NAMIBIA NATIONAL REINSURANCE CORPORATION LIMITED

(Registration number 99/369)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Reinsurance
Directors	P A Martin - Managing Director I Gei-Khoibeb - Chairperson L D Kapere - Vice-Chairperson M Ashikoto N J Tshitayi T K Iindji T J A Saunderson
Registered office	ERF 8571, Corner of Lazarett Street and Feld Street Windhoek Namibia
Business address	ERF 8571, Corner of Lazarett Street and Feld Street Windhoek Namibia
Postal address	P O Box 716 Windhoek Namibia
Bankers	First National Bank of Namibia Limited
Auditors	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	CR Van Wyk & Company
Company registration number	99/369

Contents

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

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 corporation 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 corporation and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board 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 corporation and all employees are required to maintain the highest ethical standards in ensuring the corporation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the corporation is on identifying, assessing, managing and monitoring all known forms of risk across the corporation. While operating risk cannot be fully eliminated, the corporation 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 corporation's cash flow forecast for the year to 31 March 2017 and, in light of this review and the current financial position, they are satisfied that the corporation 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 corporation's annual financial statements. The annual financial statements have been examined by the corporation's external auditors and their report is presented on pages 4 to 5.

The annual financial statements set out on pages 6 to 48, which have been prepared on the going concern basis, were approved by the board on ....15 September 2016 and were signed on their behalf by:

Director **Director**

Windhoek

19/9/2016

(Date)

pwc

Independent Auditor's Report

To the member of Namibia National Reinsurance Corporation Limited

We have audited the annual financial statements of Namibia National Reinsurance Corporation Limited, which comprise the statement of financial position as at 31 March 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 6 to 48.

Directors' Responsibility for the Annual Financial Statements

The corporation's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of annual financial statements as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.

pwc

Independent Auditor's Report (continued)

Supplementary information

The supplementary information set out on pages 49 to 50 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: Louis van der Riet
Partner

Windhoek, 19/9/2016

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Country Senior Partner: R Nangula Uaandja
Partners: Carl P van der Merwe, Louis van der Riet, Ansie EJ Rossouw, Seretta N Lombaard, Stéfan Hugo, Chantell N Husselmann, Gerrit Esterhuyse, Talita B Horn, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Annette van Coller

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 2016.

1. Nature of business

Namibia National Reinsurance Corporation Limited was incorporated in Namibia with interests in the insurance industry.

The corporation is the only reinsurer in Namibia, and provides reinsurance to all Namibian insurance companies. In terms of the Namibia 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 (came into effect 01 January 2016) and short term re-insurance. The following types of short term reinsurance are provided: fire, aviation, guarantee, miscellaneous, personal lines, special riot risk, medical, motor, marine, and property plus treaties.

There have been no material changes to the nature of the corporation'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 corporation 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. Directorate

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

Directors	*Nationality*	*Resignations/Appointments*
P A Martin - Managing Director	Namibian	Appointed 01 October 2014
I Gei-Khoibeb - Chairperson	Namibian	Appointed 29 November 2013
L D Kapere - Vice-Chairperson	Namibian	Appointed 29 November 2013
M Ashikoto	Namibian	Appointed 29 November 2013
N J Tshitayi	Namibian	Appointed 29 November 2013
T K Iindji	Namibian	Appointed 29 November 2013
T J A Saunderson	Namibian	Appointed 29 November 2013

There have been no changes to the directorate for the year under review.

5. Shareholder

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

6. 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.

7. Auditors

PricewaterhouseCoopers continued in office as auditors for the corporation for 2016.

Directors' Report

8. Secretary

The company secretary is CR Van Wyk & Company.

Postal address	P O Box 97401 Maerua Mall Windhoek
Business address	29 Feld Street Windhoek Namibia

Statement of Financial Position as at 31 March 2016

	Note(s)	2016 N$	2015 Restated N$	2014 Restated N$
Assets				
Property, plant and equipment	6	25,714,292	24,548,028	20,569,377
Intangible assets	7	470,198	148,600	2,336,673
Investments held to maturity	8	29,966,778	12,034,413	93,578,248
Investments at fair value through profit and loss	9	142,618,491	143,063,440	36,193,152
Reinsurance assets	10	4,443,098	8,613,709	7,546,830
Insurance and other receivables	11	21,266,672	13,083,431	12,914,659
Current tax receivable	12	5,439,266	-	-
Deferred acquisition costs	13	3,712,691	3,406,364	3,315,140
Staff loans and other prepayments	14	421,937	385,676	327,589
Cash and cash equivalents	15	11,548,546	5,129,828	24,923,824
Total Assets		**245,601,969**	**210,413,489**	**201,705,492**
Equity				
Share capital	16	20,000,000	20,000,000	20,000,000
General reserve	17	56,144,004	50,912,692	47,213,495
Staff welfare reserve	17	1,480,464	1,086,446	1,050,425
Revaluation reserve	17	3,587,172	3,587,172	-
Retained income		85,204,128	75,759,603	71,478,596
Total Equity		**166,415,768**	**151,345,913**	**139,742,516**
Liabilities				
Finance lease liabilities	18	57,230	54,036	88,017
Deferred tax	19	7,661,377	6,751,875	3,374,108
Current tax payable	12	-	1,136,334	5,541,335
Reinsurance and other payables	20	19,921,715	4,865,820	9,186,614
Insurance liabilities	21	51,545,879	46,259,511	43,772,902
Total Liabilities		**79,186,201**	**59,067,576**	**61,962,976**
Total Equity and Liabilities		**245,601,969**	**210,413,489**	**201,705,492**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2016 N$	Restated 2015 N$
Gross premium written	23	210,595,562	171,144,623
Premiums ceded to reinsurers	23	(37,387,744)	(29,683,831)
Net premiums earned		**173,207,818**	**141,460,792**
Fees and commission received	29	10,071,936	8,194,209
Investment income	25	7,654,423	8,013,355
Sundry income	26	2,991,879	147,570
Fair value adjustments	27	2,276,670	1,772,192
Other income		**22,994,908**	**18,127,326**
Net income		**196,202,726**	**159,588,118**
Gross benefits and claims incurred	28	(108,469,571)	(86,942,104)
Claims ceded to reinsurers	28	12,299,272	12,124,635
Gross change in insurance liabilities	28	(2,457,235)	(3,463,409)
Change in insurance liabilities ceded to reinsurers	28	1,851,303	2,000,285
Net benefits and claims		**(96,776,231)**	**(76,280,593)**
Fees and commission paid	24	(55,826,671)	(46,318,692)
Other operating expenses		(22,670,778)	(22,184,866)
Expenses		**(78,497,449)**	**(68,503,558)**
Total benefits, claims and other expenses		**(175,273,680)**	**(144,784,151)**
Results of operating activities		**20,929,046**	**14,803,967**
Finance costs	30	(3,797)	(7,179)
Profit before taxation		**20,925,249**	**14,796,788**
Taxation	32	(3,371,736)	(4,720,505)
Profit for the year		**17,553,513**	**10,076,283**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains and losses on property revaluation	33	-	3,587,172
Other comprehensive income for the year net of taxation	33	**-**	**3,587,172**
Total comprehensive income for the year		**17,553,513**	**13,663,455**

