviewed the Corporation's integrated report and processes and recommended the same to the board for approval
- Approved the engagement letters, audit plan and budget for the external audit firm and the internal audit firm

- Considered the Corporation's annual financial statements
- Reviewed accounting policies and practices and consider any significant changes or departure from accounting policies and practices
- Reviewed the basis on which the Corporation has been determined a going concern
- Reviewed the policy for non-audit services to be rendered by the external auditor to the Corporation and pre-approving the contracts for non-audit services to be rendered by the external auditor
- Considered and recommended the quarterly performance reports to **the dti** for the board's approval
- Received and investigated anonymous tip-off reports
- Reviewed the finance function and the Chief Financial Officer's performance.

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

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

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

Conclusion

Based on information provided by management, internal audit and external audit, the committee considers that these statements comply, in all material respects, with the requirements of the PFMA, and the basis of preparation as set out in the accounting policies in note 1 of the annual financial statements. The committee concurs that adopting the going-concern assertion in preparing the annual financial statements is appropriate.

At its meeting on 27 August 2018, the committee recommended the approval of the annual financial statements to the Board.

Vuyelwa Matsiliza
Chairperson

27 August 2018

Nacala Corridor Rail and Port, Malawai and Mozambique

Nacala Corridor Rail and Port, Malawai and Mozambique

Certification by the Company Secretary

I certify that, in respect of the reporting period, the Corporation has, to the best of my knowledge and belief, lodged with the Companies and Intellectual Property Commission (CIPC) all returns and notices required in terms of the Companies Act, 71 of 2008, as amended, and that all such returns appear to be true, correct and up-to-date.

C J Kgoale
Company Secretary

27 August 2018

ANNUAL FINANCIAL STATEMENTS

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

Cenpower Generation, Ghana

Directors' Report

Nature of business

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

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

Share capital

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

Corporate governance

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

Board of Directors

The current directors are reflected on pages 34 to 36. During the 2017/2018 financial year, there were the following resignations and appointments:

- Ms P Ncapayi (non-independent, non-executive) resigned on 30 August 2017 as a Shareholder representative on the Board of Directors
- Mr. Adriaan Jacobus Le Roux (non-independent, non-executive) was appointed on the 30 August 2017 as a Shareholder representative on the Board of Directors
- Mr. Dheven Dharmalingam CA (SA) (Independent Non-Executive Director) was appointed on 01 November 2017 to take over from Mr Motshoanedi Lesejane who's term of office has since ended on 31 October 2017 as the Chairman
- Mr. Sisa Mayekiso CA (SA) (Independent Non-Executive Director) was appointed on 01 November 2017 as a member and the Chairperson of Finance and Investment Committee of the Board
- Ms. Lerato Mothae CA (SA) (Independent Non-Executive Director) was appointed on 01 November 2017 as a member and the Chairperson of Social and Ethics Committee of the Board

Executive management

The Board noted the resignation of Chief Financial Officer on 11 May 2018 and appointment of Acting Chief Financial Officer.

Financial results

The financial results of the ECIC are fully disclosed on pages 80 to 137.

Performance against pre-determined objectives

The corporate strategic objectives and targets are developed and approved by the Board of Directors. The table that appears on page 46 compares the planned and related actual performance for 2017/18 on the high-level corporate strategic objectives, and indicate the degree to which the Corporation met or exceeded its strategic objectives for the year under review.

Dividends

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

Taxation status

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

Changes in accounting policies

The accounting policies applied during the year ended 31 March 2018 are in all material respects consistent with those applied in the annual financial statements for the year ended 31 March 2017, as no changes in accounting policies were done in this financial year.

Events after the reporting period

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

Going concern

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

Audit Committee information

The names of the Audit Committee members and attendance records are reflected on pages 60-61 of this annual report.

Litigation

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

Related-party transactions

The related-party transactions are specified in the Notes to the Annual Financial Statements on pages 128 to 130.

Report of the auditor-general to Parliament and the shareholder of Export Credit Insurance Corporation of South Africa SOC Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Export Credit Insurance Corporation of South Africa SOC Limited (the "company") set out on pages 80 to 137, which comprise the statement of financial position as at 31 March 2018, the statement of comprehensive Income, the statement of changes in equity, and the statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Export Credit Insurance Corporation of South Africa SOC Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the requirements of 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) (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

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

Previous period audited by a predecessor auditor

7. The financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act on 14 August 2017.

Responsibilities of the Board of Directors 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 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 company'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 company or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

10. My 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 my 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 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 my 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 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the company. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My 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, my findings do not extend to these matters.

14. I 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 objectives presented in the annual performance report of the company for the year ended 31 March 2018:

Objectives	Page in the strategy and performance report
Objective – Increase Product Offering	46
Objective – Improve Business Development	46
Objective – Increase Revenue	46

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I 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. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:
    - Increase Product Offering
    - Improve Business Development
    - Increase Revenue

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on page 46 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, I have a responsibility to report material findings on the compliance of the company with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements in the accounting policy and categorisation of insurance receivables identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information

22. 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 certification as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
24. In connection with my audit, my 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
25. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

26. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation included in this report.

Financial and performance management

27. Management did not adequately review financial reports to ensure that were fully compliant with the applicable reporting framework.

Auditor- General

Pretoria

28 August 2018

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I 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 my 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 company'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. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Export Credit Insurance Corporation of South Africa SOC Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a company to cease continuing as a going concern
    - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I 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 I identify during my audit.

4. I also confirm to the accounting authority that I 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 my independence and, where applicable, related safeguards.

Statement of financial position
as at March 31, 2018

	Note(s)	2018 R '000	2017 R '000
Assets			
Equipment	6	5,684	8,010
Intangible assets	7	3,094	3,653
Financial assets at fair value through profit and loss and other comprehensive income	8	6,715,775	6,685,902
Trade and other receivables	9	1,648,511	1,578,303
Cash and cash equivalents	10	154,467	284,614
Deferred tax	14	11,988	-
Total assets		**8,539,519**	**8,560,482**
Equity and liabilities			
Equity			
Share capital and premium	11	316,051	316,051
Fair value adjustment through other comprehensive income reserve		27,577	-
Capital adequacy requirement	12	-	417,722
Retained earnings		2,036,478	656,603
Foreign currency translation reserve		1,649,939	2,179,500
Total equity		**4,030,045**	**3,569,876**
Liabilities			
Insurance contract liabilities		3,242,505	3,236,519
Provision for unearned premiums	13.1	2,572,262	2,552,331
Provision for unexpired risks	13.2	175,497	159,109
Provision for claims reserves	13.3	494,746	525,079
Deferred tax	14	-	23,044
Employee benefit liability	15	3,078	3,627
Trade and other payables	16	51,573	38,831
Liability for interest make-up	17	1,172,883	1,633,022
Current tax payable	25	39,435	55,563
Total liabilities		**4,509,474**	**4,990,606**
Total equity and liabilities		**8,539,519**	**8,560,482**

