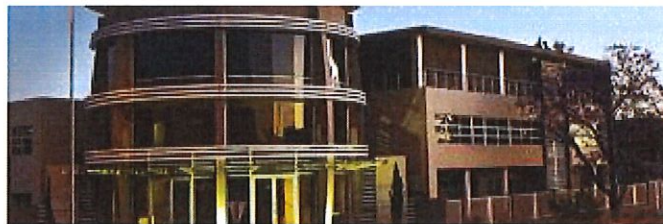




Namibia National Reinsurance Corporation Limited  
(Registration number 99/369)  
Annual Financial Statements  
for the year ended 31 March 2019



# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## General Information

---

<b>Country of incorporation and domicile</b>	Namibia
<b>Nature of business and principal activities</b>	Reinsurance
<b>Directors</b>	L D Kapere (Chairperson) S Makando (Deputy Chairperson) P A Martin (Managing Director) A Beukes T K Iindji H Mbako T J A Saunderson F Tjivau N J Tshitayi
<b>Registered office</b>	Erf 8571, Corner of Lazarett Street and Feld Street Windhoek Namibia
<b>Business address</b>	Erf 8571, Corner of Lazarett Street and Feld Street Windhoek Namibia
<b>Postal address</b>	PO Box 716 Windhoek
<b>Shareholder</b>	Government of the Republic of Namibia (Ministry of Finance)
<b>Bankers</b>	First National Bank of Namibia Limited
<b>Auditors</b>	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia)
<b>Secretary</b>	Ntwala Mwilima
<b>Company registration number</b>	99/369

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Contents

---

	<b>Page</b>
Directors' Responsibilities and Approval	3
Independent Auditor's Report	4 - 6
Directors' Report	7 - 8
Statement of Financial Position	9
Statement of Profit or Loss and Other Comprehensive Income	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Accounting Policies	13 - 23
Notes to the Annual Financial Statements	24 - 49

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Directors' Responsibilities and Approval

---

The directors are required in terms of the Companies Act of Namibia to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

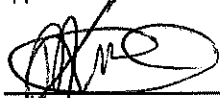
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

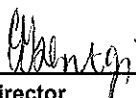
The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page s 4 to 6.

The annual financial statements set out on pages 9 to 49, which have been prepared on the going concern basis, were approved by the board of directors on 17 September 2019 and were signed on their behalf by:



Director  
Windhoek

17 September 2019



Director



## *Independent auditor's report*

To the Members of Namibia National Reinsurance Corporation Limited

---

### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Namibia National Reinsurance Corporation Limited (the Company) as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

### **What we have audited**

Namibia National Reinsurance Corporation Limited's financial statements set out on pages 7 to 49 comprise:

- the directors' report for the year ended 31 March 2019;
- the statement of financial position as at 31 March 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended
- the summary of accounting policies; and
- the notes to the financial statements.

---

### *Basis for opinion*

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

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

### **Independence**

We are independent of the Company in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Revised July 2016)*, parts 1 and 3 of the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

---

*PricewaterhouseCoopers, Registered Auditors, 344 Independence Avenue, Windhoek, P O Box 1571, Windhoek, Namibia Practice Number 9406, T: +264 (61) 284 1000, F: +264 (61) 284 1001, www.pwc.com/na*

Country Senior Partner: R Nangula Uaandja

Partners: Louis van der Riet, Anna EJ Rossouw, Chantell N Husselmann, Gerrit Esterhuyse, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Nelson M Lucas, Trofimus Shapange, Hannes van den Berg



---

### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the document titled “Namibia National Reinsurance Corporation Limited Annual Financial Statements for the year ended 31 March 2019”. The other information does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

---

### *Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

---

### *Auditor’s responsibilities for the audit of the financial statements*

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


As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue 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.

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

---

  
PricewaterhouseCoopers  
Registered Accountants and Auditors  
Chartered Accountants (Namibia)  
Per: Trofimus Shapange  
Partner  
Windhoek  
Date: 20 September 2019

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Directors' Report

---

The directors have pleasure in submitting their report on the annual financial statements of Namibia National Reinsurance Corporation Limited for the year ended 31 March 2019.

### 1. Nature of business

Namibia National Reinsurance Corporation Limited was incorporated in Namibia with interests in the Insurance industry. The company operates in Namibia.

The corporation is the only reinsurer in Namibia and provides reinsurance to local and international insurance companies. In terms of the Namibian National Reinsurance Corporation Act, insurance companies are obliged to present 20% of all their underwritten insurance to the corporation. The corporation provides both long-term and short-term reinsurance. Short-term reinsurance is provided for fire, aviation, guarantee, miscellaneous, personal lines, special riot risk, medical, motor, marine, liability and property in the form of reinsurance treaties.

There have been no material changes to the nature of the company's business from the prior year.

### 2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

### 3. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

### 4. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board of directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may pass on the payment of dividends.

Dividends declared and paid to the shareholder in the current financial year amounted to N\$ 6 150 000 (2018: N\$ 5 000 000).

### 5. Shareholder

The corporation is wholly-owned by the Government of the Republic of Namibia (Ministry of Finance).

### 6. Directorate

The directors in office at the date of this report are as follows:

Directors		Nationality	Changes
L D Kapere (Chairperson)	Non-executive Independent	Namibian	Appointed 1 April 2018
S Makando (Deputy Chairperson)	Non-executive Independent	Namibian	Appointed 1 April 2018
P A Martin (Managing Director)	Executive	Namibian	Reappointed 1 April 2018
A Beukes	Non-executive Independent	Namibian	Reappointed 1 April 2018
T K Iindji	Non-executive Independent	Namibian	Reappointed 1 April 2018
H Mbako	Non-executive Independent	Namibian	Appointed 1 April 2018
T J A Saunderson	Non-executive Independent	Namibian	Reappointed 1 April 2018
F Tjivau	Non-executive Independent	Namibian	Appointed 1 April 2018
N J Tshitayi	Non-executive Independent	Namibian	Reappointed 1 April 2018

### 7. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.



# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Directors' Report

---

### 8. Litigation statement

The company becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business.

The company is currently involved in litigation between itself, The Government of the Republic of Namibia and the Insurance industry related to the Namibre Act. Please also refer to note 33.

### 9. Secretary

The company secretary is Ms Ntwala Mwilima.

### 10. Statement of disclosure to the company's auditors

With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditors are unaware; and
- the person has taken all the steps that he/she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### 11. Terms of appointment of the auditors

PricewaterhouseCoopers continued in office as auditor for the corporation for 2019 and will continue in office in accordance with Section 278 (2) of the Namibian Companies Act.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Statement of Financial Position as at 31 March 2019

Figures in Namibia Dollar	Note(s)	2019	2018
<b>Assets</b>			
Property, plant and equipment	5	39 121 873	37 417 712
Intangible assets	6	6 809 016	535 973
Investments held to maturity	7	45 878 362	50 220 168
Investments at fair value through profit or loss	8	137 884 507	157 153 213
Reinsurance assets	9	90 889 056	20 712 752
Insurance and other receivables	10	64 469 205	10 334 208
Deferred acquisition costs	12	2 786 143	1 535 170
Staff loans and other prepayments	13	650 054	2 243 769
Cash and cash equivalents	14	51 576 393	22 476 534
<b>Total Assets</b>		<b>440 064 609</b>	<b>302 629 499</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	15	20 000 000	20 000 000
Reserves		96 400 478	83 099 585
Retained income		120 188 897	107 401 944
		<b>236 589 375</b>	<b>210 501 529</b>
<b>Liabilities</b>			
Finance lease liabilities	19	64 659	116 185
Deferred tax	20	5 929 701	8 387 384
Reinsurance and other payables	21	41 499 558	21 132 011
Current tax payable	11	100 744	7 668 976
Insurance liabilities	22	149 730 572	54 823 414
Dividend payable		6 150 000	-
<b>Total Liabilities</b>		<b>203 475 234</b>	<b>92 127 970</b>
<b>Total Equity and Liabilities</b>		<b>440 064 609</b>	<b>302 629 499</b>

