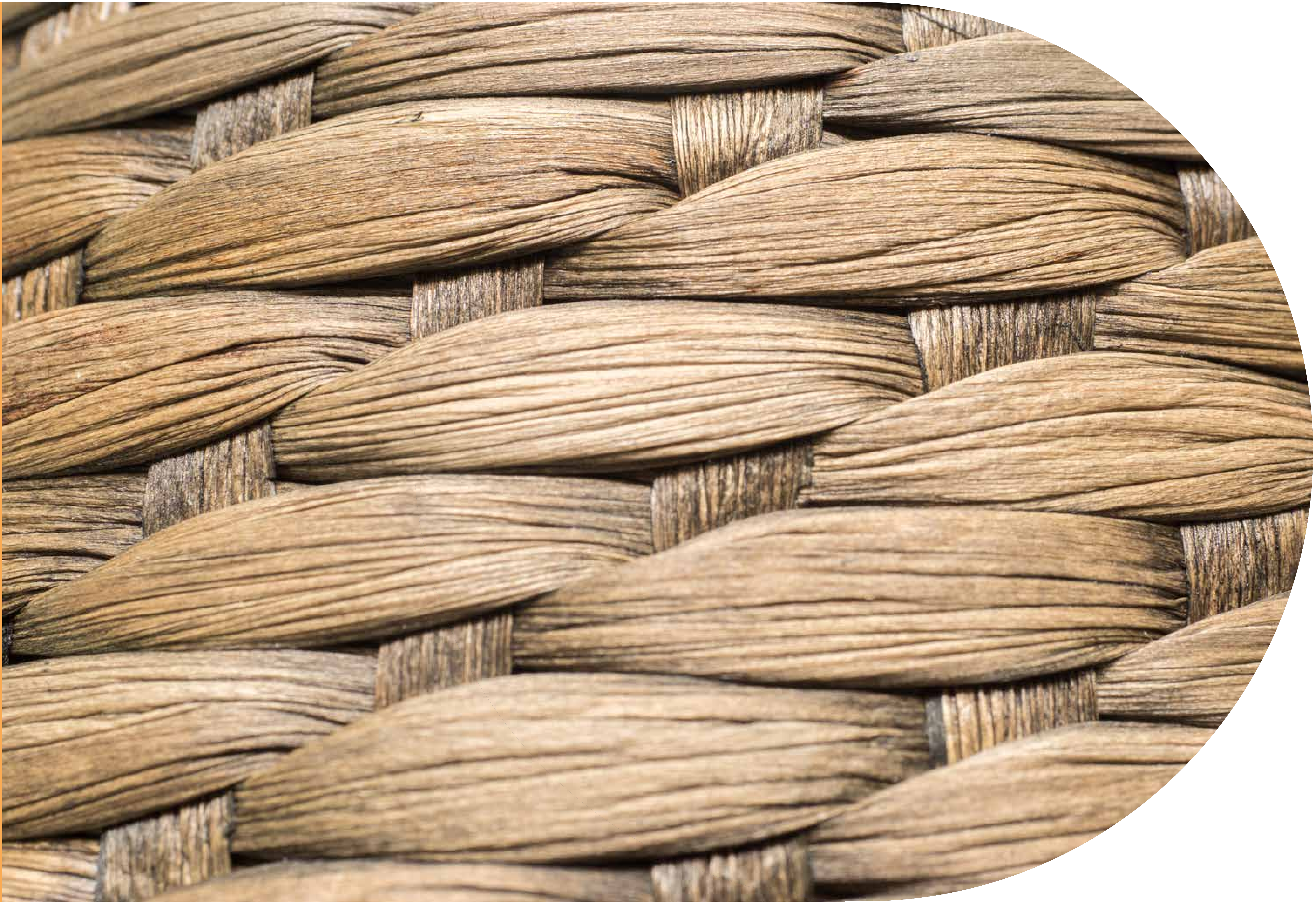