Statement of Comprehensive Income

	Note(s)	2018 R '000	2017 R '000
Insurance premium revenue		886,948	144,262
Change in unearned premiums	13.1	(318,087)	333,687
Change in unexpired risks	13.2	(43,825)	(1,994)
Net insurance premium revenue		**525,036**	**475,955**
Assessment fees		222	3,316
Net investment income	19	259,570	135,374
Profit on exchange differences	20	360,795	241,850
IMU grant received		188,272	-
Other income		808	142
Net income		**1,334,703**	**856,637**
Claims incurred		**5,828**	**246,342**
Insurance benefits and claims		42,023	76,692
Claims paid		(19,968)	-
Salvages received		61,991	76,692
Change in claims reserves	13.3	(36,195)	169,650
Commission paid		(330)	(622)
Operating expenses	22	(163,216)	(160,130)
Interest expense		(2)	(8)
Expense for interest make-up	17	(38,904)	(2,032,445)
Corporate social investment		(16,137)	(13,852)
Profit/(Loss) before taxation		**1,121,942**	**(1,104,078)**
Taxation	23	(159,789)	(130,241)
Profit/(Loss) for the year		**962,153**	**(1,234,319)**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences	21	(529,561)	(443,661)
Fair value adjustments of financial assets		35,538	-
Deferred tax on fair value of financial assets		(7,961)	-
Total items that may be reclassified to profit or loss		**(501,984)**	**(443,661)**
Other comprehensive loss for the year net of taxation		**(501,984)**	**(443,661)**
Total comprehensive profit/(loss) for the year		**460,169**	**(1,677,980)**

Statement of Changes in Equity

	Share capital and premium	Foreign currency translation reserve	Fair value adjustment through other comprehensive income reserve	Capital adequacy requirement	Total reserves	Retained earnings	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Balance at April 1, 2016	**316,051**	**2,623,161**	**-**	**375,009**	**2,998,170**	**1,933,635**	**5,247,856**
Loss for the year	-	-	-	-	-	(1,234,319)	(1,234,319)
Effect of translation to presentation currency	-	(443,661)	-	-	(443,661)	-	(443,661)
Total comprehensive Loss for the year	**-**	**(443,661)**	**-**	**-**	**(443,661)**	**(1,234,319)**	**(1,677,980)**
Transfer to capital adequacy requirement	-	-	-	42,713	42,713	(42,713)	-
Balance at April 1, 2017	**316,051**	**2,179,500**	**-**	**417,722**	**2,597,222**	**656,603**	**3,569,876**
Profit for the year	-	-	-	-	-	962,153	962,153
Other comprehensive income	-	(529,561)	27,577	-	(501,984)	-	(501,984)
Total comprehensive (loss)/profit for the year	**-**	**(529,561)**	**27,577**	**-**	**(501,984)**	**962,153**	**460,169**
Transfer from capital adequacy requirement	-	-	-	(417,722)	(417,722)	417,722	-
Balance at March 31, 2018	**316,051**	**1,649,939**	**27,577**	**-**	**1,677,516**	**2,036,478**	**4,030,045**
Note(s)	11			12			

Statement of Cash Flows

	Note(s)	2018 R '000	2017 R '000
Cash flows from operating activities			
Cash generated from underwriting activities	24	516,583	196,414
Interest received		201,701	154,516
IMU grant received		188,272	-
Dividends received		36,134	46,273
IMU claims paid		(319,230)	(328,494)
Interest paid		(2)	(8)
Taxation paid	25	(218,909)	(68,476)
Net cash inflow from operating activities		**404,549**	**225**
Cash flows from investing activities			
Acquisition of fixed assets	6	(543)	(936)
Acquisition of intangible assets	7	(602)	-
Sale of financial assets		960,337	374,727
Acquisition of financial assets		(1,464,220)	(497,311)
Net cash outflow from investing activities		**(505,028)**	**(123,520)**
Decrease in cash and cash equivalents		**(100,479)**	**(123,295)**
Cash and cash equivalents at the beginning of the year		284,614	439,960
Effect of translation on cash and cash equivalents		(44,007)	(50,008)
Unrealised foreign exchange gain on cash and cash equivalents		14,339	17,957
Total cash and cash equivalents at end of the year	10	154,467	284,614

Accounting Policies

1. Presentation of Financial Statements

1.1 General Information

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

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

(a) New standards, amendments and interpretations issued but not effective for the financial year beginning after 1 January 2017 and not early adopted.

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. The effective date of this standard is for annual periods beginning on or after 1 January 2018. ECIC have elected to defer the implementation of IFRS 9 to January 2021 when IFRS 17 is expected to be effective. A detailed assessment of the impact has not been made.

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

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

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

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

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

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

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

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

Accounting Policies

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

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

IFRS 16 Leases - IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. An assessment of the impact has not been made.

IFRIC 22 Foreign Currency Transactions and Advance Consideration - IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted

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

1.2 Basis of preparation

The annual financial statements of the Corporation are prepared on the going concern basis in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa. As at 31 March 2018 the Corporation was solvent with total assets exceeding total liabilities by R4 030 045.

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

The financial statements of Export Credit Insurance Corporation of South Africa has been authorised for issue by the board of directors on 27 August 2018.

1.3 Use of estimates and judgments

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 and the recoverability of trade and other receivables are detailed in note 2.

Accounting Policies

1.4 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.

1.4.1 Gross written premiums

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

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

1.4.2 Unearned premium provision

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

1.4.3 Unexpired risk provision

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

1.4.4 Claims incurred

Claims incurred represents:

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

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

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

Accounting Policies

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

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported tothe 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.

1.4.5 Salvages

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

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

Recovery is deemed probable when the following conditions are met for sovereign contracts:

- There is a signed agreement; and
- At least two successive payments have been received by the Corporation in terms of the agreement. A project finance contract is a contract where repayment of the covered loan is dependent on cash flows from the financed project structure. Recovery is deemed probable when the following conditions have been met for project finance contracts:
- There is a signed restructuring agreement;
- The payment on the revised agreement is up to date;
- The operation generated positive cash flows for a continuous period of 12 months; and
- Performed at a minimum of 75 percent of the intended capacity.

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

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

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

1.4.6 Liability adequacy test

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

Accounting Policies

1.4.7 Capital adequacy requirement

In term of the Financial Services Board notice 169, the Corporation is required to retain sufficient capital to compensate for the different aspects of risk ranging from insurance risk to operational risk, as well as market risk and credit risk on assets covering its liabilities.

1.5 Foreign currency translation

Functional and presentation currency

Presentation currency is the currency used for the presentation of these financial statements. The US Dollar is the functional currency and the South African Rand is the presentation 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.

Translation from functional to presentation currency

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

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

Transactions and balances

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

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

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

1.6 Equipment and intangible assets

1.6.1 Equipment

Equipment is stated at historical cost less accumulated depreciation and impairment. Historic cost includes all expenditure that is directly attributable to the acquisition of an asset and to bringing it to a working condition for its intended use. Depreciation is calculated to write off the cost of the assets to residual value on a straight-line basis over their expected useful lives.

Accounting Policies

Equipment is depreciated over the following periods:

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

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

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

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

1.6.2 Intangible assets

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

Intangible assets are amortised over the following periods:

Computer software	5 years

The intangible assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

1.7 Financial assets and liabilities

The Corporation classifies its financial assets into the following categories: financial assets designated at fair value through profit and loss and financial assets designated at fair value through other comprehensive income.