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Statement of Profit or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2019	2018
Gross premium written	23	265 415 652	245 947 966
Premiums ceded to reinsurers	23	(86 638 708)	(83 480 918)
<b>Net premium</b>		<b>178 776 944</b>	<b>162 467 048</b>
Fees and commission		13 798 905	20 599 724
Investment income	24	10 706 075	11 496 719
Sundry income		117 327	140 375
Fair value adjustments		4 677 516	4 513 008
<b>Other income</b>		<b>29 299 823</b>	<b>36 749 826</b>
<b>Net income</b>		<b>208 076 767</b>	<b>199 216 874</b>
Gross benefits and claims incurred	25	(112 742 331)	(87 897 084)
Claims ceded to reinsurers	25	67 455 465	21 328 009
Gross change in insurance liabilities	25	(55 005 201)	1 330 576
Changes in insurance liabilities ceded to reinsurers	25	51 250 716	7 475 410
<b>Net benefits and claims</b>		<b>(49 041 351)</b>	<b>(57 763 089)</b>
Commission paid		(66 628 343)	(56 480 560)
Other operating expenses		(44 068 834)	(41 594 539)
<b>Other expenses</b>		<b>(110 697 177)</b>	<b>(98 075 099)</b>
<b>Total benefits, claims and other expenses</b>		<b>(159 738 528)</b>	<b>(155 838 188)</b>
<b>Results of operating activities</b>	26	<b>48 338 239</b>	<b>43 378 686</b>
Finance costs paid	27	(9 851)	(10 580)
<b>Profit before taxation</b>		<b>48 328 388</b>	<b>43 368 106</b>
Taxation	31	(14 893 060)	(12 614 571)
<b>Profit for the year</b>		<b>33 435 328</b>	<b>30 753 535</b>
<b>Total comprehensive income for the year</b>		<b>33 435 328</b>	<b>30 753 535</b>

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)  
Annual Financial Statements for the year ended 31 March 2019

## Statement of Changes in Equity

Figures in Namibia Dollar	Share capital	Revaluation reserve	Staff welfare reserve	General reserve	Total reserves	Retained income	Total equity
<b>Balance at 1 April 2017</b>	20 000 000	3 587 172	2 334 503	63 668 328	69 590 003	94 658 841	184 248 844
Profit for the year	-	-	-	-	-	30 753 535	30 753 535
<b>Total comprehensive income for the year</b>	-	-	-	-	-	30 753 535	30 753 535
Transfer between reserves	-	-	2 168 405	10 842 027	13 010 432	(13 010 432)	-
Utilisation of reserve	-	-	(1 372 773)	-	(1 372 773)	-	(1 372 773)
Transfer to revaluation reserve	-	1 871 923	-	-	1 871 923	-	1 871 923
Dividends	-	-	-	-	-	(5 000 000)	(5 000 000)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	-	1 871 923	795 632	10 842 027	13 509 582	(18 010 432)	(4 500 850)
<b>Balance at 1 April 2018</b>	20 000 000	5 459 095	3 130 135	74 510 355	83 099 585	107 401 944	210 501 529
Profit for the year	-	-	-	-	-	33 435 328	33 435 328
<b>Total comprehensive income for the year</b>	-	-	-	-	-	33 435 328	33 435 328
Transfer between reserves	-	-	2 416 396	12 081 979	14 498 375	(14 498 375)	-
Utilisation of reserve	-	-	(1 197 482)	-	(1 197 482)	-	(1 197 482)
Dividends	-	-	-	-	-	(6 150 000)	(6 150 000)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	-	-	1 218 914	12 081 979	13 300 893	(20 648 375)	(7 347 482)
<b>Balance at 31 March 2019</b>	20 000 000	5 459 095	4 349 049	86 592 334	96 400 478	120 188 897	236 589 375
Note(s)	15	16	17	18			

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2019	2018
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	25 231 901	28 195 490
Interest income	24	2 088 750	6 157 671
Tax paid	29	(24 918 976)	(7 100 000)
<b>Net cash from operating activities</b>		<b>2 401 675</b>	<b>27 253 161</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(2 473 724)	(7 443 856)
Proceeds on disposal of property, plant and equipment	5	-	101 788
Purchase of intangible assets	6	(6 347 831)	-
Maturation of investments held to maturity		6 285 000	3 120 000
Purchase of investments at fair value through profit or loss	8	(7 323 750)	(40 000 000)
Disposal of investments at fair value through profit or loss	8	36 619 866	-
<b>Net cash from investing activities</b>		<b>26 759 561</b>	<b>(44 222 068)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments	32	(61 377)	(43 037)
Dividends paid	30	-	(5 000 000)
<b>Net cash from financing activities</b>		<b>(61 377)</b>	<b>(5 043 037)</b>
<b>Total cash movement for the year</b>		<b>29 099 859</b>	<b>(22 011 944)</b>
Cash at the beginning of the year		22 476 534	45 556 563
Effect of exchange rate movement on cash balances		-	(1 068 085)
<b>Total cash at end of the year</b>	14	<b>51 576 393</b>	<b>22 476 534</b>



# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements, the Companies Act of Namibia and the Namibian National Reinsurance Corporation Act.

These accounting policies are consistent with the previous period.

#### 1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

#### Key sources of estimation uncertainty

##### Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

##### Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted market prices are not available, are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable inputs are not available, they are estimated based on an appropriate assumption.

##### Useful lives of property, plant and equipment

Items of Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors such as technological innovation, asset life cycles and maintenance programs. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Taxation

In terms of Section 45 of the Namibia National Reinsurance Corporation Act of 1998, the corporation is not liable to pay income taxation under Namibian legislation until such time that the general reserve fund is equal to or exceeds twice the amount of the authorized share capital. As the general reserve (after a transfer of profit before tax) has exceeded twice the amount of the authorized share capital since year ended 31 March 2014, the Corporation is liable for income taxation in the current year.

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The corporation recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The corporation recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the corporation to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### Insurance liabilities

Insurance liabilities comprise a provision for unearned premium; provision for claims IBNR and provision for outstanding claims which are accounted for as disclosed in the following notes.

Information on the sensitivities of certain major assumptions in the underlying calculations can be found within the 'Insurance risk; section of note 3.

#### *Provision for unearned premiums*

The provision for unearned premiums represents premiums received during the year which pertain to periods of risk extending beyond the end of the financial year. Management calculates the provision by estimating the proportion of annual premiums that relate to future periods with reference to the respective contracts in place.

Of the reported net premiums, being insurance premiums less commissions paid away, which are earned by the insurers, it is currently estimated that 1/8th of the first quarter, 3/8ths of the second quarter, 5/8ths of the third quarter and 7/8ths of the fourth quarter is unearned. Accordingly the income and the related reinsurance expense, where applicable, do not meet the recognition criteria and are excluded from profit or loss in a deferred liability or asset account.

#### *Provision for claims incurred but not yet reported (IBNR)*

This refers to claims incurred but not yet reported at year end and is calculated by actuaries using statistical methods.

The provision for life IBNR has been calculated at 85% (2018: 85%) of premiums earned. A claims loss ratio approach, an accepted actuarial methodology, was used to calculate the liability. This is due to life insurance being a recent addition to the product offering of the business and accordingly there is currently insufficient claims data to analyse using the usual actuarial methodologies. This estimate is based on past experience and industry norms in Namibia and other African countries.

The provision for non-life IBNR has been calculated at 14.10% (2018: 10.34%) of premiums earned using a mix of loss ratio and actuarial methodologies using information on historical trends, past experience and industry norms in Namibia.

#### *Provisions for outstanding claims*

Outstanding claims are those which have incurred and reported but have not been settled at reporting date. The provision is calculated by management and is based on the estimated cost of actual outstanding claims received relating to the current year.

The insurers measure outstanding claims at the best estimate of the cost required to settle the obligation at the reporting date. This estimation of the cost takes into account average claims, average claims handling cost, a reduction for the expected value of salvage and other recoveries, and other indicators such as inflation.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Deferred acquisition costs (DAC)

The amount of acquisition costs to be deferred is dependant on managements' estimation of the ratio of costs incurred that relate to income not yet earned. The deferment is to match the expenses with the income in the correct reporting period.

#### Liability adequacy testing

In compliance with certain regulations governing the insurance sector in Namibia, the corporation must meet specific solvency ratios in the life and non-life insurance business, respectively. At each end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related assets.

These solvency ratios are derived through actuarial calculations where insurance liabilities are quantified, gross and net of related assets, and subjected to a 'liability adequacy test'. In deriving the liability values, estimations and assumptions are made. For more information on the sensitivity surrounding these estimations, refer to 'Insurance risk' within note 3.

### 1.3 Property, plant and equipment

Property, plant and equipment, excluding land and buildings, are carried at cost less accumulated depreciation and any impairment losses.

Land and buildings are shown at fair value, based on periodic but at least triennial, valuations by external independent appraisers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the building and the net amount is restated to the revalued amount of the buildings.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of the asset less their residual value over their estimated useful lives, using the straight-line method.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### 1.4 Intangible assets

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1.5 Financial instruments

#### Classification

The company classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Held-to-maturity investment
- Loans and receivables
- Financial assets measured at amortised cost
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

#### Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date.

#### Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the company's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1.5 Financial instruments (continued)

#### Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Insurance and other receivables

Insurance receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the insurance receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When an insurance receivable is uncollectable, it is written off against the allowance account for insurance receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Insurance and other receivables are classified as loans and receivables.