Statement of Changes in Equity

	Share capital N$	Revaluation reserve N$	Staff welfare reserve N$	General reserve N$	Total reserves N$	Retained income N$	Total equity N$
Balance at 01 April 2014	**20,000,000**	**-**	**1,050,425**	**47,213,495**	**48,263,920**	**71,478,596**	**139,742,516**
Profit for the year	-	-	-	-	-	10,076,283	10,076,283
Revaluation reserve	-	3,587,172	-	-	3,587,172	-	3,587,172
Total comprehensive income for the year	**-**	**3,587,172**	**-**	**-**	**3,587,172**	**10,076,283**	**13,663,455**
Utilised during the year	-	-	(260,058)	-	(260,058)	-	(260,058)
Transfer to general reserve	-	-	-	3,699,197	3,699,197	(3,699,197)	-
Transfer to staff welfare reserve	-	-	296,079	-	296,079	(296,079)	-
Dividends	-	-	-	-	-	(1,800,000)	(1,800,000)
Total contributions by and distributions to owners of corporation recognised directly in equity	**-**	**-**	**36,021**	**3,699,197**	**3,735,218**	**(5,795,276)**	**(2,060,058)**
Balance at 01 April 2015	**20,000,000**	**3,587,172**	**1,086,446**	**50,912,692**	**55,586,310**	**75,759,603**	**151,345,913**
Profit for the year	-	-	-	-	-	17,553,513	17,553,513
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**17,553,513**	**17,553,513**
Utilised during the year	-	-	(483,658)	-	(483,658)	-	(483,658)
Transfer to general reserve	-	-	-	5,231,312	5,231,312	(5,231,312)	-
Transfer to staff welfare reserve	-	-	877,676	-	877,676	(877,676)	-
Dividends	-	-	-	-	-	(2,000,000)	(2,000,000)
Total contributions by and distributions to owners of corporation recognised directly in equity	**-**	**-**	**394,018**	**5,231,312**	**5,625,330**	**(8,108,988)**	**(2,483,658)**
Balance at 31 March 2016	**20,000,000**	**3,587,172**	**1,480,464**	**56,144,004**	**61,211,640**	**85,204,128**	**166,415,768**
Note(s)	16	17	17	17			

Statement of Cash Flows

	Note(s)	2016 N$	Restated 2015 N$
Cash flows from operating activities			
Cash generated from operations	31	26,933,511	4,187,533
Interest income	25	4,394,090	7,966,401
Dividends received	25	3,260,333	46,954
Finance costs	30	(3,797)	(7,179)
Dividends	36	(2,000,000)	(1,800,000)
Tax paid	35	(9,037,834)	(5,747,739)
Net cash from operating activities		**23,546,303**	**4,645,970**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1,624,530)	(714,693)
Sale of property, plant and equipment		33,282	11,568
Purchase of other intangible assets	7	(328,785)	(148,600)
Sale / (Purchase) of investments held to maturity	8	(15,655,695)	68,744,176
Sale / (Purchase) of investments at fair value through profit and loss		444,949	(106,870,288)
Net cash used in investing activities		**(17,130,779)**	**(38,977,837)**
Cash flows from financing activities			
Finance lease receipts / (payments)	18	3,194	(33,981)
Net cash used in financing activities		**3,194**	**(33,981)**
Total cash, cash equivalents and bank overdrafts movement for the year		**6,418,718**	**(34,365,848)**
Cash, cash equivalents and bank overdrafts at the beginning of the year		5,129,828	39,495,676
Total cash, cash equivalents and bank overdrafts at end of the year	15	**11,548,546**	**5,129,828**

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of Namibia. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Namibian Dollars.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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 for the 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 incurred but not yet reported and provision for outstanding claims which are accounted for as follows:

Provision for unearned premiums

The provision for unearned premiums represents premiums received during the year, but relates to periods of risk extending beyond the end of the financial year, and are calculated by estimating the proportion of annual premiums that relate to future periods.

Provision for claims Incurred but not yet reported (IBNR)

Provision is made for the estimated cost of claims incurred but not yet reported at the reporting date. The provision for claims incurred but not yet reported is calculated on the best available information of historical trends and management's estimates of future claims costs.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions for outstanding claims

Provisions are recognised when the corporation has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated.

The provision for outstanding claims (claims incurred but not settled at reporting date) is based on the estimated cost of actual outstanding claims received, relating to the current year, provided by insurers. The claims have therefore been reported to the insurers, but have not yet been finalised, and therefore the actual cost of the claim is not yet certain. 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.

Deferred acquisition cost (DAC)

The amount of acquisition cost to be deferred is dependant on judgement as to which insurance costs are directly related to and varies with the acquisition.

Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted market prices is 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.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the corporation holds for its own use or for rental to others and which are expected to be used for more than one year.

Property, plant and equipment is 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, valuation 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 estimated useful lives range as follows:

Item	*Depreciation method*	*Average useful life*
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	4 years
Computer equipment	Straight line	3 years
Finance lease asset	Straight line	3 years

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

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

Accounting Policies

1.2 Property, plant and equipment (continued)

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.

1.3 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	10 years

1.4 Financial instruments

Classification

The corporation classifies financial assets and financial liabilities into the following categories:
- 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, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

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

1.4 Financial instruments (continued)

The corporation 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.

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 corporation 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.

Impairment of financial assets

At each reporting date the corporation 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 corporation, 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.

Impairment losses are not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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.

Accounting Policies

1.4 Financial instruments (continued)

Trade and other receivables

Trade 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 are considered indicators that the trade 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 a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

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.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the corporation's accounting policy for borrowing costs.

Bank overdrafts and borrowings are classified as current liabilities unless the corporation has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

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 corporation has the positive intention and ability to hold to maturity are classified as held to maturity.

Accounting Policies

1.5 Income tax

Current tax assets and liabilities

Current income 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 income 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.

Income 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.

1.6 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 interest rate implicit in the lease.

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 of on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This asset is not discounted.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of comprehensive income.

1.7 Impairment of non-financial assets

The corporation 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 corporation estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the corporation also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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.

1.7 Impairment of non-financial assets (continued)

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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.