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 designated at fair value through other comprehensive income

These assets are investments made for strategic reasons and their performance is evaluated on a fair value basis.

Accounting Policies

Financial liabilities

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

1.7.1 Initial measurement

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

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

1.7.2 Subsequent measurement

Financial assets designated at fair value through profit or loss and other comprehensive income

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

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

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

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

Cash and cash equivalents

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

Trade and other payables

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

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

Liability for interest make-up

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

Accounting Policies

1.7.3 Gains and losses on subsequent measurement

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

1.7.4 Derecognition

Financial assets are derecognised when the 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.

1.7.5 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.

1.7.6 Impairment

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

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

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

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

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.

Accounting Policies

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

1.8 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.

1.9 Share capital and 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.

1.10 Taxation

Tax expenses

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

Current tax assets and liabilities

Current tax is calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the 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. 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.

Accounting Policies

1.11 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.

The accounting policy note for trade and other receivables was moved from the financial assets accounting policy note 1.7 in the prior year to this note in the current year to reflect separate accounting policies for insurance receivables and non insurance receivables. The disclosures of these receivables in note 9 and note 18 were amended respectively.

1.12 Investment income

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

1.13 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
The performance bonus is based on performance ratings and other factors, including economic conditions, risk exposure and the performance of ECIC (and its consequent ability to make bonus payments without infringing the requirement of prudent good governance).

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

1.14 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is accounted for according to the nature of the expense and disclosed separately in the annual report. 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.

Accounting Policies

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.

1.15 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; (c) or it is not condoned and is irrecoverable. 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.

1.16 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.

1.17 Commitments

Commitments are disclosed when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the Corporation will discharge its responsibilities, thereby incurring future expenditure that will result in the outflow of cash.

1.18 Events after the reporting date

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

1.19 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.

1.20 IMU grant received

IMU Grant is recognised as income when there is certainty that it will be received and the amount can be measured.

Notes to the Financial Statements

2. Critical accounting estimates and judgements

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

Insurance contract liabilities

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

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

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

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

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.

Unearned Premium Provision (UPP)

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

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

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

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

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

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

Notes to the Financial Statements

Incurred But Not Reported (IBNR) claims provision

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

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

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

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 (the portion of the claims waiting period that has passed) and multiplied by the LGD.

Liability for interest make-up

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

The fair value of the liability is determined on a discounted cash flow basis of all future IMU payments on existing agreements. The IMU payments stretch out to 2029, and discounted to allow for time value of money using a US Treasury Bills Yield Curve. The projected IMU payments are determined by multiplying the IMU rate with the projected outstanding balance of the facility. The IMU rate is a function of the applicable liquidity premium, funding margin, earnings margin and the statutory costs.

The liability is not tax deductible as it is an existing liability which was taken over from **the dti** (see note 28). However, foreign exchange gains and losses arising from currency movement are taxable or deductible for taxation purposes.

Recoverability of trade and other receivables

The Corporation assesses its trade and other receivables for recoverability at the end of each reporting period. In determining whether a provision for doubtful debts should be recorded in profit or loss, the Corporation makes judgments 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.

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:

Notes to the Financial Statements

3. 1 Nature of risk covered

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

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

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

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

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

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

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

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

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

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

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

Risk factors include:

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

Notes to the Financial Statements

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 Corporation 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.

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

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

Notes to the Financial Statements

	2018 R'000	2017 R'000

4.1 Concentrations of insurance risk

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

Angola	14,296	48,867
Democratic Republic of Congo	5,512	36,608
Ghana	7,109,915	6,852,699
Iran	5,315,760	2,059,365
Ethiopia	143,526	163,538
Malawi	1,533,282	-
Mozambique	4,817,755	1,907,200
Nigeria	-	60,238
Liberia	892,693	1,151,764
Lesotho	980,795	1,090,352
Sierra Leone	-	155,530
Sudan	230,655	298,396
Tanzania	777,282	1,510,201
Uganda	272,873	301,941
Zambia	2,598,307	4,267,914
Zimbabwe	2,038,403	2,671,065
	26,731,054	22,575,678

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 corporate only has one unpaid reported claim and to date the actual run-off of the claims as been exactly as per the estimate.

For the sensitivity analysis and change in assumptions on the insurance liabilities refer to note 13.4

Notes to the Financial Statements

5. Financial risk management

Financial risk management

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

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

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

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

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

5.1 Market risk

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

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

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

Notes to the Financial Statements

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

	2018 R'000		2017 R'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets designated at fair value	6,715,775	6,715,775	6,685,902	6,685,902
Listed equities	1,166,352	1,166,352	1,121,401	1,121,401
Listed preference shares	1,723	1,723	2,976	2,976
Money market	518,531	518,531	795,355	795,355
Unlisted equities	508,050	508,050	-	-
Listed bonds	4,521,119	4,521,119	4,766,170	4,766,170
Trade and other receivables	1,648,511	1,648,511	1,578,303	1,578,303
Cash and cash equivalents	154,467	154,467	284,614	284,614
Liability for interest make-up	(1,172,883)	(1,172,883)	(1,633,022)	(1,633,022)
	7,345,870	**7,345,870**	**6,915,797**	**6,915,797**

5.1.1 Currency risk

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

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

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

Notes to the Financial Statements

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

	2018 R'000	2017 R'000
Cash and cash equivalents	66,250	60,706
Financial assets at fair value	2,606,339	2,363,295
Trade and other receivables	10,903	10,899
Insurance contract liabilities	(3,571)	(2,917)
Other liabilities	(54,652)	(42,458)
	2,625,269	2,389,525
The following exchange rates were applied:		
US Dollar to SA Rand exchange rates:		
Closing rate	11.8128	13.4599
Average rate	13.0026	14.0655

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
2018	(727,977)	889,286	(322,499)	322,499
2017	(583,161)	712,304	(253,660)	253,660

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 and Investment Committee continuously monitor this risk and advises the board where a change in investment strategy is warranted. The Corporation's fixed interest rate portfolio is managed by external fund managers who are continuously monitored.

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

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

Notes to the Financial Statements

	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
2018	(89,882)	91,944	(89,882)	91,944
2017	(95,793)	43,062	(95,793)	43,062

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 and Investment Committee actively monitors the equity investment portfolio to ensure that there is no breach of the set parameters. The Committee contracts the services of fund managers to manage the equity investment portfolio.

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

The table below reflects the Corporation exposure to equity risk.

	Note(s)	2018 R'000	2017 R'000
Basic resources		240,865	252,632
Industrials		90,762	69,501
Consumer goods		74,797	105,165
Telecommunications		12,207	15,619
Financials		822,331	221,158
Health		50,909	32,803
Consumer services		209,514	255,118
Technology		5,064	7,649
Commodity-linked		4,351	5,805
Energy		760	1,000
Real estate		162,842	154,951
Total	**8**	**1,674,402**	**1,121,401**

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

	Profit/(loss) after tax		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
2018	40,180	(40,180)	59,892	(59,892)
2017	43,510	(43,510)	43,510	(43,510)

Notes to the Financial Statements

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 on the principles of matching the term of financial liabilities and assets. The finance and investment task team monitors adherence to liquidity requirements.