#### Reinsurance and other payables

Reinsurance and other payables are recognised when due and measured on initial recognition at the fair value of the consideration paid less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. These include amounts due to agents, brokers and insurance contract holders.

Reinsurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.



# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1.5 Financial instruments (continued)

#### Borrowings

Borrowings are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

#### Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the company has the positive intention and ability to hold to maturity are classified as held to maturity.

### 1.6 Tax

#### Current tax assets and liabilities

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 (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1.6 Tax (continued)

#### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the company's incremental borrowing rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

### 1.8 Impairment of non-financial assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity where there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

### 1.10 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The corporation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The corporation has no further payment obligations once the contributions have been paid.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Termination benefits

Termination benefits are payable when employment is terminated by the corporation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The corporation recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

### 1.11 Provisions and contingencies

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1.11 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingencies are disclosed in note 33.

### 1.12 Revenue

#### Gross premiums written

Gross premiums written comprise the total premiums receivable for the whole period of the cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods as well as unearned premiums relating to future accounting periods.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums and is included in insurance liabilities in the statement of financial liability.

#### Premiums ceded to reinsurers

Premiums ceded to reinsurers comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods as well as unearned reinsurance premiums relating to future accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies.

#### Fees and commission income

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

#### Finance income

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the corporation's right to receive payment is established, which is generally when shareholders approve the dividend.

#### Other income

Other income comprises of rental income in the prior year and sundry income. Other income is recognised to the extent that it is probable that economic benefits will flow to the corporation and the revenue can be reliably measured, regardless of when the payment is received.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1.13 Translation of foreign currencies

#### Foreign currency transactions

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

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

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Namibia Dollars by applying to the foreign currency amount the exchange rate between the Namibia Dollar and the foreign currency at the date of the cash flow.

### 1.14 Benefits, claims and expenses recognition

#### Gross benefits and claims

Gross benefits and claims include all claims occurring during the year, whether reported or not; related internal and external claims handling costs that are directly related to the processing and settlement of claims; a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

#### Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

#### Fees and commission expense

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as expenses as incurred. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

#### Deferred acquisition costs (DAC)

In reinsurance, those costs directly associated with the acquisition of new contracts, mainly comprising commissions, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. The deferred acquisition costs are therefore recorded as assets on the statement of financial position to the extent that contracts are profitable. They are amortised on the basis of the residual term of the contracts in non-life.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

### 1.15 Reinsurance contracts

The corporation cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. This includes the reinsurer's share of unearned premiums, provision for outstanding claims and provision for claims incurred but not reported. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.



# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 1.15 Reinsurance contracts (continued)

Reinsurance assets are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, reinsurance assets are measured at amortised cost, using the effective interest rate method.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the corporation may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the corporation will receive from the reinsurer. The impairment loss is recorded in the statement of comprehensive income.

Gains or losses on buying reinsurance are recognised in the statement of comprehensive income immediately at the date of purchase.

Ceded reinsurance arrangements do not relieve the corporation of its obligations to policyholders. The corporation also assumes reinsurance risk in the normal course of business for non-life insurance contracts where applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly in the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Investment income on these contracts is accounted for using the effective interest rate method when accrued.

### 1.16 Dividend distribution

Dividend declared to the Government of the Republic of Namibia are recognised as a liability in the annual financial statements in the period in which the dividends are approved by the directors of the corporation to the extent they are unpaid.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

---

Figures in Namibia Dollar	2019	2018
---------------------------	------	------

---

### 2. New Standards and Interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle**

The amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards deleted certain short term exemptions concerning disclosures of financial assets, employee benefits and investment entities from IFRS 1.

The effective date of the amendment is for years beginning on or after 1 January 2018.

The company expects to adopt the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is not material.

##### **IFRIC 22: Foreign Currency Transactions and Advance Consideration**

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after 1 January 2018.

The company has adopted the interpretation for the first time in the 2019 annual financial statements.

The impact of the interpretation is not material.

##### **Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers**

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 1 January 2018.

The company has adopted the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is not material.

##### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

---

### 2. New Standards and Interpretations (continued)

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2018.

The company has adopted the standard for the first time in the 2019 annual financial statements.

The impact of the standard is not material.

#### 2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2019 or later periods:

##### IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 1 January 2021.

The company expects to adopt the standard for the first time in the 2022 annual financial statements.

The impact of this standard is currently being assessed.

##### Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 1 January 2019.

The company expects to adopt the interpretation for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the company's annual financial statements.

##### IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

---

### 2. New Standards and Interpretations (continued)

- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

The effective date of the standard is for years beginning on or after 1 January 2019.

The company expects to adopt the standard for the first time in the 2020 annual financial statements.

The impact of this standard is currently being assessed.

### Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendment provides a temporary exemption that permits, but does not require, insurers, under specified criteria, to apply IAS 39 Financial Instruments: Recognition and Measurement, rather than IFRS 9 Financial Instruments until the adoption of IFRS 17 Insurance Contracts which is the IFRS replacing IFRS 4, with a proposed effective date of annual periods beginning on or after 1 January 2021.

The Corporation, who has not previously applied any version of IFRS 9 (other than the paragraphs required) and whose activities are predominantly connected with insurance given that more than 90% of its total carrying amount of liabilities is connected with insurance for its annual period ending 31 March 2016 and for all subsequent periods, meet the specified criteria for this exemption and have chosen to defer the adoption of IFRS 9. The total carrying amount of liabilities connected with insurance is made up of liabilities under IFRS 4 (N\$ 70.48 million as at March 2016) and a deferred tax liability (N\$ 7.66 million as at 31 March 2016).

Additional information is required to be disclosed as a result of this exemption which is provided below:

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

### 2. New Standards and Interpretations (continued)

The fair value and change in fair value for the two groups of financial assets

	Amortised Cost	Fair Value Through Profit and Loss	Fair Value
<b>Held to maturity investments</b>			
Opening value	50 220 168	-	50 220 168
Additions	4 031 945	-	4 031 945
Increase/(decrease) in fair value	-	-	-
Disposals and maturities	(8 373 750)	-	(8 373 750)
<b>Closing value</b>	<b>45 878 362</b>	<b>-</b>	<b>45 878 362</b>
<b>Insurance and short-term receivables</b>			
Opening value	10 334 208	-	10 334 208
Additions	64 469 205	-	64 469 205
Increase/(decrease) in fair value	-	-	-
Disposals and maturities	(10 334 208)	-	(10 334 208)
<b>Closing value</b>	<b>64 469 205</b>	<b>-</b>	<b>64 469 205</b>
<b>Fair value through profit and loss</b>			
Opening value	-	157 153 213	157 153 213
Additions	-	11 567 157	11 567 157
Increase/(decrease) in fair value	-	4 677 537	4 677 537
Disposals and maturities	-	(35 513 400)	(35 513 400)
<b>Closing value</b>	<b>-</b>	<b>137 884 507</b>	<b>137 884 507</b>

Investments held to collect interest and principal payments only as at 31 March, 2019

	Credit Risk rating	Carrying Amount / Fair Value
Insurance receivables	not rated	64 469 205
Republic of Namibia bonds	Baa3	22 086 995
Standard Bank Fixed Deposit Account	BB+	23 809 367
		<b>110 365 567</b>

The fair value for held to maturity investments, insurance and short term receivables is considered to approximate the IAS 39 carrying amount given that no amounts are past due or considered impaired. This includes the unrated insurance receivables and the fixed deposit with Standard Bank even though the latter has a credit risk rating below investment grade. An independent valuation for Government bonds was performed using market valuations and it was found that fair value approximates carrying amount.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The company expects to adopt the amendment for the first time in the 2022 annual financial statements.

The impact of this amendment is currently being assessed.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

---

### 2. New Standards and Interpretations (continued)

#### IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the corporation elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

The company expects to adopt the standard for the first time in the 2022 annual financial statements.