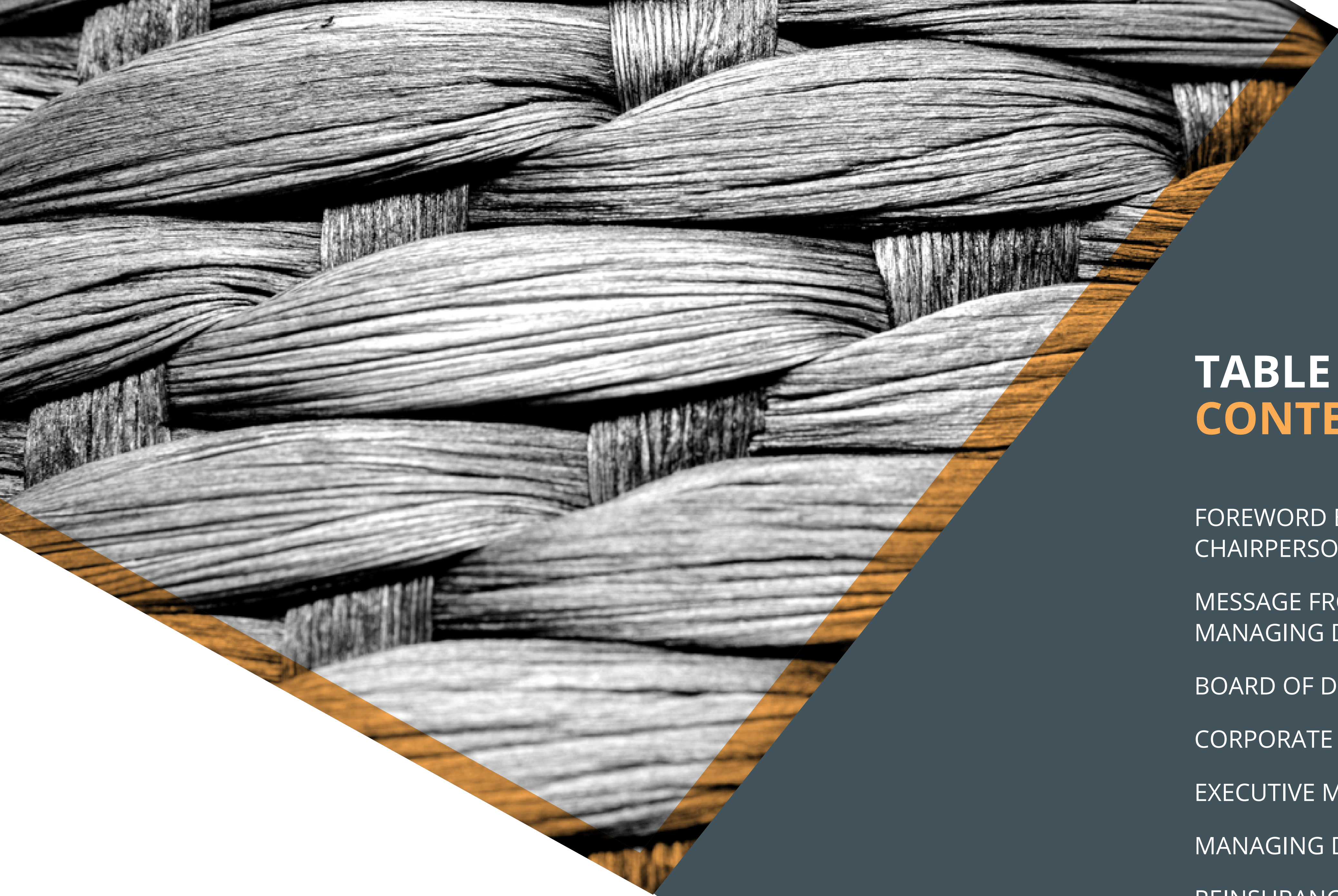
ANNUAL REPORT 2020