1.8 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 were there is no obligation to transfer cash or other assets. Incremental cost directly attributable to to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

1.9 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 company 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 corporation'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 group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group 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

Accounting Policies

1.10 Provisions and contingencies

Provisions are recognised when:

- the corporation has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.. Contingencies are disclosed in the notes to the financial statements.

Accounting Policies

1.11 Revenue

Premium income

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.

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.

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.

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 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.

1.12 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 off.

1.13 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.

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 and are not amortised.

Ceded reinsurance arrangements do not relieve the corporation from 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 through 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.

Accounting Policies

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Namibian 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.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 by applying to the foreign currency amount the exchange rate between the Namibian Dollar and the foreign currency at the date of the cash flow.

1.15 Reinsurance payable

Reinsurance payable is 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.

Derecognition reinsurance payable

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

1.16 Solvency margin

Solvency margin represents the free reserve ratio which is calculated as shareholders funds expressed as a percentage of net premium written. The minimum solvency margin required by regulation is 15%.

1.17 Dividend distribution

Dividend distribution to the corporation's shareholders is recognised as a liability in the annual financial statements in the period in which the dividends are approved by the directors of the corporation.

Dividend declared but not distributed to the Government of the Republic of Namibia is recognised as a liability in the annual financial statements in the period in which the dividends are approved by the directors of the corporation.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	*Effective date: Years beginning on or after*	*Expected impact:*
• Amendment to IAS 24: Related Party Disclosures: Annual improvements project	01 July 2014	The impact of the amendment is not material.
• Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project	01 July 2014	The impact of the amendment is not material.
• Amendment to IFRS 13: Fair Value Measurement: Annual improvements project	01 July 2014	The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The corporation has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the corporation's accounting periods beginning on or after 01 April 2016 or later periods:

Standard/ Interpretation:	*Effective date: Years beginning on or after*	*Expected impact:*
• IFRS 9 Financial Instruments	01 January 2018	Unlikely there will be a material impact
• IFRS 15 Revenue from Contracts with Customers	01 January 2017	Unlikely there will be a material impact
• Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	01 January 2016	Unlikely there will be a material impact
• Amendment to IAS 27: Equity Method in Separate Financial Statements	01 January 2016	Unlikely there will be a material impact
• Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project	01 January 2016	Unlikely there will be a material impact
• Amendment to IAS 19: Employee Benefits: Annual Improvements project	01 January 2016	Unlikely there will be a material impact
• Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	01 January 2016	Unlikely there will be a material impact

Notes to the Annual Financial Statements

3. Critical accounting judgements

Critical judgement in applying the corporation's accounting policies

In the process of applying the corporation's accounting policies, management has made the following judgements, apart from those requiring estimations, which have the most significant effect on the amounts recognised in the financial statements:

Asset lives and residual values

Property, plant and equipment are depreciated over its useful life 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 in re-assessing asset lives, factors such as technological innovation, asset life cycles and maintenance programs are taken into account. Residual life assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Provision for claims incurred but not yet reported (IBNR)

This refers to claims incurred but not yet reported at year end. The provision is calculated at 10% of premiums earned. This estimate is based on historical trends, past experience and industry norms in Namibia.

Provision for unearned premiums and reinsurance premiums

Of the reported net premiums (premiums less commissions) by the insurers, it is currently estimated that 1/8th of the first quarter, 3/8th of the second quarter, 5/8th of the third quarter and 7/8th of the fourth quarter are unearned, in that the income, or reinsurance expense, does not meet the recognition criteria. This estimate is based on industry norms in Namibia under insurance companies.

Impairment of financial assets

The corporation assesses at each reporting date whether a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Annual Financial Statements

4. Risk management

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.

Regulatory requirements with which the corporation must comply requires the corporation to maintain a solvency margin of which the aggregate value of its assets exceeds its net liabilities by not less than N$ 4000 or 15%, which ever is the greater amount. The corporation's ensures that its solvency is at least 15% at all times.

	2016	2015
Solvency margin as at financial year end	96.08%	74.42%

Financial risk management

The corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity 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 reinsurance department (corporation treasury) under policies approved by the board. Corporation reinsurance identifies, evaluates the financial risks in the close co-operation with the corporation's operating units. The board 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, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Cash flow forecasting is performed in the operating entities 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 the corporation's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the corporation treasury. Corporation treasury 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 above-mentioned forecasts.

The table below analyses the corporation's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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.

4. Risk management (continued)

At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Insurance liabilities	51,545,879	-	-	-
Reinsurance and other payables	19,921,715	-	-	-

At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Insurance liabilities	46,259,511	-	-	-
Reinsurance payable and other payables	4,865,820	-	-	-

At 31 March 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Insurance liabilities	43,772,902	-	-	-
Reinsurance payable and other payables	9,186,614	-	-	-

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Interest on investments accounts for a significant proportion of earnings of the corporation and is necessary for liquidity management.

The corporation's exposure to the risk of changes in market interest rates primarily to the corporation's cash and cash equivalents and investments with variable interest rates.

Interest rate effect on profit

Effect on profit	***100bp increase in market (2016)***	***100bp decrease in market (2016)***	***100bp increase in market (2015)***	***100bp decrease in market (2015)***
Cash and cash equivalents	83,392	(83,392)	150,268	(150,268)
Investments held to maturity	210,006	(210,006)	528,063	(528,063)
Investments at fair value through profit and loss	1,428,410	(1,428,410)	896,283	(896,283)
	1,721,808	**(1,721,808)**	**1,574,614**	**(1,574,614)**

Credit risk

Credit risk consists mainly of cash and cash equivalents, staff loans and trade debtors. The corporation only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

There has been no instances of counter-party default, relating to the latter financial assets in the past, and therefore the credit quality of financial assets neither past due nor impaired is considered good. Consequently, also no collateral is held for it. Premium debtors are presented net of the allowance for doubtful debts, of N$ 522,173 (2015: N$ 520,932). The credit quality of premium debtors (insurance receivables) is assessed based on a credit rating scorecards. The maximum exposure to credit risk best estimate equals the carrying values of financial assets. At 31 March 2016, the corporation has 37 premium debtors (2015: 33 premium debtors).

4. Risk management (continued)

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016 N$	2015 N$	2014 N$
Investments held to maturity	29,966,778	12,034,413	93,578,248
Reinsurance assets	4,443,098	8,613,709	7,546,830
Insurance receivables	21,266,672	13,083,431	12,914,659
Staff loans and other prepayments	421,937	385,676	327,589
Cash and cash equivalents	11,548,546	5,129,828	24,923,824
Investments at fair value through profit and loss	142,618,491	143,063,440	36,193,152

Foreign exchange 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 and the Kenya Shillings.

The corporation does not hedge foreign exchange fluctuations.