The impact of this standard is currently being assessed.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

### 3. Financial instruments and risk management

#### Categories of financial instruments

#### Categories of financial assets

#### 2019

	Note	Held to maturity investments	Fair value through profit or loss - held for trade	Loans and receivables	Total	Fair value
Staff loans and deposits	13	-	-	531 964	531 964	531 964
Insurance and other receivables	10	-	-	64 469 205	64 469 205	64 469 205
Cash and cash equivalents	14	-	-	51 576 393	51 576 393	51 576 393
Investments	7 & 8	45 878 362	137 884 507	-	183 762 869	-
		<b>45 878 362</b>	<b>137 884 507</b>	<b>116 577 562</b>	<b>300 340 431</b>	<b>116 577 562</b>

#### 2018

	Note	Held to maturity investments	Fair value through profit or loss - held for trade	Loans and receivables	Total	Fair value
Staff loans and deposits	13	-	-	451 467	451 467	451 467
Insurance and other receivables	10	-	-	10 334 208	10 334 208	10 334 208
Cash and cash equivalents	14	-	-	22 476 534	22 476 534	22 476 534
Investments	7 & 8	50 220 168	157 153 213	-	207 373 381	-
		<b>50 220 168</b>	<b>157 153 213</b>	<b>33 262 209</b>	<b>240 635 590</b>	<b>33 262 209</b>

#### Categories of financial liabilities

#### 2019

	Note(s)	Amortised cost	Total	Fair value
Reinsurance and other payables	21	41 499 557	41 499 557	41 499 557
Finance lease obligations	19	64 659	64 659	64 659
Dividend payable		6 150 000	6 150 000	-
Insurance liabilities	22	149 730 572	149 730 572	149 730 572
		<b>197 444 788</b>	<b>197 444 788</b>	<b>191 294 788</b>

#### 2018

	Note(s)	Amortised cost	Total	Fair value
Reinsurance and other payables	21	21 132 011	21 132 011	21 132 011
Finance lease obligations	19	116 185	116 185	116 185
Insurance liabilities	22	54 823 414	54 823 414	54 823 414
		<b>76 071 610</b>	<b>76 071 610</b>	<b>76 071 610</b>

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

### 3. Financial instruments and risk management (continued)

#### Capital risk management

The corporation's objectives when managing capital are to safeguard the corporation's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The corporation must comply with certain regulatory requirements which require that the corporation maintain a minimum solvency margin where the aggregate value of its assets exceeds its liabilities by not less than N\$ 4 000 or 15%, whichever is the greater amount. The corporation ensures that its solvency requirement is met at all times.

#### Financial risk management

##### Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The corporation's activities expose it to a variety of financial risks, namely liquidity risk, credit risk and market risk. Market risk includes interest rate risk, foreign exchange risk.

The corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the corporation's financial performance. Risk management is carried out by a central treasury department (corporation treasury) under policies approved by the board of directors. Corporation treasury identifies, evaluates and manages financial risks in close co-operation with the corporation's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

##### Credit risk

Credit risk arises out of investments, reinsurance assets, insurance receivables, staff loans and prepayments and cash and cash equivalents.

The corporation only invests with reputable institutions with high quality credit standing and limits exposure to any one counter-party. The credit quality of insurance receivables are individually assessed using a credit rating scorecard which takes into account the financial position, past experience and other factors.

Financial assets exposed to credit risk at year end are presented in the table below. The amounts represent the maximum exposure to credit risks. All amounts are presented net of impairments where applicable. Refer to the respective notes for further information. The maximum exposure to credit risk is presented in the table below:

		2019			2018		
		Gross carrying amount	Provision for doubtful debts	Amortised cost / fair value	Gross carrying amount	Provision for doubtful debts	Amortised cost / fair value
Staff loans and other prepayments	13	531 964	-	531 964	451 467	-	451 467
Investments at fair value through profit or loss	8	137 884 507	-	137 884 507	157 153 213	-	157 153 213
Investments held to maturity	7	45 878 362	-	45 878 362	50 220 168	-	50 220 168
Insurance and other receivables	10	67 499 003	(3 029 798)	64 469 205	13 364 006	(3 029 798)	10 334 208
Cash and cash equivalents	14	51 576 393	-	51 576 393	22 476 534	-	22 476 534
		<b>303 370 229</b>	<b>(3 029 798)</b>	<b>300 340 431</b>	<b>243 665 388</b>	<b>(3 029 798)</b>	<b>240 635 590</b>



# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

---

### 3. Financial instruments and risk management (continued)

#### Liquidity risk

Cash flow forecasting is performed in the operating units of the corporation in and aggregated by corporation finance. Corporation finance monitors rolling forecasts of the corporation's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and external regulatory requirements. The corporation is required to maintain a minimum solvency margin.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to corporation treasury who then invests surplus cash in money market deposits and government securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the forecasting process.

The table below analyses the corporation's financial liabilities into relevant maturity groupings based on the remaining period at the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### 2019

		Less than 1 year	1 to 5 years	Total	Carrying amount
<b>Current liabilities</b>					
Reinsurance and other payables	21	41 499 557	-	41 499 557	41 499 557
Dividend payable		6 150 000	-	6 150 000	6 150 000
Insurance liabilities	22	149 730 572	-	149 730 572	15 399 697
Finance lease liabilities	19	44 729	19 930	64 659	63 682

#### 2018

		Less than 1 year	1 to 5 years	Total	Carrying amount
Reinsurance and other payables	21	21 132 011	-	21 132 011	21 132 011
Insurance liabilities	22	54 823 414	-	54 823 414	15 399 697
Finance lease liabilities	19	44 729	71 456	116 185	187 641

#### Foreign currency risk

The corporation operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Zambian Kwacha, Malawi Kwacha, Botswana Pula and the Kenya Shillings.

The corporation does not hedge foreign exchange fluctuations.

The corporation reviews its foreign currency exposure, including commitments, on an ongoing basis.

A reasonable movement in the exchange rates would not have had a material effect on profit or loss.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

### 3. Financial instruments and risk management (continued)

#### Foreign currency exposure as at 31 March 2019

	Insurance and other receivables	Reinsurance and other payables	Total
US Dollar	15 105 546	(19 177 654)	(4 072 108)
Botswana Pula	965 608	(1 311 700)	(346 092)
Zambian Kwacha	1 114 134	(1 770 675)	(656 541)
Malawian Kwacha	890 403	(1 902 617)	(1 012 214)
Kenyan Shillings	1 275 897	(744 013)	531 884
Tanzania Shillings	1 031 291	(2 010 958)	(979 667)
	<b>20 382 879</b>	<b>(26 917 617)</b>	<b>(6 534 738)</b>

#### Foreign currency exposure as at 31 March 2018

	Insurance and other receivables	Reinsurance and other payables	Total
US Dollar	4 125 540	(758 100)	3 367 440
Botswana Pula	(190 583)	(116 834)	(307 417)
Zambian Kwacha	(277 712)	(77 133)	(354 845)
Malawian Kwacha	(514 503)	-	(514 503)
Kenyan Shillings	(1 467 638)	(174 495)	(1 642 133)
Tanzania Shillings	380 286	(150 297)	229 989
	<b>2 055 390</b>	<b>(1 276 859)</b>	<b>778 531</b>

#### Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

#### Interest rate risk

Interest rate risk is the risk that future cash flows of a variable rate financial asset will fluctuate because of changes in market rates. Interest on investments contributes a significant portion of earnings and is necessary for liquidity management. Risk related to interest rate changes on finance lease liabilities is not considered to be significant.

The corporation's exposure to the risk of changes in market interest rates primarily arises from interest-bearing investments and cash and cash equivalents, both of which have variable risk rates. Had the interest rates increased (decreased) by 100 basis points (2018: 100 basis points), the after-tax affect on profit would have been a decrease (increase) of N\$ 2 353 393 (2018: N\$ 577 063).

#### Insurance risk

The corporation is exposed to a number of risks as a result of the nature of its business activities. The purpose of the corporation's risk management process is to ensure that the operations that expose it to risk are consistent with the corporation's strategy, business objectives and risk philosophy while maintaining an appropriate risk/reward balance and enhancing stakeholder value which does not compromise the corporation's ability to pay claims or fulfil policyholder commitments.

The objective of the insurance risk management policy is to ensure that sufficient reserves are available in order to cover the liabilities that arise out of insurance contracts. The principal risk which the corporation faces is that the actual amount and timing of insurance claims and benefit payments may differ from expectations. This is influenced by the frequency and severity of claims, particularly relating to foreign business.

The corporation has developed policies and procedures to manage its risk within an Asset Liability Management ('ALM') framework. By utilising the ALM framework to manage assets and liabilities, the corporation manages the mismatch that can occur due to liquidity or economic factors, such as interest rate changes.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

### 3. Financial instruments and risk management (continued)

The corporation mitigates this risk by diversifying its reinsurance across the portfolio of insurance contracts and geographical areas so as to avoid a concentration of risk in any one subset within the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines as well as the use of reinsurance management systems. The reinsurance portfolio includes highly rated, highly liquid securities.

As part of risk mitigation process the corporation purchases reinsurance and cedes it on proportional and non-proportional basis to reduce exposure. The spread is that proportional constitutes 36% (2018: 67%), non-proportional 10% (2018: 2%) and facultative 54% (2018: 31%).

The corporation underwrites both life and non-life insurance contracts.

Due to the long-term nature of the life insurance business, the corporation accepts market risk which arises due to mismatches between assets and liabilities, provided it is managed within specific risk tolerances and limits.