NamibRe





Vision
To be the preferred reinsurance company

Mandate
Provide reinsurance services locally in order to curb capital outflow from the insurance industry

Mission
To provide professional and quality reinsurance services to our clients and maximise shareholder returns

Values
Integrity
We are open, honest and reliable

Positive attitude
We are enthusiastic, proactive and enjoy what we do

Understanding and empathy
We are good listeners and express ourselves in a polite manner, coupled with due care

Professional service
We have the ability to use our knowledge competently, confidently and with a positive approach

Deliver people's growth
We strive to enhance the well-being of all staff members by embracing competency development initiatives and ensuring equitable conditions of employment

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FOREWORD BY THE CHAIRPERSON OF THE BOARD

It is indeed a great pleasure to present the Chairperson's report for the financial year ending 31 March 2020, a period characterised by positive results for NamibRe, despite ongoing global uncertainty and poor performance of the local economy. The strong financial performance achieved in the reporting period will support the Corporation's ability to deliver on its mandate of minimising capital outflows, as the Corporation is now able to retain more risks due to its growing balance sheet.

The annual report for the period 1 April 2019 to 31 March 2020 captures NamibRe's performance in line with the objectives and goals of the current five (5) year strategic plan. Given the Corporation's positive growth and financial performance during the past five (5) years, I am confident that, as we conclude the final year of the current strategic plan, the review of the plan will show positive results in terms of the achievement of the objectives and goals crafted in 2015.

I am pleased to announce that the Board of Directors unanimously decided to reappoint Ms Karuaihe-Martin as Managing Director for another five (5) year period, given NamibRe's positive performance since she joined the Corporation in 2014. On behalf of the Board, I would like to congratulate Ms Karuaihe-Martin on her reappointment and look forward to continue working with her. Ms Karuaihe-Martin's reappointment will ensure continuity in terms of the implementation and achievement of the strategic intents of the Corporation.

Financial Results of the Corporation

I am pleased to report that the business continues to be in excellent shape, as demonstrated in the financial results for the year ending 31 March 2020, which saw the Corporation recording a 184% growth in Gross Written Premium (GWP). Furthermore, I am proud to announce that the Corporation was once again able to exceed its budgeted targets and attain positive results. The Corporation's GWP for the period under review stands at N$755 million, compared to the previous year's premium of N$265 million. The substantial increase in the GWP is attributed to the implementation of the per policy cession as a result of the positive ruling in the Supreme Court in December 2019, which supported the enforcement of section 39(1) of the NamibRe Act. This has increased the Corporation's financial strength, resulting in a 12% increase in NamibRe's retention rate, from 67% (2019) to 79%.

The Corporation's net profit exceeded the budgeted target of N$9.9 million to reach N$39 million. Shareholder funds increased from N$236.5 million (2019) to N$254 million, while total assets increased from N$440 million (2019) to N$684.8 million in the current year. This performance will enable NamibRe to declare a dividend to the Shareholder in the current financial year.

Despite the challenges posed by the COVID-19 pandemic, such as temporary office closures and periodically operating with skeleton staff, coinciding with the beginning of the financial year end period, the Corporation managed to complete its audit process within the stipulated time frame of six (6) months after financial year end.

Dividend Declared

The Board of Directors resolved to declare a dividend to the Shareholder. As per the dividend policy of the Corporation, an amount of N$10 million, which is equal to 25% of profit before tax for the financial year ended 31 March 2020, will be paid to the Shareholder. In declaring the dividend, the Board took into account the uncertainty caused by the COVID-19 pandemic and the need to reserve additional funds to support business growth.

Credit Rating

The Corporation's credit rating remains stable. Global Credit Rating (GCR) affirmed the Corporation's credit rating of A+(NA), with a stable outlook, while Moody's credit rating for the Corporation remains at Ba2 IFS.

Local Economic Performance

The performance of the domestic economy has been subdued since 2016 and is estimated to have contracted by 1.1% in 2019, from a positive low growth rate of 0.7% the previous year[1]. The contraction is due to the poor performance recorded in the agriculture, mining, hotels and restaurants, wholesale and retail trade, construction and public sectors. Due to the impact of COVID-19, domestic economic performance will remain subdued and is expected to contract further by 7.8% in 2020, before recovering to a positive growth of 2.1% in 2021.

To support the recovery of the domestic economy, the Bank of Namibia Monetary Policy Committee (MPC) adopted a softening monetary policy stance, which resulted in the repo rate being cut in August 2019 and February 2020[2]. This was done to support economic recovery and bridge the financing gaps left by the COVID-19 pandemic. The two rate cuts led to the repo rate being reduced to 5.25 in February 2020. Further cuts were implemented by the MPC in June 2020 and August 2020, reducing the rate to 3.75%, the same rate maintained at the MPC meeting of 21 October 2020.