Foreign currency exposure at the statement of financial position date

31 March 2016	*Deferred acquisition costs*	*Reinsurance assets*	*Insurance receivables*	*Total*
Namibian Dollar	3,278,317	4,423,035	22,140,489	29,841,841
US Dollar	312,952	1,042	(1,443,662)	(1,129,668)
Zambian Kwacha	104,868	9,475	2,737,183	2,851,526
Malawian Kwacha	16,554	1,191	(2,151,393)	(2,133,648)
Kenyan Shillings	-	-	(15,945)	(15,945)
Other	-	8,355	-	8,355
	3,712,691	**4,443,098**	**21,266,672**	**29,422,461**

31 March 2016	*Reinsurance payable*	*Insurance liability*	*Total*
Namibian Dollar	(14,877,763)	(47,479,078)	(62,356,841)
US Dollar	(8,697)	(2,141,404)	(2,150,101)
Zambian Kwacha	(79,111)	(1,377,252)	(1,456,363)
Malawian Kwacha	(9,940)	(530,250)	(540,190)
Other	(69,755)	(17,895)	(87,650)
	(15,045,266)	**(51,545,879)**	**(66,591,145)**

31 March 2015	*Deferred acquisition costs*	*Reinsurance assets*	*Insurance receivables*	*Total*
Namibian Dollar	2,812,478	4,888,331	11,476,615	19,177,424
US Dollar	321,004	102,018	340,256	763,278
Zambian Kwacha	229,234	2,831,256	148,716	3,209,206
Malawian Kwacha	43,648	791,783	(64,279)	771,152
Kenyan Shillings	-	321	1,063,883	1,064,204
Other	-	-	118,240	118,240
	3,406,364	**8,613,709**	**13,083,431**	**25,103,504**

4. Risk management (continued)

31 March 2015	*Reinsurance payable*	*Insurance liability*	*Total*
Namibian Dollar	(3,768,459)	(38,656,199)	(42,424,658)
US Dollar	(1,261,588)	(2,103,454)	(3,365,042)
Zambian Kwacha	(327,259)	(4,082,874)	(4,410,133)
Malawian Kwacha	(74,932)	(1,336,748)	(1,411,680)
Kenyan Shillings	(1,712)	(79,391)	(81,103)
Other	-	(845)	(845)
	(5,433,950)	**(46,259,511)**	**(51,693,461)**

Insurance risk

The principal risk the corporation faces under the insurance contracts is that, the actual claims and benefit payments, or the timing thereof, may differ from expectations. This is influenced by the frequency of claims and the severity of claims, especially relating to foreign business. Therefore, the objective of the corporation is to ensure that sufficient reserves are available to cover these liabilities.

The corporation mitigates this risk by diversifying its reinsurance portfolio across portfolio of insurance contracts and geographic areas. 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.

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

The corporation manages these positions within an Asset Liability Management (ALM) framework by placing its highly liquid investments into government bonds and by revisiting the corporations' investment guidelines going forward. On the other hand, the corporation manages the reinsurance portfolio by maintaining good rated securities, and by buying adequate covers as well as through selective underwriting methods.

Non–life insurance contracts

The corporation underwrites fire, marine, motor, miscellaneous, personal lines and medical. All these risks are covered over a period of twelve months. The motor and fire, which includes engineering class of business contributes the highest to loss ratio. These exposures are mitigated by risk selecting and underwriting strategies comprising diversification of risk across geographical areas. The corporation has selected specific markets in Eastern, Central and Southern Africa for foreign business underwriting.

The corporation avoids underwriting risks in catastrophic areas which are prone to hurricane, earthquake and major floods. Further the corporation introduced event limit clauses in the underwriting slips as from 2012.

The corporation is currently exposed to key man risk by having a growing portfolio with limited key staff. This risk will be mitigated by increasing the staff compliment of the corporation by 2016 and by providing relating technical training.

Notes to the Annual Financial Statements

4. Risk management (continued)

The table below sets out the concentration of non-life insurance contract liabilities by type of contract:

2016	*Gross liability*	*Reinsurance asset*	*Net liability*
Fire	40,082,857	(3,238,796)	36,844,061
Health	1,139,794	(282,428)	857,366
Marine	582,167	(76)	582,091
Motor Miscellaneous	9,527,994	(911,734)	8,616,260
Nasria	183,166	(1,087)	182,079
Aviation	29,901	(8,977)	20,924
	51,545,879	**(4,443,098)**	**47,102,781**

2015	*Gross liability*	*Reinsurance asset*	*Net liability*
Fire	24,671,155	(5,719,071)	18,952,084
Health	440,373	(230,012)	210,361
Marine	532,238	(31,541)	500,697
Motor Miscellaneous	20,470,222	(2,630,792)	17,839,430
Nasria	145,523	(2,293)	143,230
	46,259,511	**(8,613,709)**	**37,645,802**

The geographical concentration of the corporation's 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.

2016	*Gross liability*	*Reinsurance asset*	*Net liability*
Namibian	47,479,078	(4,423,036)	43,056,042
Foreign	4,066,801	(20,062)	4,046,739
	51,545,879	**(4,443,098)**	**47,102,781**

2015	*Gross liability*	*Reinsurance asset*	*Net liability*
Namibian	38,656,199	(4,888,331)	33,767,868
Foreign	7,603,312	(3,725,378)	3,877,934
	46,259,511	**(8,613,709)**	**37,645,802**

Notes to the Annual Financial Statements

	2016 N$	2015 N$	2014 N$

5. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the corporation can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 2

	2016 N$	2015 N$	2014 N$
Financial assets designated at fair value through profit or loss			
Unit trust investments	142,618,491	143,063,440	14,571,851
Total	**142,618,491**	**143,063,440**	**14,571,851**

Level 2 represents those assets whose inputs are other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3

	2016 N$	2015 N$	2014 N$
Investments at amortised cost			
Republic of Namibia Government bonds	29,966,778	6,303,649	14,321,485
Telecom Namibia Limited bonds	-	-	40,677,286
Total	**29,966,778**	**6,303,649**	**54,998,771**

Notes to the Annual Financial Statements

6. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	4,448,374	-	4,448,374	4,448,374	-	4,448,374
Buildings	20,413,290	-	20,413,290	19,419,657	-	19,419,657
Furniture and fixtures	959,091	(513,505)	445,586	792,622	(505,877)	286,745
Motor vehicles	229,858	(175,483)	54,375	229,858	(118,019)	111,839
IT equipment	701,566	(397,028)	304,538	621,337	(383,649)	237,688
Finance lease asset	127,863	(79,734)	48,129	92,595	(48,870)	43,725
Total	**26,880,042**	**(1,165,750)**	**25,714,292**	**25,604,443**	**(1,056,415)**	**24,548,028**