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

2018 R'000	Within 1 year	1 to 5 years	Greater than 5 years	Total
Financial assets				
Financial assets at fair value through profit and loss and other comprehensive income	2,385,319	2,019,408	2,311,048	6,715,775
Trade and other receivables	185,210	959,434	503,867	1,648,511
Cash and cash equivalents	154,467	-	-	154,467
	2,724,996	**2,978,842**	**2,814,915**	**8,518,753**
Financial liabilities				
Trade and other payables	24,873	-	-	24,873
Insurance contract liabilities	547,288	1,611,855	1,083,362	3,242,505
Liability for interest make-up	243,941	695,440	465,199	1,404,580
	816,102	**2,307,295**	**1,548,561**	**4,671,958**

2017 R'000	Within 1 year	1 to 5 years	Greater than 5 years	Total
Financial assets				
Financial assets at fair value through profit & loss	2,391,820	2,051,407	2,242,675	6,685,902
Trade and other receivables	531,095	556,686	490,522	1,578,303
Cash and cash equivalents	284,614	-	-	284,614
	3,207,529	**2,608,093**	**2,733,197**	**8,548,819**
Financial liabilities				
Trade and other payables	12,154	-	-	12,154
Insurance contract liabilities	501,653	1,815,707	919,159	3,236,519
Liability for interest make-up	352,147	918,320	672,087	1,942,554
	865,954	**2,734,027**	**1,591,246**	**5,191,227**

Notes to the Financial Statements

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 of at least A.

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

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 and Investment Committee also fulfils an oversight role in ensuring adherence to defined credit ratings.

Notes to the Financial Statements

5.3.1 Credit rating

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

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

2017 R'000	AAA- A+	A- BBB+	BBB and lower	Not Rated	Total
Financial assets designated at fair value through profit and loss	4,860,412	637,195	55,788	1,132,507	6,685,902
Trade and other receivables	-	-	-	1,578,303	1,578,303
Cash and cash equivalents	225,693	37,030	-	21,891	284,614
	5,086,105	**674,225**	**55,788**	**2,732,701**	**8,548,819**

A National rating was applied to all South African investments, while a National equivalent of the International ratings were applied to all foreign investments. Credit ratings on an instrument level is reflected, and where not available the issuer rating.

Notes to the Financial Statements

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:

2018 R'000	Neither past due nor impaired	Past due but not impaired	Individually impaired	Provision for doubtful debt	Net carrying amount
Trade and other receivables	1,610,521	37,934	524	(468)	1,648,511
2017 R'000					
Trade and other receivables	1,565,970	12,265	518	(450)	1,578,303

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

2018 R'000	<30 days	31- 90	91-120	Greater than 120	Total
Trade and other receivables	4,735	723	-	32,476	37,934
2017 R'000					
Trade and other receivables	1,521	3,769	1,672	5,303	12,265

5.3.4 Reconciliation of the provision for doubtful debt

2018 R'000	Opening balance	Additions	Closing balance
Provision for doubtful debt	(450)	(18)	(468)
2017 R'000	**Opening balance**	**Additions**	**Closing balance**
Provision for doubtful debt	(5)	(445)	(450)

Notes to the Financial Statements

5.4 Financial risk management

The Corporation recognises equity and reserves as capital. For internal management purposes the Corporation refers to the statutory solvency requirements as prescribed by the FSCA and PA. Refer to solvency ratio in note 31.

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

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

Regulatory capital has to be calculated based on SAM interim measures until the new insurance bill is enacted.

6. Equipment

	2018 R'000			2017 R'000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fittings	7,601	(4,213)	3,388	8,621	(3,834)	4,787
Motor vehicles	156	(108)	48	178	(94)	84
Office equipment	3,171	(1,726)	1,445	3,969	(1,887)	2,082
Computer equipment	3,286	(2,483)	803	3,843	(2,786)	1,057
Total	14,214	(8,530)	5,684	16,611	(8,601)	8,010

6.1 Reconciliation of equipment

2018 R'000	Opening balance	Additions	Write-off	Depreciation	Translation effect	Closing balance
Furniture and fittings	4,787	229	-	(1,042)	(586)	3,388
Motor vehicles	84	-	-	(29)	(7)	48
Office equipment	2,082	9	(31)	(412)	(203)	1,445
Computer equipment	1,057	305	(4)	(452)	(103)	803
	8,010	**543**	**(35)**	**(1,935)**	**(899)**	**5,684**

2017 R'000	Opening balance	Additions	Depreciation	Translation effect	Closing balance
Furniture and fittings	6,167	226	(1,052)	(554)	4,787
Motor vehicles	124	-	(29)	(11)	84
Office equipment	2,544	189	(410)	(241)	2,082
Computer equipment	1,185	521	(536)	(113)	1,057
	10,020	**936**	**(2,027)**	**(919)**	**8,010**

Notes to the Financial Statements

7. Intangible assets

	2018 R'000			2017 R'000		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, other	4,142	(1,048)	3,094	4,097	(444)	3,653

7.1 Reconciliation of intangible assets

2018 R'000	Opening balance	Additions	Amortisation	Translation effect	Closing balance
Computer software, other	3,653	602	(724)	(437)	3,094

2017 R'000	Opening balance	Amortisation	Translation effect	Closing balance
Computer software, other	4,451	(390)	(408)	3,653

8. Financial assets at fair value through profit and loss and other comprehensive income

	2018 R'000	2017 R'000
8.1 At fair value through profit or loss - designated		
Listed equities	1,166,352	1,121,401
Bonds	4,521,119	4,766,170
Money market	518,531	795,355
Preference shares	1,723	2,976
	6,207,725	**6,685,902**
At fair value through other comprehensive income		
Unlisted equities	508,050	-
Total financial assets	**6,715,775**	**6,685,902**

Notes to the Financial Statements

8.2 Maturity profile of financial assets

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

2017 R'000	Within 1 years	1 to 5 year	More than 5 years	Total
Financial assets				
Bonds	514,796	2,008,699	2,242,675	4,766,170
Money market	752,647	42,708	-	795,355
Listed equities	1,121,401	-	-	1,121,401
Preference shares	2,976	-	-	2,976
	2,391,820	**2,051,407**	**2,242,675**	**6,685,902**

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

	2018 R'000	2017 R'000
Level 1		
Listed equities	1,166,352	1,121,401
Bonds	4,521,119	4,766,170
Listed preference shares	1,723	2,976
Money market	265,465	575,971
	5,954,659	**6,466,518**
Level 2		
Money market	253,066	219,384
	6,207,725	**6,685,902**

Notes to the Financial Statements

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 for an observable current market transaction. However, these prices are not determined in an active market. Inputs used in the valuation techniques include quoted market prices, interest rates, observable yield curves and credit spreads.