The corporation enters into retrocession agreements with other reinsurers to mitigate the risk exposure.

Included in the non-life insurance business is aviation, fire, liabilities, marine, motor, miscellaneous, personal lines and medical insurance. Fire (which includes engineering class of business), personal lines and liabilities businesses are the highest contributors to gross written premium. The fire, personal lines personal lines and motor businesses contribute the highest to loss ratio.

These exposures are strategically mitigated through specific risk selection and underwriting methodologies which diversifies risk across the geographical areas. The corporation has selected specific markets in Eastern, Central and Southern Africa for foreign business underwriting.

The corporation avoids underwriting risks in areas which are prone to hurricanes, earthquakes, major floods and unstable political environment. Furthermore, the corporation has event limit clauses in the underwriting slips.

The concentration of life and non-life insurance risk by insurance type before and after reinsurance is summarised in the following tables.

<b>2019</b>	<b>Gross liability</b>	<b>Reinsurance asset</b>	<b>Net liability</b>
Life	(11 505 373)	6 983 961	(4 521 412)
Fire	(95 472 117)	57 953 232	(37 518 885)
Health	(2 851 806)	1 731 096	(1 120 710)
Marine	(5 821 014)	3 533 457	(2 287 557)
Motor miscellaneous	(30 700 096)	18 635 491	(12 064 605)
Nasria	(1 604 956)	974 236	(630 720)
Aviation	(1 775 210)	1 077 583	(697 627)
	<b>(149 730 572)</b>	<b>90 889 056</b>	<b>(58 841 516)</b>
<b>2018</b>	<b>Gross liability</b>	<b>Reinsurance asset</b>	<b>Net liability</b>
Life	(4 347 497)	1 642 521	(2 704 976)
Fire	(29 078 339)	10 986 044	(18 092 295)
Health	(1 770 796)	669 022	(1 101 774)
Marine	(2 916 606)	1 101 918	(1 814 688)
Motor miscellaneous	(14 528 205)	5 488 879	(9 039 326)
Nasria	(619 505)	234 054	(385 451)
Aviation	(1 562 467)	590 314	(972 153)
	<b>(54 823 415)</b>	<b>20 712 752</b>	<b>(34 110 663)</b>

The geographical concentration of the corporation's life and non-life contract liabilities is noted below. The disclosure is based on the countries where the business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

### 3. Financial instruments and risk management (continued) 2019

	Gross insurance liability	Reinsurance assets	Net liability
Namibian	(136 090 117)	82 609 063	(53 481 054)
Foreign	(13 640 455)	8 279 993	(5 360 462)
	<b>(149 730 572)</b>	<b>90 889 056</b>	<b>(58 841 516)</b>

### 2018

	Gross insurance liability	Reinsurance asset	Net liability
Namibian	(51 120 642)	19 313 813	(31 806 829)
Foreign	(3 702 773)	1 398 939	(2 303 834)
	<b>(54 823 415)</b>	<b>20 712 752</b>	<b>(34 110 663)</b>

Typically, the claim process is completed within 12 months for non-life contracts.

#### Sensitivity analysis for life liabilities

The claims IBNR liability is statistically calculated using certain assumptions, including an assumption of a claims loss ratio of 85%. The table below illustrates the affect of an adjustment to the claims loss ratio of 10% on gross IBNR liabilities and on IBNR liabilities net of reinsurance assets .

	Claims loss ratio increase of 10%		Claims loss ratio decrease of 10%	
	Gross	Net	Gross	Net
<b>Effect on the current year:</b>				
Decrease (increase) in after tax profit	2 316 080	1 568 556	(2 316 080)	(1 568 556)
(Increase) decrease in IBNR liability	(4 200 027)	(2 508 634)	4 200 027	2 508 634

Certain assumptions are made regarding the claim loss ratios used in the calculation of non-life insurance liabilities. The following table illustrates the affect of an adjustment to the assumption of 5% either way for treaty and facultative insurance policies, respectively:

	Treaty insurance		Facultative insurance	
	Increase of 5% in loss ratio	Decrease of 5% in loss ratio	Increase of 5% in loss ratio	Decrease of 5% in loss ratio
<b>Effect on the current year:</b>				
Decrease (increase) in after tax profit	(358 233)	358 233	494 703	(494 703)
(Increase) decrease in IBNR liability	(526 813)	526 813	727 504	(727 504)

For further information on the methodologies and assumptions used in the calculation of the life and non-life IBNR liabilities, refer to note 1.2.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

---

### 4. Fair value information

#### Non-financial assets

Land and buildings, included in property, plant and equipment, are revalued to their fair value periodically and are classified as having a level 3 fair value. The main level 3 inputs used in the valuation are: market-related annual net income from similar properties; return on similar local investment; and office expenditure estimates.

Further information on valuation techniques and the amount of the valuation is detailed in note 5 as well as a reconciliation of land and buildings.

#### Financial instruments: fair value hierarchy of assets held at fair value

Level 1 assets are those that have quoted unadjusted prices in active markets for identical assets that the corporation can access at measurement date. Level 2 assets require inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly. Level 3 assets have no observable inputs.

The corporation holds level 2 financial assets. Fair values have been derived with reference to indirect quoted prices of the unit-linked investments. No changes have been made to the valuation technique in comparison with the prior year.

Refer to note 8 for further detail on the fair value adjustments and reconciliation of level 2 assets.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

### 5. Property, plant and equipment

	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 448 374	-	4 448 374	4 448 374	-	4 448 374
Buildings	33 007 052	-	33 007 052	31 346 626	-	31 346 626
Furniture and fixtures	2 258 083	(1 245 002)	1 013 081	1 570 918	(909 498)	661 420
Motor vehicles	1 203 748	(794 150)	409 598	1 203 748	(551 653)	652 095
Office equipment	73 306	(29 972)	43 334	73 306	(15 313)	57 993
IT equipment	793 469	(627 038)	166 431	667 336	(495 879)	171 457
Finance lease asset	229 841	(195 838)	34 003	229 841	(150 094)	79 747
<b>Total</b>	<b>42 013 873</b>	<b>(2 892 000)</b>	<b>39 121 873</b>	<b>39 540 149</b>	<b>(2 122 437)</b>	<b>37 417 712</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Land	4 448 374	-	-	4 448 374
Buildings	31 346 626	1 660 426	-	33 007 052
Furniture and fixtures	661 420	687 165	(335 504)	1 013 081
Motor vehicles	652 095	-	(242 497)	409 598
Office equipment	57 993	-	(14 659)	43 334
IT equipment	171 457	126 133	(131 159)	166 431
Finance lease asset	79 747	-	(45 744)	34 003
	<b>37 417 712</b>	<b>2 473 724</b>	<b>(769 563)</b>	<b>39 121 873</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	4 448 374	-	-	-	-	4 448 374
Buildings	22 197 781	7 276 922	-	1 871 923	-	31 346 626
Furniture and fixtures	964 838	9 400	(54 694)	-	(258 124)	661 420
Motor vehicles	921 928	-	-	-	(269 833)	652 095
Office equipment	52 536	18 769	(469)	-	(12 843)	57 993
IT equipment	242 544	138 765	(46 625)	-	(163 227)	171 457
Finance lease asset	23 513	101 978	-	-	(45 744)	79 747
	<b>28 851 514</b>	<b>7 545 834</b>	<b>(101 788)</b>	<b>1 871 923</b>	<b>(749 771)</b>	<b>37 417 712</b>

#### Depreciation rates

Land		Not depreciated
Buildings	Straight line basis - years	50
Furniture and fixtures	Straight line basis - years	5
Motor vehicles	Straight line basis - years	4
Office equipment	Straight line basis - years	3
IT equipment	Straight line basis - years	3
Finance lease assets	Straight line basis - years	3

#### Revaluations

The valuation of land and buildings is done on a triennial basis by an independent, professional, recognised valuator with sufficient experience in the locations and segments of the property being valued. At 31 March 2018, Mr FA Frank - Schultz valued land and buildings at N\$ 35 795 000. The next independent valuation will be done during the 2021 financial year.

The carrying value of land and buildings under the cost model would have been N\$ 30 335 905 (2018 N\$ 30 335 905).

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar 2019 2018

### 5. Property, plant and equipment (continued)

#### Details of properties

Land and buildings consist of a property situated on ERF 8571 registered under title deed T2114/2011, Corner of Lazarett Street and Feld Street, Windhoek, Namibia. The property measures 1,949 square metres in size.