	2014		
	Cost or revaluation	Accumulated depreciation	Carrying value
Land	3,730,940	-	3,730,940
Buildings	16,181,888	-	16,181,888
Furniture and fixtures	656,013	(421,342)	234,671
Motor vehicles	229,858	(60,554)	169,304
IT equipment	470,643	(292,659)	177,984
Finance lease asset	92,595	(18,005)	74,590
Total	**21,361,937**	**(792,560)**	**20,569,377**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Land	4,448,374	-	-	-	4,448,374
Buildings	19,419,657	993,633	-	-	20,413,290
Furniture and fixtures	286,745	304,041	(13,728)	(131,472)	445,586
Motor vehicles	111,839	-	-	(57,464)	54,375
IT equipment	237,688	291,587	(75,112)	(149,625)	304,538
Finance lease asset	43,725	35,269	-	(30,865)	48,129
	24,548,028	**1,624,530**	**(88,840)**	**(369,426)**	**25,714,292**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	3,730,940	-	-	717,434	-	4,448,374
Buildings	16,181,888	368,031	-	2,869,738	-	19,419,657
Furniture and fixtures	234,671	136,608	-	-	(84,534)	286,745
Motor vehicles	169,304	-	-	-	(57,465)	111,839
IT equipment	177,984	210,054	(11,568)	-	(138,782)	237,688
Finance lease asset	74,590	-	-	-	(30,865)	43,725
	20,569,377	**714,693**	**(11,568)**	**3,587,172**	**(311,646)**	**24,548,028**

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,898,000	-	-	(167,060)	-	3,730,940
Buildings	15,311,971	702,857	-	167,060	-	16,181,888
Furniture and fixtures	151,086	151,524	-	-	(67,939)	234,671
Motor vehicles	226,769	-	-	-	(57,465)	169,304
IT equipment	168,525	140,516	(25,609)	-	(105,448)	177,984
Finance lease asset	-	92,593	-	-	(18,003)	74,590
	19,756,351	**1,087,490**	**(25,609)**	**-**	**(248,855)**	**20,569,377**

Details of properties

Land and buildings relates to a property situated on ERF 8571, Corner of Lazarett Street and Feld Street, Windhoek, Namibia. The property measures 1950 square metres in size.

7. Intangible assets

	2016			**2015**		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	477,385	(7,187)	470,198	148,600	-	148,600

	2014		
	Cost	Accumulated amortisation	Carrying value
Computer software	2,438,268	(101,595)	2,336,673

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	148,600	328,785	(7,187)	470,198

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Impairment loss	Total
Computer software	2,336,673	148,600	(2,336,673)	148,600

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	1,686,857	751,411	(101,595)	2,336,673

Notes to the Annual Financial Statements

	2016 N$	2015 N$	2014 N$
8. Investments held to maturity			
Held to maturity			
Republic of Namibia Government bonds (Baa3)	29,966,778	6,303,649	14,321,485
Telecom Namibia Limited bonds (BB+)	-	-	40,677,286
	29,966,778	**6,303,649**	**54,998,771**
Fixed deposits			
Bank Windhoek (A1+)	-	-	10,855,901
First National Bank Limited (F1)	-	-	10,878,977
Namibia Post Limited (Baa3)	-	5,730,764	16,844,599
	-	**5,730,764**	**38,579,477**
Total investments held to maturity	**29,966,778**	**12,034,413**	**93,578,248**

9. Investments at fair value through profit and loss

	2016 N$	2015 N$	2014 N$
At fair value through profit or loss - designated			
Prudential Inflation Fund (with no credit rating)	-	6,768,384	5,966,440
Namibia Coronation Balance Defensive Fund (with no credit rating)	-	6,601,739	5,951,991
Namibia Equity Brokers (Pty) Ltd (with no credit rating)	20,312,084	-	2,527
Old Mutual Money Market Fund (with no credit rating)	-	-	2,650,894
Bank Windhoek Selekt Fund (with no credit rating)	46,321,058	75,927,208	21,621,300
Old Mutual Nedbank Namibia Corporate Fund (with no credit rating)	21,418,782	20,254,643	-
FNB Namibia Unit Trust Income Fund (with no credit rating)	13,434,054	11,183,310	-
Liberty Life Namibia Unit Trust Income Fund (with no credit rating)	13,339,162	11,160,305	-
Sanlam Namibia Money Market Fund (with no credit rating)	11,821,791	11,153,677	-
Old Mutual Nedbank Money Market Fund (with no credit rating)	14,920	14,174	-
Liberty Life - Absolute Balanecd Fund (with no credit rating)	7,147,923	-	-
Sanlam - Absolute Return Plus Fund (with no credit rating)	8,808,717	-	-
	142,618,491	**143,063,440**	**36,193,152**

Notes to the Annual Financial Statements

	2016 N$	2015 N$	2014 N$

10. Reinsurance assets

Reinsurance assets receivable	4,443,098	8,613,709	7,546,830
Reinsurance of insurance contracts is made up as follows			
Unearned premiums	1,082,384	1,905,734	2,839,140
Outstanding claims	1,558,714	3,919,941	1,494,552
Provision for claims incurred but not reported (IBNR)	1,802,000	2,788,034	3,213,138
	4,443,098	**8,613,709**	**7,546,830**

No impairment loss was recognised by the corporation at year end (2015: 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 (2015: N$ nil).

11. Insurance and other receivables

Premium debtors of short-term insurance	21,266,672	13,083,431	12,914,659

Premium debtors of short-term insurance

The insurance receivables balance above is reflected net of allowance for doubtful debts summarised below. The balance is due from various reputable insurance companies with no history of defaulting.

Gross premium debtors of short-term insurance	21,788,845	13,604,364	13,536,942
Allowance for doubtful debts	(522,173)	(520,933)	(622,283)
	21,266,672	**13,083,431**	**12,914,659**

Credit quality of premium debtors of short-term insurance

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Premium debtors of short-term insurance

Counterparties without external credit rating			
Group 2	21,266,672	13,083,431	12,914,659

Group 1 – new customer (less 6 months).

Group 2 – existing customer (more than 6 months) with no defaults in the past.

Group 3 – existing customer (more than 6 months) with some defaults in the past.