8.4 Reconciliation of financial assets at fair value through profit or loss

2018 R'000	Opening balance	Interest, dividends and management fees	Total gains/ losses in statement of comprehensive income	Purchases	Sales	Foreign exchange loss and currency translation	Total
Financial assets	6,685,902	215,105	22,516	675,855	(960,337)	(431,316)	6,207,725

2017 R'000	Opening balance	Interest, dividends and management fees	Total gains/ losses in statement of comprehensive income	Purchases	Sales	Foreign exchange loss and currency translation	Total
Financial assets	7,072,663	180,857	(65,489)	316,454	(374,727)	(443,856)	6,685,902

8.5 Fair value hierarchy of financial assets at fair value through other comprehensive income

	2018 R'000	2017 R'000
Level 3		
Unlisted equities	508,050	-

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

Notes to the Financial Statements

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

	Total value R'000	Change %
Reported value	508,050	-
Discount rate - higher by 1%	443,592	-12.7%
Discount rate - lower by 1%	594,732	17.1%
Terminal growth rate - higher by 0.5%	527,609	3.8%
Terminal growth rate - lower by 0.5%	490,294	-3.5%
Minority discount - higher by 1%	500,792	-1.4%
Minority discount - lower by 1%	515,308	1.4%
Marketability discount - higher by 1%	500,792	-1.4%
Marketability discount - lower by 1%	515,308	1.4%

Valuation process The Income Approach was used as a primary valuation approach to determine the fair value of the instrument, with the Market Approach as a secondary approach to the results of the Income Approach. 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 through other comprehensive income

2018 R'000	Opening balance	Total gains/ losses in statement of other comprehensive income	Purchases	Foreign exchange loss and currency translation	Closing balance
Financial assets	-	35,538	573,260	(100,748)	508,050

Notes to the Financial Statements

	2018 R'000	2017 R'000
9. Trade and other receivables		
Insurance receivables		
Premium receivables	1,574,318	1,485,980
Salvages receivable	60,192	85,314
Trade receivable due from related parties	5,868	454
Other receivables	94	116
	1,640,472	**1,571,864**
Non insurance receivables		
Other receivables	5,525	6,365
Trade receivables due from related parties	2,514	74
	8,039	**6,439**
	1,648,511	**1,578,303**

10. Cash and cash equivalents

Cash at bank and on hand	75,103	126,486
Short-term deposits	79,364	158,128
	154,467	**284,614**

The aggregate interest rate on cash at bank and on hand at the reporting date was 1.94 percent. (2017 0.59 percent). The percentage is low because the Corporation holds significant cash in foreign currency , which does not earn interest.

11. Share capital and premium

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

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

Notes to the Financial Statements

	2018 R'000	2017 R'000
12. Capital adequacy requirement		
Balance at the beginning of the year	417,722	375,009
Transfer (from)/to capital adequacy requirement	(417,722)	42,713
	-	**417,722**

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

Regulatory capital is based on the Solvency Assessment and Management interim measures capital calculation effective as of 1 January 2012. The capital adequacy requirement is included in the statement of financial position for the prior year.

The capital adequacy requirement is calculated as the higher of the solvency capital requirement and the minimum capital requirement and was transfered to the retained earnings. The Corporation no longer discloses the capital adequacy requirement separately, and this is not required in terms of IFRS.

13. Insurance contract liabilities

13.1 Provision for unearned premiums

Balance at beginning of year	2,552,331	3,177,325
Amount transferred from/(to) the statement of comprehensive income	318,087	(333,687)
Premium refund	(6,854)	(1,270)
Foreign exchange gain	(2,914)	(877)
Foreign currency translation gain	(288,388)	(289,160)
Balance at end of year	**2,572,262**	**2,552,331**

Maturity profile R'000	Within 1 year	1 to 5 years	More than 5 years	Total
2018	529,651	1,134,746	907,865	2,572,262
2017	501,653	1,290,628	760,050	2,552,331

Notes to the Financial Statements

	2018 R'000	2017 R'000
13.2 Provision for unexpired risks		
Balance at beginning of year	159,109	173,333
Amount transferred from the statement of comprehensive income	43,824	1,994
Foreign exchange loss	642	451
Foreign currency translation gain	(28,078)	(16,669)
Balance at end of year	**175,497**	**159,109**

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

13.3 Provision for claims reserves

Balance at beginning of year	525,079	760,054
Incurred but not reported claims reserve	525,079	760,054
Amount transferred from/(to) the statement of comprehensive income	36,195	(169,650)
New claims incurred	50,500	-
Outstanding claims reserve	50,500	-
Change in estimate	5,663	(169,650)
Outstanding claims reserve	108	-
Incurred but not reported claims reserve	5,555	(169,650)
Payments of claims previously provided for	(19,968)	-
Outstanding claims reserve	(19,968)	-
Foreign currency translation (gain)/loss	(66,528)	(65,325)
Outstanding claims reserve	(4,438)	-
Incurred but not reported claims reserve	(62,090)	(65,325)
Balance at end of the year	494,746	525,079
Outstanding claims reserve	26,202	-
Incurred but not reported claims reserve	468,544	525,079

Notes to the Financial Statements

Maturity profile R'000	Within 1 Year	1 to 5 years	More than 5 years	Total
2018	17,637	477,109	-	494,746
2017	-	525,079	-	525,079

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:

Notes to the Financial Statements

2018	Insurance Contract Liability R'000	Change %
Reported value	3,242,505	
CRR LGD at 90%	3,223,300	(0.6)
Exchange rate set 10% higher	3,562,696	9.9
Exchange rate set 10% lower	2,918,005	(10.0)
Discount IBNR at 7.5%	3,177,276	(2.0)
Discount IBNR at risk free rate	3,204,850	(1.2)
Discount claims provisions at 7.5%	3,242,505	-
IBNR "Upwards" stress	3,448,403	6.3
IBNR "Downwards" stress	3,130,976	(3.4)

2017	Insurance Contract Liability R'000	Change %
Reported value	3,236,519	
CRR LGD at 90%	3,206,863	(0.9)
Exchange rate set 10% higher	3,550,273	9.7
Exchange rate set 10% lower	2,907,545	(10.2)
Discount IBNR at 7.5%	3,156,102	(2.5)
Discount IBNR at risk free rate	3,200,245	(1.1)
Discount claims provisions at benchmark rate	3,239,269	(0.10)
IBNR "Upwards" stress	3,453,483	6.7
IBNR "Downwards" stress	3,100,591	(4.2)

Notes to the Financial Statements

	2018 R'000	2017 R'000
14. Deferred tax		
Deferred tax asset/(liability)	11,988	(23,044)
Reconciliation of deferred tax asset/(liability)		
Deferred tax through profit and loss		
Provisions	9,575	9,798
Unexpired risk reserve	1,400	821
Fair value gain on financial assets	(13,479)	(33,646)
Unrealised foreign exchange loss on equities	22,568	-
Payment received in advance	149	149
Other	(264)	(166)
	19,949	(23,044)
Deferred tax through other comprehensive income		
Fair value on financial assets throught other comprehensive income	(7,961)	-
	11,988	(23,044)

15. Employee benefit liability

2018 R'000	Opening balance	Additions	Leave taken	Leave paid	Closing balance
Other provisions	3,627	5,659	(4,726)	(1,482)	3,078

2017 R'000	Opening balance	Additions	Leave taken	Leave paid	Closing balance
	3,281	5,338	(3,791)	(1,201)	3,627

16. Trade and other payables

Sundry creditors and accruals		15,504	12,062
VAT		9,369	-
Bonus provision		26,700	26,677
Amount due to related party (refer to note)	28	-	92
		51,573	**38,831**

Notes to the Financial Statements

17. Liability for interest make-up

ECIC has assumed the IMU liability in its financial results from 01 October 2016 based on the approvals obtained from the FSB, **the dti** and the Minister of Finance. ECIC is now the principal in terms of all IMU obligations and no longer acting as an agent as per note 28.