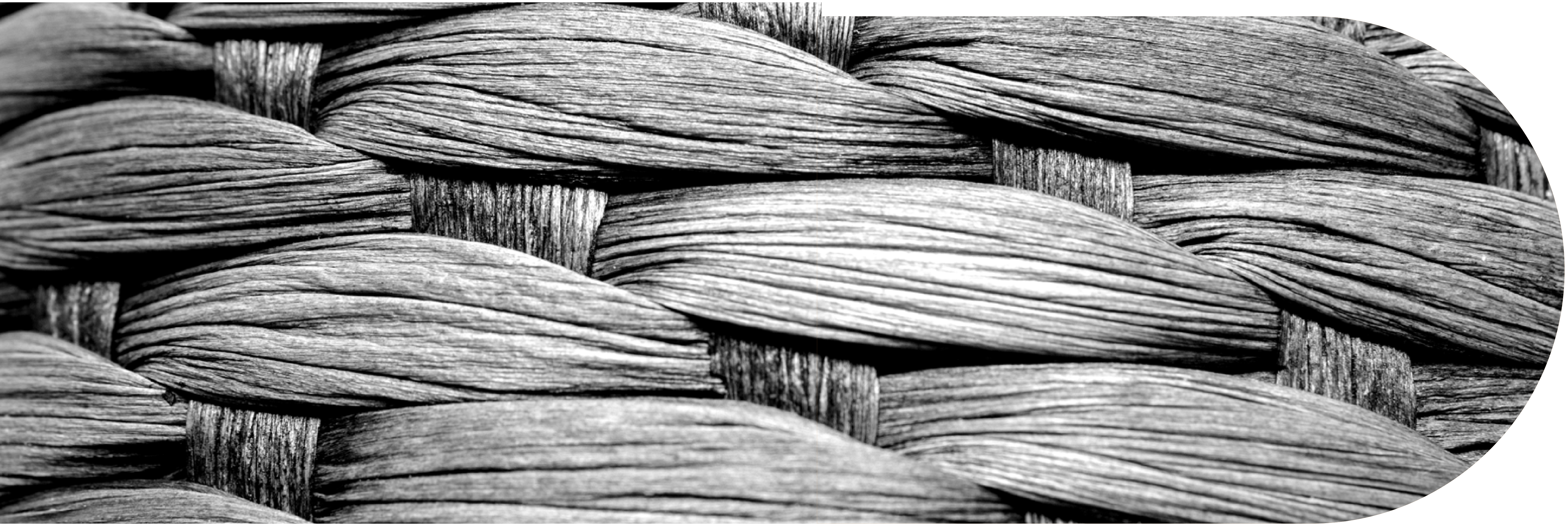
Market Overview[3]

Insurance penetration in Namibia remains fairly good at 9.3%. This is below penetration in South Africa, which stands at 12.6% (per GCR insurance sector risk scores), but better than the regional average of 2.5% and the global average of 6.3%. Although Namibia ranks second in penetration in sub-Saharan Africa, a substantial amount of insurance premiums continue to leave the country.

During the year ended 31 March 2019, the insurance industry comprised of 15 short-term and 16 long-term registered insurance companies. Total insurance industry Gross Written Premiums (GWP) amounted to N$15.3 billion, with the long-term industry accounting for 75% of total premiums, up 4% from 71% reported in 2018. The long-term industry GWP reported an increase of 18.9%, while the short-term industry GWP decreased by 3% year-on-year. The decrease is attributable to a reduction in new business underwritten, as well as endorsements to existing policies during the period.

The significant increase in GWP for the long-term insurance industry did not translate into improved profitability in comparison to 2019, as the industry reported a decrease in profit before tax of 42.7% in comparison to the previous year, amounting to N$1.4 billion. The decline is attributable to underwriting losses and increased expenses. The short-term industry also experienced a 3.6% decline in profitability, which approximates decline in GWP. The decline is attributable to increased management expenses. For the 2019 reporting period, vehicle and personal lines of business made up more than 50% of the total short-term

[1] Bank of Namibia Annual Report 2019
[2] Bank of Namibia Monetary Policy Statements
[3] NAMFISA Annual Report 2019 and NAMFISA Short-term Insurance Analusis Q1 - 2020



earned premiums, while fire, guarantees, miscellaneous and aviation lines of business were the most profitable, with underwriting profit margins exceeding 60%.