Notes to the Annual Financial Statements

	2016 N$	2015 N$	2014 N$

12. Current tax receivable / (payable)

The current tax balance is made up as follows:

	2016 N$	2015 N$	2014 N$
Current tax receivable			
Current tax receivable	5,439,266	-	-
Current tax payable			
Current tax payable	-	(1,136,334)	(5,541,335)
Total current tax receivable / (payable)	**5,439,266**	**(1,136,334)**	**(5,541,335)**
Provision for taxation			
Opening balance	(1,136,334)	(5,541,335)	(3,191,596)
Provision for the year	(2,462,234)	(1,342,738)	(6,406,164)
Provisional tax payment	9,037,834	5,747,739	4,056,425
	5,439,266	**(1,136,334)**	**(5,541,335)**

13. Deferred acquisition costs

	2016 N$	2015 N$	2014 N$
Deferred acquisition costs			
Balance at the beginning of the year	3,406,364	3,315,141	3,520,680
Expenses deferred	306,327	91,223	(205,540)
	3,712,691	**3,406,364**	**3,315,140**
Reinsurance deferred acquisition costs			
Balance at the beginning of the year	438,128	673,445	977,455
Expenses deferred	(96,581)	(235,317)	(304,010)
	341,547	**438,128**	**673,445**

14. Staff loans and other prepayments

	2016 N$	2015 N$	2014 N$
Staff loans advanced	295,412	285,446	272,715
Deposits and prepayments	126,525	100,230	54,874
	421,937	**385,676**	**327,589**

Notes to the Annual Financial Statements

	2016 N$	2015 N$	2014 N$

15. Cash and cash equivalents

Cash and cash equivalents consist of:

	2016 N$	2015 N$	2014 N$
Cash on hand	77	1,620	4,266
Bank balances	11,548,469	5,128,208	24,919,558
	11,548,546	**5,129,828**	**24,923,824**

FNB Namibia 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.

Credit quality of cash at bank and short term deposits, excluding cash on hand

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:

	2016 N$	2015 N$	2014 N$
Credit rating			
First National Bank Limited (F1)	8,071,971	2,302,089	19,691,550
Bank Windhoek Limited (A1+)	3,476,498	2,826,119	5,228,008
	11,548,469	**5,128,208**	**24,919,558**

16. Share capital

	2016 N$	2015 N$	2014 N$
Authorised			
20,000,000 ordinary shares of N$1 each	20,000,000	20,000,000	20,000,000
Issued			
20,000,000 ordinary shares of N$1 each	20,000,000	20,000,000	20,000,000

Notes to the Annual Financial Statements

	2016 N$	2015 N$	2014 N$

17. Reserves

General reserve

	2016 N$	2015 N$	2014 N$
Opening balance	50,912,692	47,213,495	40,765,610
Transfer from retained income	5,231,312	3,699,197	6,447,885
	56,144,004	**50,912,692**	**47,213,495**

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 period the following;

50% of the annual profits of the corporation, if the general reserve fund is less than the authorised share capital of the corporation; or

25% of the annual profits of the corporation, if the general reserve fund is equal to or exceeds the authorised share capital of the corporation.

Staff welfare reserve

	2016 N$	2015 N$	2014 N$
Opening balance	1,086,446	1,050,425	1,050,425
Utilised during the year	(483,658)	(260,058)	-
Transfer from retained income	877,676	296,079	-
	1,480,464	**1,086,446**	**1,050,425**

The staff welfare fund is required in terms of Section 29 of the Namibia National Reinsurance Corporation Act,1998. Amount transferred to the fund may not exceed 5% of the annual net profits of the corporation.

The reserve shall be utilised for recreation facilities, low interest-bearing loans and any other purposes aimed at enhancing the employee's welfare of the corporation.

Revaluation Reserve

	2016 N$	2015 N$	2014 N$
Opening Balance	3,587,172	-	-
Gain on Revaluation of Property	-	3,587,172	-
	3,587,172	**3,587,172**	**-**

	2016 N$	2015 N$	2014 N$

18. Finance lease liabilities

	2016 N$	2015 N$	2014 N$
Minimum lease payments due			
- within one year	32,709	41,144	40,936
- in second to fifth year inclusive	31,223	17,104	58,098
	63,932	58,248	99,034
less: future finance charges	(6,702)	(4,212)	(11,017)
Present value of minimum lease payments	**57,230**	**54,036**	**88,017**
Present value of minimum lease payments due			
- within one year	29,032	37,361	33,986
- in second to fifth year inclusive	28,198	16,675	54,031
	57,230	**54,036**	**88,017**

The liability relates to computer equipment (photo copier machines) that were financed under finance leases. The liability is repayable in 36 equal monthly installments of N$ 3,399 including VAT.

19. Deferred tax

Deferred tax liability

	2016 N$	2015 N$	2014 N$
Deferred tax liability	(7,661,377)	(6,751,875)	(3,374,108)

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:

	2016 N$	2015 N$	2014 N$
Deferred tax liability	**(7,661,377)**	**(6,751,875)**	**(3,374,108)**
Deferred taxation liability to be recovered after more than 12 months	(7,661,377)	(6,751,875)	(3,374,108)
Deferred taxation liability to be recovered within 12 months	-	-	-
Deferred tax asset	**-**	**-**	**-**
Deferred taxation asset to be recovered after more than 12 months	-	-	-
Deferred taxation asset to be recovered within 12 months	-	-	-
Total net deferred tax liability	**(7,661,377)**	**(6,751,875)**	**(3,374,108)**

Reconciliation of deferred tax liability

	2016 N$	2015 N$	2014 N$
At beginning of year	(6,751,875)	(3,374,108)	(168,666)
Prior period error	565,003	218,044	(2,250,390)
Rate change adjustment	204,602	-	-
Timing differences for current period recognised through profit/loss	(1,679,107)	(3,595,811)	(955,052)
	(7,661,377)	**(6,751,875)**	**(3,374,108)**

Notes to the Annual Financial Statements

	2016 N$	2015 N$	2014 N$

20. Reinsurance and other payables

	2016 N$	2015 N$	2014 N$
Reinsurance payables	15,045,266	5,433,950	8,968,327
VAT	3,393,229	-	-
Other payables	1,483,220	(585,530)	218,287
Deposits received	-	17,400	-
	19,921,715	**4,865,820**	**9,186,614**

21. Insurance liabilities

Reconciliation of insurance liabilities - 2016

	Opening balance	(Utilised)/Created during the year	Total
Provision for claims incurred but not reported, IBNR (refer to 21.3 below)	16,603,291	6,013,709	22,617,000
Provision for unexpired risk	-	-	-
Provision for unearned premiums (refer to 21.1 (a) below)	13,986,077	2,829,133	16,815,210
Provision for outstanding claims (refer to 21.2 below)	15,670,143	(3,556,474)	12,113,669
	46,259,511	**5,286,368**	**51,545,879**

Reconciliation of insurance liabilities - 2015

	Opening balance	(Utilised)/Created during the year	Total
Provision for claims incurred but not reported, IBNR (refer to 21.3 below)	15,841,985	761,306	16,603,291
Provision for unexpired risk	-	-	-
Provision for unearned premiums (refer to 21.1 (a) below)	14,962,877	(976,800)	13,986,077
Provision for outstanding claims (refer to 21.2 below)	12,968,040	2,702,103	15,670,143
	43,772,902	**2,486,609**	**46,259,511**