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.

	2018 R'000	2017 R'000
Opening balance	1,633,022	-
Additional liability	-	2,024,070
Change in estimate	1,437	(2,763)
Unwind of interest	37,467	11,138
Payments	(319,230)	(328,494)
Foreign exchange gain and currency translation	(179,813)	(70,929)
	1,172,883	**1,633,022**

The contractual amount to be paid is R 1,404,580,000 (2017: R1,942,554,000) which is R 231,697,000 higher than the carrying amount.

Notes to the Financial Statements

Sensitivity analysis

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

	Liability R'000	Change %
2018		
Base IMU Liability	1,172,883	
Increase PDs by 10%	1,164,265	(0.7%)
Decrease PDs by 10%	1,181,623	0.7%
Increase discount rates by 10%	1,135,496	(3.2%)
Decrease discount rates by 10%	1,212,700	3.4%
2017		
Base IMU Liability	1,633,022	-
Increase PDs by 10%	1,618,180	(0.9%)
Decrease PDs by 10%	1,648,099	0.9%
Increase discount rates by 10%	1,621,792	(0.7%)
Decrease discount rates by 10%	1,644,439	0.7%
IMU Cash Flows (Discounted, no probabilities)	1,795,109	9.9%

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

2018 R'000	Opening balance	Unwind of interest	Change in estimate	Settlements	Foreign exchange gain and currency translation	Closing balance
Liability for interest make-up	1,633,022	37,467	1,437	(319,230)	(179,813)	1,172,883

2017 R'000	Opening balance	Unwind of interest	Change in estimate	Issues	Settlements	Foreign exchange gain and currency translation	Total
Liability for interest make-up	-	11,138	(2,763)	2,024,070	(328,494)	(70,929)	1,633,022

Notes to the Financial Statements

	Note(s)	Financial assets and liabilities at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets and liabilities at amortised cost	Other non-financial assets and liabilities	Total	Current assets and liabilities	Non-current assets and liabilities
Categories of assets and liabilities - 2018 R'000								
Assets								
Equipment	6	-	-	-	5,684	5,684	-	5,684
Intangible assets	7	-	-	-	3,094	3,094	-	3,094
Financial assets at fair value through profit and loss and other comprehensive income	8	6,207,725	508,050	-	-	6,715,775	2,385,320	4,330,455
Deferred tax	14	-	-	-	11,988	11,988	-	11,988
Trade and other receivables	9	-	-	8,039	1,640,472	1,648,511	185,210	1,463,301
Cash and cash equivalents	10	-	-	154,467	-	154,467	154,467	-
		6,207,725	**508,050**	**162,506**	**1,661,238**	**8,539,519**	**2,724,997**	**5,814,522**
Liabilities								
Provision for unearned premiums	13.1	-	-	-	2,572,262	2,572,262	529,651	2,042,611
Provision for unexpired risks	13.2	-	-	-	175,497	175,497	-	175,497
Provision for claims reserves	13.3	-	-	-	494,746	494,746	17,637	477,109
Employee benefit liability	15	-	-	-	3,078	3,078	3,078	-
Trade and other payables	16	-	-	-	51,573	51,573	51,573	-
Liability for interest make-up	17	1,172,883	-	-	-	1,172,883	243,941	928,942
Current tax payabl	25	-	-	-	39,435	39,435	39,435	-
		1,172,883	**-**	**-**	**3,336,591**	**4,509,474**	**885,315**	**3,624,159**

Notes to the Financial Statements

	Note(s)	Financial assets and liabilities at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets and liabilities at amortised cost	Other non-financial assets and liabilities	Total	Current assets and liabilities	Non-current assets and liabilities
Categories of assets and liabilities - 2017 R'000								
Assets								
Equipment	6	-	-	-	8,010	8,010	-	8,010
Intangible assets	7	-	-	-	3,653	3,653	-	3,653
Financial assets at fair value through profit and loss and other comprehensive income	8	6,685,902	-	-	-	6,685,902	2,391,820	4,294,082
Trade and other receivables	9	-	-	6,439	1,571,864	1,578,303	531,095	1,047,208
Cash and cash equivalents	10	-	-	284,614	-	284,614	284,614	-
		6,685,902	**-**	**291,053**	**1,583,527**	**8,560,482**	**3,207,529**	**5,352,953**
Liabilities								
Provision for unearned premiums	13.1	-	-	-	2,552,331	2,552,331	501,653	2,050,678
Provision for unexpired risks	13.2	-	-	-	159,109	159,109	-	159,109
Provision for claims reserves	13.3	-	-	-	525,079	525,079	-	525,079
Deferred tax	14	-	-	-	23,044	23,044	-	23,044
Employee benefit liability	15	-	-	-	3,627	3,627	3,627	-
Trade and other payables	16	-	-	-	38,381	38,381	38,381	-
Liability for interest make-up	17	1,633,022	-	-	-	1,633,022	346,668	1,286,354
Current tax payable	25	-	-	-	55,563	55,563	55,563	-
		1,633,022	**-**	**-**	**3,357,584**	**4,990,606**	**946,342**	**4,044,264**

Notes to the Financial Statements

	2018 R'000	2017 R'000
19. Net investment income		
Dividend income		
Dividends received	36,134	46,273
Other investment income		
Interest received	199,641	152,548
Realised gains on disposal of financial assets	28,537	8,099
Change in fair value of financial assets	(6,021)	(73,588)
Sundry income	27	74
Interest received on cash and cash equivalents	1,252	1,968
	223,436	**89,101**
	259,570	**135,374**

20. Profit on exchange differences

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

Effect of translation on cash and cash equivalents	14,339	17,957
Effect of translation on net assets (excluding insurance contract liabilities and cash and cash equivalents)	1,379	(12,805)
Effect of translation on investments	342,805	236,272
Unrealised gain from revaluation of insurance contract liabilities	2,272	426
	360,795	**241,850**

21. Currency translation differences

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

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

Foreign exchange loss on monetary assets and liabilities	(552,141)	(444,700)
Gross unearned premium reserve	5,455	8,601
Fixed assets	(1,292)	(1,318)
Payments in advance	(786)	(734)
Technical reserves movements	19,203	(5,510)
	(529,561)	**(443,661)**