The industry balance sheet evidenced improved industry financial strength, with total industry assets amounting to N$67 billion, with the long-term industry reporting total assets of N$60.2 billion, while short-term industry total assets amounted to N$6.8 billion. Total assets of long-term and short-term insurance industry increased by 6.2% and 4.4%, respectively. The cover ratio during the period was 144.6 times, which is significantly above the preferred industry ratio of 1.5 times. The short-term industry's solvency buffer remains healthy at 31.5% as at 31 December 2019 and 30% as at 31 March 2020. These ratios indicate that the local insurance industry remains well capitalised and is able to withstand unforeseen market events. Additionally, liquidity levels remain above the expected minimum prudential levels.

Going forward, the industry will be required to remain adaptive to changes in its environment with digitisation and enhancements in technology, which have been expedited by COVID-19. Accordingly, NamibRe, as a member of the African Reinsurance and Insurance Blockchain Initiative (ARIBI), will support the blockchain initiative and adopt relevant technology for its underwriting and claims processes.

In Conclusion

The finacial year ending 31 March 2020 was a rewarding year in terms of the financial performance of the Corporation. This can be attributed to the concerted efforts of the Corporation's Board of Directors, Management and staff, combined with the support of the Minister of Finance and broader insurance industry.

Although NamibRe's financial performance was positive during the period under review, we cannot underestimate the possible impact of COVID-19 going forward. While we have limited powers to reduce the impact of the global pandemic on our business, as a Corporation, we were able to make quick adjustments to our business operations to minimise business interruptions when the country went into lockdown in March 2020. We will continue to employ the necessary strategies to mitigate the pandemic's impact.

In addition, we will continue to monitor the impact of COVID-19 on our business operations and financial performance, while at the same time using the opportunities created by the pandemic to improve the way we do business and continue to report favourable performance.

I would like to conclude by thanking all the stafff members of the Corporation for their hard work and dedication. I would further like to recognise and acknowledge the continued support of the Ministry of Finance and our technical partners. A special thank you goes to the local insurance industry, our esteemed clients, who despite the ongoing legal challenges continued to cede their reinsurance business voluntarily to NamibRe. Finally, allow me to extend appreciation to all our stakeholders for their continued support.

Libertha Kapere
Chairperson of the NamibRe Board

MESSAGE FROM THE MANAGING DIRECTOR

I am pleased to report on the operational activities of Namibia National Reinsurance Corporation (NamibRe) for the financial year 1 April 2019 to 31 March 2020. The Corporation's performance continues to surpass its budget targets, despite subdued global and domestic economic performance.

In my report, I offer an overview of the operational activities undertaken by the Corporation in the year under review in terms of Financial Performance, Strategy, Corporate Affairs, Human Resources and Stakeholder Engagement.

Financial Performance

NamibRe recorded a significant increase in the Gross Written Premium (GWP) for the year ended 31 March 2020. The increase is attributable to the Corporation's implementation of the mandatory cessions as provided for in its establishing Act (the NamibRe Act) and accompanying Government Notices. The mandatory cessions coupled with improved underwriting practices resulted in the Corporation reporting a 184% increase in GWP, from N$265 million in the previous financial year to N$755 million. GWP comprises N$709.7 million revenue from non-life business and N$45.3 million from life business. During the financial year under review, GWP from non-life business increased by 187% and GWP from life business increased by 152%. The increase in GWP aided a 12% increase in the Corporation's retention rate in pursuance of its mandate to curb capital outflow due to placement of insurance and reinsurance business outside the country. The Corporation's claims ratio stood at 49.9%, in comparison to the previous year's claims ratio of 42.5%.

In line with the increase in GWP, the Corporation remained profitable, with a net profit of N$39 million, compared to N$48 million in the previous financial year. The Corporation and its statutory actuaries took a conservative approach to provide a high base of IBNR in the first year of implementation of the per policy cession. This provision is expected to reduce in the short to medium term as GWP normalises. The Corporation's liquidity and solvency measures remain well above minimum required prudential levels. Moreover, the Corporation remains well capitalised to deal with unforeseen market events which may arise due to the COVID-19 pandemic.