### 6. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	6 913 040	(104 024)	6 809 016	565 210	(29 237)	535 973

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	535 973	6 347 831	(74 788)	6 809 016

#### Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	547 293	(11 320)	535 973

### 7. Investments held to maturity

#### Held to maturity financial instruments

Republic of Namibia Government bonds (Baa3)	22 068 995	28 124 166
Standard Bank Fixed deposit account (BB+)	23 809 367	22 096 002
	<b>45 878 362</b>	<b>50 220 168</b>

The fair value of fixed deposits is considered to approximate the carrying amount. An independent valuation for Government bonds was performed using market valuations and it was found that fair value approximates carrying amount. No amounts are past due or considered impaired. All amounts are denominated in Namibian dollars. Refer to note 3 for credit risk management.

### 8. Investments at fair value through profit or loss

#### Level 2 fair value investments in funds with no credit ratings

Bank Windhoek Select Fund	40 407 495	37 605 119
FNB Namibia Unit Trust Income Fund	16 780 978	15 664 437
EMH Prescient Unit Trust Fund	22 613 453	20 963 051
Liberty Life Investment Policy	33 434 905	38 861 338
Allan Gray Namibia Balance Fund	9 590 527	8 955 680
Old Mutual Nedbank Namibia Corporate Fund	3 404	3 164
Prudential Namibia Inflation Plus Fund	-	20 561 383
Bank Windhoek Money Market Investment Fund	38 423	351 954
Prudential Namibia Inflation Fund	15 015 322	14 187 087
	<b>137 884 507</b>	<b>157 153 213</b>

These investments do not individually carry their own credit rating as they are made up of a portfolio of diversified assets which carry their own individual ratings. Prior to investment, management analyses the risk and only invests with reputable institutions. Refer to note 3 for information on risk management and to note 4 for fair value information.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar 2019      2018

### 8. Investments at fair value through profit or loss (continued)

All balances are denominated in Namibian dollars.

#### Reconciliation of level 2 financial assets held at fair value through profit or loss

Opening balance	157 153 213	109 170 300
Additions at fair value	6 285 000	40 000 000
Disposals at fair value	(35 169 866)	-
Interest capitalised	4 974 191	4 134 645
Dividend capitalised	719 216	684 859
Coupon interest on government bonds	1 038 750	1 209 375
Coupon withdrawals	(1 450 000)	(2 160 625)
Fair value adjustments	4 677 537	4 513 008
Expenses	(343 534)	(398 349)
	<b>137 884 507</b>	<b>157 153 213</b>

### 9. Reinsurance assets

Reinsurance asset receivable	90 889 056	20 712 752
------------------------------	------------	------------

No impairment loss was recognised by the corporation at year end (2018: N\$ nil), as the corporation is satisfied that receivables are fully recoverable. The carrying amounts disclosed above approximate fair value at the reporting date. No profits on inception of reinsurance contracts were earned during the year (2018: N\$ nil).

### 10. Insurance and other receivables

Premium insurance debtors	60 230 770	10 045 404
Provision for doubtful debtors	(3 029 798)	(3 029 798)
	57 200 972	7 015 606
Receivables	7 268 233	3 318 602
<b>Total insurance and other receivables</b>	<b>64 469 205</b>	<b>10 334 208</b>

Premium debtors are due from various reputable insurance companies. They do not have external credit ratings, however have been doing business with the corporation for longer than 6 months and have no defaulting history.

Included in receivables is an amount owing by a related party, refer to note 34 for further details.

#### Categorisation of trade and other receivables

Trade and other receivables are categorised as follows:

At amortised cost	64 469 205	10 334 208
-------------------	------------	------------

#### Credit risk disclosures

##### Credit quality of insurance and other receivables

The credit quality of insurance and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.



# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar	2019	2018
<b>10. Insurance and other receivables (continued)</b>		
<b>Premium debtors of short-term insurance</b>		
<b>Counterparties without external credit rating</b>		
Group 2	64 469 205	10 334 208
Group 1 – new customer (less 6 months).		
Group 2 – existing customer with more than 6 months' history with the company and no defaults in the past.		
Group 3 – existing customer (more than 6 months) with some defaults in the past.		
<b>Trade and other receivables past due but not impaired</b>		
Insurance and other receivables that are less than 3 months past due are not considered for impairment.		
120 days	-	2 507 625
120+ days	3 029 798	522 173
<b>Insurance and other receivables impaired</b>		
The ageing of these amounts past due and impaired is as follows:		
120+ days	-	-
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	(3 029 798)	(522 173)
Provision for impairment	-	(2 507 625)
	<b>(3 029 798)</b>	<b>(3 029 798)</b>
The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The company does not hold any collateral as security.		
Refer to note 34 for related party exposure.		
<b>Exposure to currency risk</b>		
Refer to note 3 for details of currency risk management for trade receivables.		
<b>11. Current tax receivable (payable)</b>		
The current tax balance is made up as indicated in the tables below:		
Refer to note 34 for related party information.		
Normal tax	(100 744)	(7 688 976)
<b>Provision for taxation</b>		
Opening balance	(7 668 976)	1 206 137
Provision for the year	(17 350 744)	(15 975 113)
	(1 206 136)	-
Provisional tax payment	26 125 112	7 100 000
	<b>(100 744)</b>	<b>(7 668 976)</b>

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar 2019      2018

### 11. Current tax receivable (payable) (continued)

Balance of provision for taxation consists of:

2017	-	1 206 137
2018	-	(8 875 113)
2019	(100 744)	-
	<u>(100 744)</u>	<u>(7 668 976)</u>

### 12. Deferred acquisition costs

Deferred acquisition costs

Balance at the beginning of the year	1 535 170	2 938 444
Expenses deferred	1 250 973	(1 403 274)
	<u>2 786 143</u>	<u>1 535 170</u>

The reinsurance deferred acquisition costs have been included in the reinsurance and other payable balance in note 21.

Reinsurance deferred acquisition costs

Balance at the beginning of the year	(228 029)	(238 011)
Expenses deferred	-	9 982
	<u>(228 029)</u>	<u>(228 029)</u>

### 13. Staff loans, deposits and other prepayments

Staff loans advanced	531 964	451 467
Deposits and prepayments	118 090	1 792 302
	<u>650 054</u>	<u>2 243 769</u>

The balances are denominated in Namibian dollars. No amounts are past due and have no indication of impairment. The carrying amounts approximate the fair values of the balances due to their short term nature.

Refer to note 3 for information on credit risk.

### 14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 001	1 273
Bank balances	12 290 863	14 360 632
Short-term deposits	39 281 529	8 114 629
	<u>51 576 393</u>	<u>22 476 534</u>

First National Bank Namibia Limited provides the guarantee facilities to Namibia National Reinsurance Corporation Limited of N\$ 2 000 000 in favour of NAMFISA in respect of registration of short-term business (2018: N\$ 2 000 000). In addition, there is a N\$ 50 000 (2018: N\$ 50 000) credit card facility available to the corporation.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar	2019	2018
<b>14. Cash and cash equivalents (continued)</b>		
<b>Credit quality of cash at bank and short term deposits, excluding cash on hand</b>		
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:		
<b>Credit rating</b>		
First National Bank Limited: A1+ (2018: A1+)	8 858 411	7 612 290
Bank Windhoek Limited: A1+ (2018: A1+)	42 674 769	14 837 446
Simonis Storm: no rating (2018: no rating)	39 212	25 525
	<b>51 572 392</b>	<b>22 475 261</b>
<b>15. Share capital</b>		
<b>Authorised</b>		
20 000 000 ordinary shares of N\$1 each	20 000 000	20 000 000
<b>Issued</b>		
20 000 000 ordinary shares of N\$1 each	20 000 000	20 000 000
<b>16. Revaluation reserve</b>		
The revaluation reserve relates to revaluations performed on land and building every 3 years. Refer to note 5 for information on land and buildings.		
Opening balance	5 459 095	3 587 172
Gain on revaluation of property	-	1 871 923
	<b>5 459 095</b>	<b>5 459 095</b>
<b>17. Staff welfare reserve</b>		
A staff welfare fund is required to be maintained in terms of section 29 of the Namibia National Reinsurance Corporation Act, 1998. The annual amount transferred to the fund may not exceed 5% of the net profit after tax of the corporation for the financial year.		
The reserve shall be utilised for recreation facilities, low interest-bearing loans and any other purposes aimed at enhancing the employees' welfare of the corporation.		
Opening balance	3 130 135	2 334 503
Utilised during the year	(1 197 482)	(1 372 773)
Transfer from retained income	2 416 396	2 168 405
	<b>4 349 049</b>	<b>3 130 135</b>
<b>18. General reserve</b>		
In terms of the section 28 of the Namibia National Reinsurance Corporation Act, 1998, the corporation is required to maintain a General reserve into which it shall deposit at the end of the each financial year end an amount equal to 50% of the net profit before tax for the year provided the General reserve fund is less than the authorised share capital of the corporation. Alternatively, should the General reserve be equal to or exceed the authorised share capital of the corporation, then 25% of the net profit before tax must be transferred to the reserve.		
Opening balance	74 510 355	63 668 328
Transfer from retained income	12 081 979	10 842 027
	<b>86 592 334</b>	<b>74 510 355</b>

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar	2019	2018
<b>19. Finance lease liabilities</b>		
<b>Minimum lease payments due</b>		
- within one year	52 500	53 658
- in second to fifth year inclusive	17 170	76 103
	<u>69 670</u>	<u>129 761</u>
less: future finance charges	(5 011)	(13 576)
<b>Present value of minimum lease payments</b>	<u><b>64 659</b></u>	<u><b>116 185</b></u>
<b>Present value of minimum lease payments due</b>		
- within one year	44 729	44 729
- in second to fifth year inclusive	19 930	71 456
	<u><b>64 659</b></u>	<u><b>116 185</b></u>

The finance lease liabilities relate to IT equipment (photo copier machines) that were purchased under finance leases. The liabilities are repayable in 36 equal monthly instalments of N\$ 4 375 (2018: N\$ 4 375) and bear interest at prime. The book values of the IT equipment held under the leases amount to N\$ 34 003 (2018: N\$ 79 747).