Notes to the Financial Statements

	2018 R'000	2017 R'000
22. Net operating expenses		
Net operating expenses are arrived at after taking into account:		
External auditors' remuneration		
Audit fees for the current year	1,359	1,356
	1,359	**1,356**
Internal auditors' remuneration	933	869
Depreciation and amortisation		
Equipment	1,935	2,027
Intangible assets	724	390
	2,659	**2,417**
Directors' emoluments		
Remuneration paid to executive directors	5,421	4,520
Remuneration paid to non-executive directors	946	1,062
	6,367	**5,582**
Employee costs		
Salaries	60,743	54,288
Prior year (over provision)/under provision	(3,255)	-
Provision for bonus for current year	24,763	25,432
	82,251	**79,720**
Operating leases		
Equipment	380	365
Property rental	5,336	5,344
	5,716	**5,709**
Remuneration to non-employees		
Actuarial services	790	996
Consulting services	3,965	4,445
Legal services	708	1,491
	5,463	**6,932**
General administrative expenses	37,512	38,207
	37,512	**38,207**
Total operating expenses (excluding portfolio fees)	**142,260**	**140,792**
Investment portfolio management fee	20,956	19,338
Total operating expenses	**163,216**	**160,130**

Notes to the Financial Statements

	2018 R'000	2017 R'000
22.1. Disclosure as required by section 55 of PFMA		
Fruitless and wasteful expenditure		
Opening balance	11	1
Additions	3	10
Recovered	(12)	-
	2	**11**

The additions result from interest incurred on late payment of corporate travel credit card (R2,192) and late cancellation of shuttle by traveller (R765).

Irregular expenditure		
Opening balance	4,860	-
Add: Irregular expenditure – relating to prior years	-	2,234
Add: Irregular expenditure – relating to current year	431	2,626
Condoned	(4,860)	-
	431	**4,860**

All the expenditure incurred was for valid business requirements of the Corporation.

Notes to the Financial Statements

	2018 R'000	2017 R'000
23. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	200,696	150,555
Local income tax - recognised tax for prior periods	2,085	-
	202,781	**150,555**
Deferred		
Deferred tax - current year	(23,867)	(20,314)
Deferred tax - adjusted tax for prior periods	(19,125)	-
	(42,992)	**(20,314)**
	159,789	**130,241**
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Current year's charge as a percentage of profit/(loss) before taxation	14.24%	(11.80)%
Disallowable expenses - IMU	(1.85)%	36.61%
Disallowable expenses - other	(0.65)%	0.25%
Exempt income - dividends	1.38%	(0.72)%
Translation effect	12.89%	3.42%
Prior year adjustment	2.89%	-
Other	(0.90)%	0.24%
	28.00%	**28.00%**

Notes to the Financial Statements

	2018 R'000	2017 R'000
24. Cash generated from operations		
Profit/(loss) before taxation	1,121,942	(1,104,078)
Adjustments for:		
Net book value write-off	33	-
Interest received	(201,701)	(154,516)
IMU grant received	(188,272)	-
Interest paid	2	8
Dividends received	(36,134)	(46,273)
Depreciation and amortisation	2,659	2,417
Other non-cash items	44	3
Fair value loss on financial assets	6,021	73,588
Realised gain on disposal of financial assets	(28,537)	(8,099)
Profit on foreign exchange	(360,795)	(241,850)
Expenses for interest make-up	38,904	2,032,445
Movements in provision for unearned premiums	318,087	(333,687)
Movements in provision for unexpired risks	43,824	1,994
Movements in provision for outstanding claims	36,195	(169,650)
Movements in trade and other receivables	(248,444)	131,798
Movements in trade and other payables	13,304	11,968
Movements in provisions	(549)	346
	516,583	**196,414**

25. Taxation paid		
Balance at beginning of the year	(55,563)	26,516
Current tax for the year recognised in profit or loss	(202,781)	(150,555)
Balance at end of the year	39,435	55,563
	(218,909)	**(68,476)**

Notes to the Financial Statements

	2018 R'000	2017 R'000
26. Commitments		
Operating leases		
Minimum lease payments due		
- within one year	5,336	5,336
- in second to fifth year inclusive	-	5,336
	5,336	**10,672**

Operating lease payments represent rentals payable by the Corporation for its office properties. The lease was negotiated for five years and rentals escalate by 10% annually at the anniversary` of the contract.

27. 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.

The total contribution	**6,139**	**5,507**

28. Related parties

Identity of related parties

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

Transactions with key management personnel

Details of directors' emoluments are disclosed in the directors' report. Key management personnel for purposes of related party information are defined as directors.

Notes to the Financial Statements

Department of Trade and Industry (dti)

The dti offered the interest make-up dispensation in order to allow local banks and other financiers to offer buyers of South African export goods and services financing for projects at internationally competitive rates. The IMU dispensation was administered by the Corporation on behalf of **the dti** until 01 October 2016 when it took over as the principal (see note 17). The movement in the trust account is reconciled as follows.

	2018 R'000	2017 R'000
Balance at beginning of year	-	2,625
Receipts from **the dti**	-	206,088
Payments to financial institutions	-	(209,021)
Interest	-	112
Professional services	-	(58)
Forex movement	-	669
Transfer to ECIC	-	(415)
Balance at end of year	**-**	**-**

South African Reserve Bank

Guaranteed rates of foreign exchange are obtained from the South African Reserve Bank (SARB)and provided to South African contractors to eliminate the impact of currency fluctuations in their pricing during the delivery phase of projects. Exchange risk premiums are charged by the SARB for this cover. The Corporation, on behalf of the SARB, administers exchange risk policies.

The movement in the account is reconciled as follows.

Balance at beginning of year	92	92
Payment	(92)	-
Balance at end of year	-	92

Government guarantee

In terms of Export Credit and Foreign Investments Insurance Act 1957, as amended, the Government of South Africa acts as a guarantor for the liabilities of the Corporation.

Notes to the Financial Statements

Other related party transactions

The following transactions were entered into with the government of South Africa through its various departments and entities on commercial terms and conditions:

	2018 R'000	2017 R'000
Statement of comprehensive income effects:		
Premium		
Industrial Development Corporation of South Africa SOC Ltd	18,990	16,018
Development Bank of Southern Africa SOC Limited	39,688	47,719
Assessment fees		
Public Investment Corporation	-	10
IMU grant receipts		
Department of Trade and Industry **(the dti)**	188,272	-
Other income		
South African Revenue Service (Interest)	808	-
Insurance Sector Education and Training Authority (INSETA)	162	304
Taxation		
South African Revenue Service (Income tax)	202,781	150,555
Statement of financial position effects:		
Financial assets		
Bonds - Parastatals	70,306	62,060
Bonds - National government	629,795	571,050
Trade and other receivables		
Industrial Development Corporation SOC Ltd	5,673	260
Development Bank of Southern Africa SOC Limited	183	183
Insurance Sector Education and Training Authority (INSETA)	40	74
Public Investment Corporation (PIC)	11	-
South African Revenue Service (Value added tax)	-	260
SEDA Gauteng (Supplier development)	2,350	-
SEDA (Enterprise development)	124	-
Total assets	**708,482**	**633,887**
Liabilities		
Trade and other payables		
South African Revenue Service (Value added tax)	9,369	-
South African Revenue Service (Income tax)	39,435	55,563
	48,804	**55,563**