Reconciliation of insurance liabilities - 2014

	Opening balance	Utilised during the year	Total
Provision for claims incurred but not reported, IBNR (refer to 21.3 below)	13,970,305	1,871,680	15,841,985
Provision for unexpired risk	-	-	-
Provision for unearned premiums (refer to 21.1 below)	13,390,821	1,572,056	14,962,877
Provision for outstanding claims (refer to 21.2 below)	13,643,679	(675,639)	12,968,040
	41,004,805	**2,768,097**	**43,772,902**

Notes to the Annual Financial Statements

	2016 N$	2015 N$	2014 N$
21. Insurance liabilities (continued)			
21.1 Gross provision for unearned premiums			
Balance beginning of the year	13,986,077	14,962,877	13,390,821
Premiums written during the year	213,424,695	170,167,823	157,843,400
Premiums earned during the year	(210,595,562)	(171,144,623)	(156,271,344)
	16,815,210	**13,986,077**	**14,962,877**
21.1 (a) Net unearned premium reserve			
Balance beginning of the year	12,080,343	12,123,738	9,781,251
Transfer (from)/to statement of comprehensive income	3,176,153	(43,395)	2,342,487
	15,256,496	**12,080,343**	**12,123,738**
The balance comprises			
Gross provision for unearned premiums	16,815,210	13,986,077	14,962,877
Reinsurer's share of unearned premiums	(1,558,714)	(1,905,734)	(2,839,139)
	15,256,496	**12,080,343**	**12,123,738**
21.2 Provision for outstanding claims			
Balance beginning of the year	15,670,143	12,968,040	13,643,679
Transfer (from)/to statement of comprehensive income	(3,556,474)	2,702,103	(675,639)
	12,113,669	**15,670,143**	**12,968,040**
Provision for outstanding claims ceded to reinsurers			
Balance beginning of the year	(3,919,941)	(1,494,552)	(3,177,762)
Transfer (from)/to statement of comprehensive income	2,837,337	(2,425,389)	1,683,210
	(1,082,604)	**(3,919,941)**	**(1,494,552)**
Net provision for outstanding claims	11,031,285	11,750,202	11,473,488
21.3 Provision for claims incurred but not reported (IBNR)			
Balance beginning of the year	16,603,291	15,841,985	13,970,304
Incurred	6,013,709	761,306	1,871,681
	22,617,000	**16,603,291**	**15,841,985**
Reinsurance provision for claims incurred but not reported			
Balance beginning of the year	(2,788,034)	(3,213,138)	(3,147,729)
Utilised/(incurred)	986,034	425,104	(65,409)
	(1,802,000)	**(2,788,034)**	**(3,213,138)**
Net provision for claims incurred but not reported	20,815,000	13,815,257	12,628,848

Notes to the Annual Financial Statements

22. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2016

	Financial liabilities at amortised cost	Total
Finance lease liabilities	57,230	57,230
Reinsurance and other payables	19,921,715	19,921,715
Insurance liabilities	51,545,879	51,545,879
	71,524,824	**71,524,824**

2015

	Financial liabilities at amortised cost	Total
Finance lease liabilities	54,036	54,036
Reinsurance and other payables	4,865,820	4,865,820
Insurance liabilities	46,259,511	46,259,511
	51,179,367	**51,179,367**

2014

	Financial liabilities at amortised cost	Total
Finance lease liabilities	88,017	88,017
Reinsurance and other payables	9,186,614	9,186,614
Insurance liabilities	43,772,902	43,772,902
	53,047,533	**53,047,533**

	2016 N$	2015 N$

23. Gross premiums written

Short-term insurance	213,424,695	170,167,823
Change in provision for unearned premiums	(2,829,133)	976,800
	210,595,562	**171,144,623**
Premiums ceded to reinsurers		
Short-term insurance	(37,040,724)	(28,750,786)
Change in provision for unearned premiums	(347,020)	(933,045)
	(37,387,744)	**(29,683,831)**

Notes to the Annual Financial Statements

	2016 N$	2015 N$
24. Fees and commission paid		
Fees and commission to reinsurers	55,826,671	46,318,692
25. Investment revenue		
Dividend revenue		
Dividend received on money market investments	3,260,333	46,954
Interest revenue		
Interest on investments	4,394,090	7,966,401
	7,654,423	**8,013,355**
26. Sundry income		
Other income	159,627	147,570
Receiver of Revenue - refund	2,832,252	-
	2,991,879	**147,570**
27. Fair value adjustments		
Other financial assets	2,276,670	1,772,192
28. Net benefits and claims		
a) Gross benefits and claims incurred		
Short-term insurance	(108,469,571)	(86,942,104)
b) Claims ceded to reinsurers		
Reinsurance recoveries relating to claims incurred	12,299,272	12,124,635
c) Gross change in insurance liabilities		
Change in provision for outstanding claims	3,556,474	(2,702,103)
Change in provision for claims incurred but not reported (IBNR)	(6,013,709)	(761,306)
	(2,457,235)	**(3,463,409)**
d) Change in insurance liabilities ceded to reinsurers		
Change in provision for outstanding claims	2,837,337	2,425,389
Change in provision for claims incurred but not reported (IBNR)	(986,034)	(425,104)
	1,851,303	**2,000,285**

Notes to the Annual Financial Statements

	2016 N$	2015 N$
29. Fees and commission received		
Commissions received	10,071,936	8,194,209
30. Finance costs		
Interest on finance lease liability	3,797	7,179
31. Cash generated from operations		
Profit before taxation	20,925,249	14,796,788
Adjustments for:		
Depreciation and amortisation	376,613	453,878
Profit on disposal of property, plant and equipment	55,558	-
Dividends received	(3,260,333)	(46,954)
Interest received	(4,394,090)	(7,966,401)
Finance costs	3,797	7,179
Fair value adjustments	(2,276,670)	(1,772,192)
Impairment loss	-	2,194,442
Movements in provisions	5,286,368	2,486,608
Staff welfare reserve	(483,658)	(260,058)
Changes in working capital:		
Insurance and other receivables	(8,183,241)	(168,773)
Reinsurance assets	4,170,611	(1,066,879)
Deferred acquisition costs	(306,327)	(91,224)
Staff loans and other prepayments	(36,261)	(58,087)
Reinsurance and other payables	15,055,895	(4,320,794)
	26,933,511	**4,187,533**

32. Income tax expense

Major components of the income tax expense

	2016 N$	2015 N$
Current		
Short-term Insurance Business	2,448,148	1,342,738
Long-term Insurance Business	14,086	-
	2,462,234	**1,342,738**
Deferred		
Prior period adjustment	(565,003)	(218,041)
Deferred tax	1,474,505	3,595,808
	909,502	**3,377,767**
	3,371,736	**4,720,505**

Reconciliation of the income tax expense

Reconciliation between accounting profit and tax expense.