Information regarding the management of risks surrounding finance leases is detailed in note 3.

The fair values of the loans approximate the carrying amount.

## 20. Deferred tax

### Deferred tax liability

Deferred tax liability	<u>(12 828 413)</u>	<u>(15 123 573)</u>
------------------------	---------------------	---------------------

### Deferred tax asset

Other deferred tax asset	<u>6 898 712</u>	<u>6 736 189</u>
--------------------------	------------------	------------------

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(12 828 413)	(15 123 573)
Deferred tax asset	6 898 712	6 736 189
<b>Total net deferred tax liability</b>	<u><b>(5 929 701)</b></u>	<u><b>(8 387 384)</b></u>

### Reconciliation of deferred tax asset / (liability)

At beginning of year	(8 387 384)	(11 747 925)
Temporary differences on property, plant and equipment	(499 315)	(1 004 897)
Temporary difference on investments	2 470 755	-
Temporary differences on prepayments	309 095	(319 476)
Temporary differences on accruals	91 149	67 938
Temporary differences on deferred acquisition costs	(400 312)	445 854
Temporary differences on finance leases	177	4 461
Temporary differences on income in advance	486 134	3 564 853
Temporary differences on insurance and other receivables	-	601 808
	<u><b>(5 929 701)</b></u>	<u><b>(8 387 384)</b></u>

### Expected release of deferred tax asset

Within 12 months	<u>6 898 712</u>	<u>6 736 189</u>
------------------	------------------	------------------

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar 2019 2018

### 20. Deferred tax (continued)

#### Expected release of deferred tax liability

Within 12 months	(1 705 999)	(2 184 620)
After 12 months	(11 122 414)	(12 938 953)
	<b>(12 828 413)</b>	<b>(15 123 573)</b>

### 21. Reinsurance and other payables

Trade payables	30 067 870	17 836 300
Reinsurance deferred acquisition costs	228 030	228 030
Other payables	11 203 658	3 067 681
	<b>41 499 558</b>	<b>21 132 011</b>

### Exposure to currency risk

Refer to note 3 Financial instruments and financial risk management for details of currency risk management for trade payables.

Refer to note 12 for information corresponding to reinsurance deferred acquisition costs and to note 34 for related party information.

### 22. Insurance liabilities

#### Reconciliation of insurance liabilities - 2019

	Opening balance	Created during the year	Total
Provision for claims incurred but not reported, IBNR (refer to 22.3)	39 423 717	2 576 555	42 000 272
Provision for unallocated loss adjustment expenditure (refer to 22.4)	-	1 539 493	1 539 493
Provision for unearned premiums (refer to 22.1 )	5 606 098	39 901 957	45 508 055
Provision for outstanding claims (refer to 22.2)	9 793 599	50 889 153	60 682 752
	<b>54 823 414</b>	<b>94 907 158</b>	<b>149 730 572</b>

#### Reconciliation of insurance liabilities - 2018

	Opening balance	Created / (utilised) during the year	Total
Provision for claims incurred but not reported, IBNR (refer to 21.3)	33 596 366	5 827 351	39 423 717
Provision for unearned premiums (refer to 21.1 )	13 089 514	(7 483 416)	5 606 098
Provision for outstanding claims (refer to 21.2)	16 951 527	(7 157 928)	9 793 599
	<b>63 637 407</b>	<b>(8 813 993)</b>	<b>54 823 414</b>

Long-term insurance contracts	8 240 101	1 920 556
Short-term insurance contracts	141 490 471	52 902 858
	<b>149 730 572</b>	<b>54 823 414</b>

The liabilities arising from insurance contracts are expected to be settled as disclosed in the following tables. The cash flows are undiscounted:

Estimated timing of outflows: 2019	2 - 5 years	Over 5 years	Total
Long-term insurance contracts	-	8 240 101	8 240 101
Short-term insurance contracts	141 490 471	-	141 490 471
	<b>141 490 471</b>	<b>8 240 101</b>	<b>149 730 572</b>

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar	2019	2018
<b>22. Insurance liabilities (continued)</b>		
<b>Estimated timing of outflows: 2018</b>		
Long-term insurance contracts	-	1 920 556
Short-term insurance contracts	52 902 858	-
	<b>52 902 858</b>	<b>1 920 556</b>
		<b>54 823 414</b>
<b>22.1 Gross provision for unearned premiums</b>		
Balance beginning of the year	5 606 098	13 089 514
Premiums written during the year	305 317 609	244 621 087
Premiums earned during the year	(265 415 652)	(252 104 503)
	<b>45 508 055</b>	<b>5 606 098</b>
<b>22.1a Net unearned premium reserve</b>		
Balance beginning of the year	4 698 847	11 969 550
Utilised during the year	20 976 369	(7 270 703)
	<b>25 675 216</b>	<b>4 698 847</b>
<b>The balance comprises</b>		
Gross provision for unearned premiums	45 508 000	5 606 098
Reinsurer's share of unearned premiums	(19 832 784)	(907 251)
	<b>25 675 216</b>	<b>4 698 847</b>
<b>22.2 Provision for outstanding claims</b>		
Balance beginning of the year	9 793 599	16 951 527
(Utilised) incurred for the year	50 889 153	(7 157 928)
	<b>60 682 752</b>	<b>9 793 599</b>
<b>Provision for outstanding claims ceded to reinsurers</b>		
Balance beginning of the year	(1 018 740)	(3 411 803)
Incurred (utilised) for the year	(53 123 539)	2 393 063
	<b>(54 142 279)</b>	<b>(1 018 740)</b>
<b>Net provision for outstanding claims</b>	<b>6 540 473</b>	<b>8 774 859</b>
<b>22.3 Provision for claims incurred but not reported (IBNR)</b>		
Balance beginning of the year	39 423 717	31 950 857
Incurred short-term	357 911	2 534 438
Incurred long-term	2 218 644	4 938 422
	<b>42 000 272</b>	<b>39 423 717</b>
<b>Reinsurance provision for claims incurred but not reported</b>		
Balance beginning of the year	(14 990 000)	(7 272 779)
Incurred for the year	(1 923 937)	(7 717 221)
	<b>(16 913 937)</b>	<b>(14 990 000)</b>
<b>Net provision for claims incurred but not reported</b>	<b>25 086 335</b>	<b>24 433 717</b>

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar	2019	2018
<b>22. Insurance liabilities (continued)</b>		
<b>22.4 Provision for unallocated loss adjustment expenditure</b>		
Balance beginning of the year	-	-
Incurred short-term	-	-
Incurred long-term	1 539 493	-
	<b>1 539 493</b>	<b>-</b>
<b>Reinsurance provision for unallocated loss adjustment expenditure</b>		
Balance beginning of the year	-	-
Utilised/(incurred)	-	-
	<b>-</b>	<b>-</b>
<b>Net provision for unallocated loss adjustment expenditure</b>	<b>1 539 493</b>	<b>-</b>
<b>23. Premiums</b>		
<b>Gross premiums written</b>		
Long-term insurance contracts	17 991 392	15 961 036
Short-term insurance contracts	287 326 162	222 503 415
Change in provision for unearned premiums	(39 901 902)	7 483 515
	<b>265 415 652</b>	<b>245 947 966</b>
<b>Premiums ceded to reinsurers</b>		
Long-term reinsurance contracts	(14 132 090)	(11 992 252)
Short-term reinsurance contracts	(91 432 151)	(71 275 853)
Change in provision for unearned premiums	18 925 533	(212 813)
	<b>(86 638 708)</b>	<b>(83 480 918)</b>
<b>24. Investment revenue</b>		
<b>Dividend revenue</b>		
Dividend income received on money market investments	719 216	684 859
<b>Interest revenue</b>		
Bank	980 724	1 937 507
Interest on investments	9 006 135	8 874 353
<b>Total interest revenue</b>	<b>9 986 859</b>	<b>10 811 860</b>
<b>Total investment revenue</b>	<b>10 706 075</b>	<b>11 496 719</b>
<b>25. Net benefits and claims</b>		
<b>a) Gross benefits and claims incurred</b>		
Short-term insurance	(102 873 267)	(77 723 164)
Long-term insurance	(9 869 065)	(10 173 920)
	<b>(112 742 332)</b>	<b>(87 897 084)</b>