Notes to the Financial Statements

	2018 R'000	2017 R'000
29. Directors' and executives' emoluments		
Non-executive		
D Dharmalingam	84	-
MJ Lesejane	108	209
A Mawela	226	207
S Mayekiso	62	-
S O'Mahony	180	90
F Petersen-Lurie	-	253
V Matsiliza	162	71
A Mosai	77	232
L Mothae	48	-
	947	**1,062**

Notes to the Financial Statements

Executive remuneration

2018 R'000	Basic salary	Bonus paid	Provident fund	Cellphone allowance	Acting allowance	Total
K Kutoane - Chief Executive Officer (Director)	3,484	1,937	-	32	-	5,453
L Mphaphuli - Company Secretary (Deceased: November 2017)	974	763	143	15	-	1,895
M Nkuhlu - Chief Operations Officer	2,368	1,187	218	30	-	3,803
C Simpson - Chief Financial Officer	2,250	889	221	30	-	3,390
B Lemos - Acting Company Secretary	-	-	-	-	48	48
N Maphula - General Counsel	1,636	851	235	30	-	2,752
J Omollo - Chief Risk Officer	1,611	851	260	30	-	2,752
	12,323	**6,478**	**1,077**	**167**	**48**	**20,093**

2017 R'000	Basic salary	Bonus paid	Provident fund	Cellphone allowance	Acting allowance	Total
K Kutoane - Chief Executive Officer (Director)	3,274	1,246	-	32	-	4,552
L Mphaphuli - Company Secretary	1,366	519	216	24	-	2,125
M Nkuhlu - Chief Operations Officer	2,226	974	205	24	-	3,429
C Simpson - Chief Financial Officer (appointed: May 2016)	1,596	-	167	21	-	1,784
L Mosupye - Chief Risk Officer (resigned: July 2016)	529	558	80	8	17	1,192
S Esterhuizen - acting Chief Risk Officer	-	-	-	-	14	14
N Maphula - General Counsel	1,539	503	220	24	-	2,286
J Omollo - Chief Risk Officer (appointed: December 2016)	505	-	81	8	41	635
	11,035	**3,800**	**969**	**141**	**72**	**16,017**

30. Contingent asset and liability

Contingent asset

The Corporation has a possible salvage relating to the claims settled in the previous years. A portion of the possible salvage did not meet the recognition criteria as at the reporting date; the total amount which may be recognised in future is R 477 million.

Notes to the Financial Statements

	2018 R'000	2017 R'000
31. Solvency		
Regulatory solvency ratio	635%	856%

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

32. 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.

Notes to the Financial Statements

	2018 R'000	2017 R'000
33. Underwriting results		
Insurance premium revenue	886,948	144,262
Change in unearned premiums	(318,087)	333,687
Change in unexpired risks	(43,825)	(1,994)
Net insurance premium earned	**525,036**	**475,955**
Claims incurred	**5,828**	**246,342**
Claims paid net of salvages	42,023	76,692
Claims paid	(19,968)	-
Salvages received	61,991	76,692
Change in claims reserves	(36,195)	169,650
Assessment fees	222	3,316
Commission paid	(330)	(622)
Operating expenses	(142,260)	(140,792)
Underwriting results	**388,496**	**584,199**
Investment income	259,570	135,374
Portfolio management fees	(20,956)	(19,338)
Profit on exchange differences	360,795	241,850
Other income	808	142
IMU grant received	188,272	-
Interest expense	(2)	(8)
Corporate social investment	(16,137)	(13,852)
Expense for interest make-up	(38,904)	(2,032,445)
Profit (loss) before taxation	**1,121,942**	**(1,104,078)**
Taxation	(159,789)	(130,241)
Profit (loss) for the year	**962,153**	**(1,234,319)**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Foreign currency translation reserve	(529,561)	(443,661)
Fair value adjustments of financial assets	35,538	-
Deferred tax on fair value of financial assets	(7,961)	-
Total items that may be reclassified to profit or loss	**(501,984)**	**(443,661)**
Other comprehensive income for the year net of taxation	**(501,984)**	**(443,661)**
Total comprehensive income (loss) for the year	**460,169**	**(1,677,980)**

Notes to the Financial Statements

34. 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:

	Note(s)	2018 R'000	2017 R'000
Statement of financial position			
Assets			
Equipment		4,535	6,007
Intangible assets		3,142	3,265
Financial assets at fair value through profit and loss and other comprehensive income		6,715,775	6,685,902
Trade and other receivables		1,648,693	1,577,700
Cash and cash equivalents		154,467	284,614
Deferred tax		11,988	-
Total assets		**8,538,600**	**8,557,488**
Equity and liabilities			
Equity			
Share capital and premium		316,051	316,051
Fair value adjustment through other comprehensive income reserve		27,578	-
Capital adequacy requirement		-	417,722
Retained earnings		3,687,652	2,840,720
Total equity		**4,031,281**	**3,574,493**
Liabilities			
Insurance contract liabilities		3,240,350	3,228,908
Provision for unearned premiums		2,570,107	2,544,720
Provision for unexpired risks		175,497	159,109
Provision for outstanding claims		494,746	525,079
Employee benefit liability		3,078	3,627
Trade and other payables		51,573	38,831
Current tax payable		39,435	55,563
Deferred tax		-	23,044
Liability for interest make-up		1,172,883	1,633,022
Total liabilities		**4,507,319**	**4,982,995**
Total equity and liabilities		**8,538,600**	**8,557,488**

Notes to the Financial Statements

	Note(s)	2018 R'000	2017 R'000
Statement of comprehensive income			
Insurance premium revenue		886,948	144,262
Change in unearned premiums		(315,518)	325,770
Change in unexpired risks		(42,444)	(3,199)
Net insurance premium revenue		**528,986**	**466,833**
Assessment fees		222	3,316
Net investment income	19	259,570	135,374
Other income		808	142
IMU grant received		188,272	-
		977,858	**605,665**
Claims incurred		**3,123**	**237,506**
Claims paid net of salvages		42,023	76,692
Claims paid		(19,968)	-
Salvages received		61,991	76,692
Change in claims reserves		(38,900)	160,814
Expenses			
Commission paid		(330)	(622)
Operating expenses	22	(163,216)	(160,130)
Interest expense		(2)	(8)
Loss on exchange differences		(173,389)	(190,397)
Corporate social investment		(16,137)	(13,852)
Expense for interest make-up		(38,904)	(2,032,445)
Profit/(loss) before taxation		589,003	(1,554,283)
Taxation	23	(159,789)	(130,241)
Profit (loss) for the year		**429,214**	**(1,684,524)**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value adjustments of financial assets		35,538	-
Deferred tax on fair value of financial assets		(7,961)	-
Total items that may be reclassified to profit or loss		**27,577**	**-**
Other comprehensive income for the year net of taxation		27,577	-
Total comprehensive income (loss) for the year		**456,791**	**(1,684,524)**

Notes to the Financial Statements

35. Dividend payable

No dividends were paid or declared in the current financial year

36. Going concern

We draw attention to the fact that at March 31, 2018, the Corporation had accumulated profit of R 2,036,478 and that the Corporation's total assets exceed its liabilities by R 4,030,045.

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.

Notes

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