	2016 N$	2015 N$
Accounting profit	20,925,249	14,796,788

Notes to the Annual Financial Statements

	2016 N$	2015 N$
32. Income tax expense (continued)		
Tax at the applicable tax rate of 32% (2015: 33%)	6,696,080	4,882,940
Tax effect of adjustments on taxable income		
Prior period adjustments - deferred tax	(565,004)	(218,046)
Net permanent differences	(2,317,794)	55,611
Long term insurance business not subject to deferred tax	(236,944)	-
Rate change adjustment	(204,602)	-
	3,371,736	**4,720,505**

The income tax rate of 33% in 2015 was reduced to 32% in 2016.

33. Other comprehensive income

Components of other comprehensive income - 2016

Items that will not be reclassified to profit or loss

	2016 N$	2015 N$
Movements on revaluation		
Gains on property revaluation		-

Components of other comprehensive income - 2015

Items that will not be reclassified to profit or loss

	2016 N$	2015 N$
Movements on revaluation		
Gains (losses) on property revaluation		3,587,172

34. Auditor's remuneration

	2016 N$	2015 N$
Fees	259,860	255,164

35. Tax paid

	2016 N$	2015 N$
Balance at beginning of the year	(1,136,334)	(5,541,335)
Current tax for the year recognised in profit or loss	(2,462,234)	(1,342,738)
Balance at end of the year	(5,439,266)	1,136,334
	(9,037,834)	**(5,747,739)**

36. Dividends paid

	2016 N$	2015 N$
Dividends	(2,000,000)	(1,800,000)

Notes to the Annual Financial Statements

	2016 N$	2015 N$

37. Related parties

Relationships		
Shareholder	Government of the Republic of Namibia (GRN)	

Related party balances

	2016 N$	2015 N$
Government of the Republic of Namibia (GRN)		
Value added tax (receivable)/payable	(3,837,755)	2,214,562
PAYE payable	174,321	140,344

Related party transactions

	2016 N$	2015 N$
Government of the Republic of Namibia (GRN)		
Dividend paid	2,000,000	1,800,000
PAYE (employee taxes)	2,229,962	1,475,599

38. Directors' emoluments

2016

	Emoluments	Total
Directors' fees	723,668	723,668

2015

	Emoluments	Total
Directors' fees	1,240,207	1,240,207

39. Prior period errors

The company restated the current year current tax receivable and deferred tax liability balances.

The restatement is due to the investment policy of N$ 11,000,000 that was not deducted in computing taxable profit in the prior year.

The correction of the error results in adjustments as follows:

Current tax receivable / (payable)	***2015***	***2014***
Balance before restatements	(4,766,334)	(5,541,335)
Restatement	3,630,000	-
Balance after restatement	(1,136,334)	(5,541,335)

Deferred tax liability	***2015***	***2014***
Balance before restatements	3,121,875	3,374,108
Restatement	3,630,000	-
Balance after restatement	6,751,875	3,374,108

Notes to the Annual Financial Statements

	2016 N$	2015 N$

39. Prior period errors (continued)

Income tax expense	*2015*	*2014*
Income tax expense before restatements	4,720,505	9,611,606
		-
Current tax expense	(3,630,000)	-
Deferred tax expense	3,630,000	-
Income tax expense after restatement	4,720,505	9,611,606

Retained earning balance	*2015*	*2014*
Retained earnings before restatements	(75,759,604)	(71,478,596)
Current tax expense	(3,630,000)	-
Deferred tax expense	3,630,000	-
Retained earnings after restatement	(75,759,604)	(71,478,596)

Detailed Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2016 N$	2015 N$
Revenue			
Gross premiums written		213,424,695	170,167,823
Change in unearned premiums		(2,829,133)	976,800
	23	**210,595,562**	**171,144,623**
Premiums ceded to reinsurers		(37,387,744)	(29,683,831)
Net premiums earned		**173,207,818**	**141,460,792**
Other income			
Commissions received		10,071,936	8,194,209
Rental income		121,043	147,570
Receiver of Revenue - refund		2,832,252	-
Other income		38,584	-
Dividends received	25	3,260,333	46,954
Interest received	25	4,394,090	7,966,401
Fair value adjustments	27	2,276,670	1,772,192
		22,994,908	**18,127,326**
Expenses (Refer to page 50)		**(175,273,680)**	**(144,784,151)**
Operating profit		**20,929,046**	**14,803,967**
Finance costs	30	(3,797)	(7,179)
Profit before taxation		**20,925,249**	**14,796,788**
Taxation	32	(3,371,736)	(4,720,505)
Profit for the year		**17,553,513**	**10,076,283**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Detailed Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2016 N$	2015 N$
Operating expenses			
Auditors remuneration	34	(259,860)	(255,164)
Bad debts		(45,484)	(2,320,241)
Bank charges		(82,987)	(82,604)
Bursaries		(437,765)	(178,988)
Change in insurance liabilities		(172,993)	-
Claims ceded paid		12,299,272	12,124,635
Cleaning		(161,350)	(140,277)
Commission paid		(55,826,671)	(46,318,692)
Computer expenses		(9,929)	(81,280)
Depreciation, amortisation and impairments		(376,613)	(2,648,320)
Donations		(309,807)	(134,373)
Employee costs		(14,897,634)	(10,728,981)
Fines and penalties		(117,240)	(39,000)
Gain on foreign exchange gains and losses		-	65,189
Gross benefit and claims incurred		(108,469,571)	(86,942,104)
HR related costs		(177,106)	(150,550)
Insurance		(121,480)	(93,076)
Legal expenses		(281,367)	(283,201)
Loss on disposal of assets		(55,558)	-
Motor vehicle expenses		(17,886)	(12,745)
Namfisa levies		(25,892)	(13,959)
Office expenses		(378,334)	(510,678)
Other consulting and professional fees		(855,309)	(1,958,356)
Postage		(5,945)	(605)
Promotions		(4,000)	-
Repairs and maintenance		(126,381)	(232,588)
Secretarial fees		(5,132)	(7,409)
Security		(107,995)	(102,699)
Staff welfare		(433,545)	(243,094)
Subscriptions		(270,130)	(422,180)
Sundry expenses		(77,419)	(237,704)
Telephone and internet expenses		(693,284)	(611,733)
Training		(921,521)	(542,501)
Travelling and accommodation expenses		(1,490,019)	(1,335,435)
Water and electricity		(356,745)	(345,438)
		(175,273,680)	**(144,784,151)**

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