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar	2019	2018
<b>25. Net benefits and claims (continued)</b>		
<b>b) Claims ceded to reinsurers</b>		
Short-term reinsurance recoveries relating to claims incurred	59 872 745	13 286 162
Long-term reinsurance recoveries relating to claims incurred	7 582 720	8 041 847
	<b>67 455 465</b>	<b>21 328 009</b>
<b>c) Gross change in insurance liabilities</b>		
Change in provision for outstanding claims	(50 889 152)	7 157 928
Short-term change in provision for claims IBNR	(54 171)	(2 534 438)
Long-term change in provision for claims IBNR	(2 522 384)	(3 292 914)
Change in provision for unallocated loss adjustment expenditure	(1 539 494)	-
	<b>(55 005 201)</b>	<b>1 330 576</b>
<b>d) Change in insurance liabilities ceded to reinsurers</b>		
Change in provision for outstanding claims	53 123 540	(2 393 063)
Short-term change in provision for claims IBNR	(3 919 150)	7 717 221
Long-term change in provision for claims IBNR	2 046 326	2 151 252
Change in provision for unallocated loss adjustment expenditure	-	-
	<b>51 250 716</b>	<b>7 475 410</b>
<b>26. Results of operations</b>		
Results of operating activities for the year is stated after charging (crediting) the following, amongst others:		
<b>Employee costs</b>		
Salaries, wages, bonuses and other benefits	14 404 373	13 658 901
Housing benefit	2 946 494	2 851 231
Travel allowance	159 533	166 703
Motor vehicle allowance	2 852 524	2 520 721
Other short term costs	355 547	241 688
Termination benefits	1 306 337	1 343 289
<b>Total employee costs</b>	<b>22 024 808</b>	<b>20 782 533</b>
<b>Expenses by nature</b>		
The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:		
Actuary fees	1 409 294	412 421
Auditors remuneration - external auditors	760 463	530 390
Employee costs	22 024 808	20 782 533
Bad debts	-	2 508 254
Fees and commission paid	66 628 343	56 480 560
Foreign exchange losses	(1 357 813)	1 036 195
Gross benefits and claims incurred	112 742 331	87 897 084
Legal expenses	6 221 587	2 045 039
Other consulting and professional fees	3 942 650	4 134 334
Telephone and internet expenses	1 155 530	1 006 135
Travel	3 133 403	2 763 096
Training	2 977 770	1 762 019
Other operating expenses not individually material	3 801 142	4 614 123
	<b>223 439 508</b>	<b>185 972 183</b>



# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar	2019	2018
<b>27. Finance costs paid</b>		
Interest on finance lease liability	9 851	10 580
<b>28. Cash generated from operations</b>		
Profit before taxation	48 328 388	43 368 106
<b>Adjustments for:</b>		
Depreciation and amortisation	844 351	761 091
Dividend income	(719 216)	(684 859)
Interest income	(9 986 859)	(10 811 860)
Finance costs paid	9 851	10 580
Fair value gains and other non-cash items	(4 894 295)	(4 513 008)
Movements in insurance liability	94 907 158	(8 813 993)
Staff welfare reserve	-	(1 372 773)
Unrealised foreign exchange losses	-	1 068 085
Expenses on investments	343 535	-
<b>Changes in working capital:</b>		
Insurance and other receivables	(54 134 997)	21 028 225
Reinsurance assets	(70 176 304)	(7 262 695)
Deferred acquisition costs	(1 250 973)	1 403 274
Staff loans and other prepayments	1 593 715	(1 743 055)
Reinsurance and other payables	20 367 547	(4 241 628)
	<b>25 231 901</b>	<b>28 195 490</b>
<b>29. Tax paid</b>		
Balance at beginning of the year	(7 668 976)	1 206 137
Current tax for the year recognised in profit or loss	(17 350 744)	(15 975 113)
Balance at end of the year	100 744	7 668 976
	<b>(24 918 976)</b>	<b>(7 100 000)</b>
<b>30. Dividends paid</b>		
Dividends	(6 150 000)	(5 000 000)
Balance at end of the year	6 150 000	-
	<b>-</b>	<b>(5 000 000)</b>
<b>31. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current</b>		
Long-term Insurance business	107 656	105 994
Short-term insurance business	17 243 088	15 869 119
	<b>17 350 744</b>	<b>15 975 113</b>
<b>Deferred</b>		
Originating and reversing temporary differences	(2 457 684)	(3 360 542)
	<b>14 893 060</b>	<b>12 614 571</b>

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

Figures in Namibia Dollar	2019	2018
<b>31. Taxation (continued)</b>		
<b>Reconciliation of the tax expense</b>		
Reconciliation between accounting profit and tax expense.		
Accounting (loss) profit	48 328 388	43 368 106
Tax at the applicable tax rate of 32% (2018: 32%)	15 465 084	13 877 794
<b>Tax effect of adjustments on taxable income</b>		
Non-deductible expenses	1 729 823	868 617
Non-taxable long-term insurance net income	(2 301 847)	(2 131 840)
	<b>14 893 060</b>	<b>12 614 571</b>

## 32. Changes in liabilities arising from financing activities

### Reconciliation of liabilities arising from financing activities - 2019

	Opening balance	Interest charge	Total non-cash movements	Cash flows	Closing balance
Finance lease liabilities	116 185	9 851	9 851	(61 377)	64 659
<b>Total liabilities from financing activities</b>	<b>116 185</b>	<b>9 851</b>	<b>9 851</b>	<b>(61 377)</b>	<b>64 659</b>

### Reconciliation of liabilities arising from financing activities - 2018

	Opening balance	Interest charge	New leases	Total non-cash movements	Cash flows	Closing balance
Finance lease liabilities	31 368	10 580	117 274	127 854	(43 037)	116 185
<b>Total liabilities from financing activities</b>	<b>31 368</b>	<b>10 580</b>	<b>117 274</b>	<b>127 854</b>	<b>(43 037)</b>	<b>116 185</b>

## 33. Contingencies

Contingent liabilities represent items that as at 31 March 2019 have not been recognised in the statement of financial position because there is significant uncertainty at that date as to the necessity for the corporation to make payments in respect of the legal case.

The corporation has the following legal cases pending:

1. Legal action against Namibia National Reinsurance Corporation Limited concerning the notices requiring all companies in the insurance industry to cede business per policy level to Namibia National Reinsurance Corporation Limited;
2. Legal action against Namibia National Reinsurance Corporation Limited by the industry regarding the constitutionality of the Namibia National Reinsurance Act 1 of 1999; and
3. Legal action by Namibia National Reinsurance Corporation Limited against industry to compel insurance companies to comply with Notices and regulations contained in Government Notices 332 - 338 as gazetted on 29 December 2017.

The corporation's lawyers consider the extent of the exposure of the corporation to be limited to the applicants' legal costs. Accordingly, the corporation has a contingent liability in respect of legal costs of about N\$ 1.7 million payable to the applicants in respect of its legal costs incurred.

# Namibia National Reinsurance Corporation Limited

(Registration number 99/369)

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

---

### 34. Related parties

Relationships

Shareholder:

Government of the Republic of Namibia (Ministry of Finance)

#### Related party balances

##### Amount owing by (to) the Government of the Republic of Namibia

Other receivables	7 268 233	2 994 260
Insurance and other payables: Value-added tax	(7 855 595)	(1 181 760)
Current tax receivable (payable)	(100 744)	(7 668 976)
Insurance and other payables: PAYE (employees' tax)	-	(270 124)
Dividend payable	(6 150 000)	-

#### Related party transactions

##### Payments to the Government of the Republic of Namibia

Legal fees paid	4 323 973	2 944 260
Income tax paid	24 918 976	7 100 000
Dividends declared and paid	6 150 000	5 000 000
Agency payments: Value-added tax	12 580 840	12 482 569
Agency payments: PAYE	4 351 707	4 455 075
VAT on Imported Services Paid	437 077	-
Withholding Tax Paid	286 789	-

### 35. Directors' emoluments

For services as directors	3 375 505	3 237 548
---------------------------	-----------	-----------

---