Human Resources and Capacity Development

During the year under review, the Corporation continued with targeted interventions for staff members to strengthen the Corporation's vision of being the preferred reinsurance company and embodying the value of delivering our people's growth. Through these interventions, the Corporation continued to reinforce its mission, vision and values by focusing on interpersonal communication and team building exercises. Furthermore, NamibRe continued to use its performance management system to encourage a high-performance culture and track the skills development of all staff members.

The Corporation continued to invest in a number of capacity-building initiatives in line with its objective of promoting the development and participation of the Namibian people in the insurance and reinsurance industry. During the financial year under review, approximately 21% of the Corporation's employees were provided funding to complete various educational courses at local and regional institutions of higher learning.

The Corporation continued to implement its wellness and safety programmes. The highlight for the period under review was the first annual staff wellness initiative. The week-long event saw staff undergoing primary health screenings and attending information sessions on living and investing in a healthy lifestyle, with particular focus on mental health.

Corporate Social Responsibility and Investment

As a responsible corporate citizen, NamibRe places Corporate Social Responsibility and Investment at the forefront of its stakeholder engagement strategy. In 2019 the Board of Directors approved the establishment of the NamibRe Foundation, which will act as a vehicle for all major long-term Corporate Social Responsibility and Investment projects of the Corporation.

NamibRe continued its investment in education by granting bursaries to Namibian students and providing experiential learning opportunities to some of the bursary recipients through the Corporation's internship programmes. As part of experiential learning, the Corporation, together with our partners, secured a two-year internship in Bahrain for one of its bursary graduates. It is envisaged that upon successful completion of the internship, the candidate will be able to apply the skills in the Namibian insurance and reinsurance industry.

Stakeholder Engagement

NamibRe places a high value on stakeholder engagement as a means to achieve its strategic objectives. The Corporation utilised a wide array of communication modes in an effort to expand the nature and scope of its interactions with both internal and external stakeholders. As part of its value proposition to the industry, the Corporation hosted various events and created platforms for networking and collaboration. In pursuance of its strategic plan, NamibRe partnered with the local, regional and global insurance industry to host events such as the 42nd OESAI Conference in Kigali, Rwanda.

Conclusion

The achievements noted in this report would not have been possible without the invaluable contributions of the Corporation's staff and Board of Directors, coupled with the consistent support of all our stakeholders. I would like to thank our staff members for their hard work and for putting our core values into practice through innovation, commitment and dedication. I would be remiss if I did not acknowledge the important role played by the Board of Directors through its independent views and strategic focus on attaining the objectives of the Corporation. I would also like to extend my heart-felt gratitude to the Minister of Finance and his team for the invaluable support they have given the Corporation. Furthermore, our appreciation goes to all our stakeholders for their unwavering support in the face of the challenges posed by the COVID-19 pandemic and its economic and financial fallout.

Patty Karuaihe-Martin
Managing Director of NamibRe

BOARD OF DIRECTORS

Libertha Dewina Kapere
Chairperson

Adv. Slysken Makando
Deputy Chairperson

Anthea Beukes
Director

Fanuel Tjivau
Director

Theodor Saunderson
Director

Ndapandula Tshitayi
Director

Hilifa Mbako
Director

Tomas Iindji
Director

Patty Karuaihe-Martin
Managing Director

CORPORATE GOVERNANCE

This section provides an overview of Corporate Governance by focusing on how the Board of Directors fulfilled its fiduciary duties and responsibilities in accordance with relevant legislations. The Board has overall oversight responsibility for the Corporation and drives the strategic affairs as well as the policy direction of the Corporation.

NamibRe's Corporate Governance procedures and principles are derived from various statutes, including the Namibia National Reinsurance Corporation Act, 1998 (Act No. 22 of 1998) (hereafter referred to as "NamibRe Act"), the Companies Act, 2004 (Act No. 28 of 2004) and the Public Enterprises Governance Act, 2019 (Act No. 1 of 2019). In addition, the duties and responsibilities of the Board and Board Committees are set out in the Board Charter and Board Committee Terms of Reference (ToRs).

APPOINTMENT AND COMPOSITION OF THE BOARD

The Board of Directors of the Corporation is appointed by the Minister of Finance in terms of section 4(2a) of the NamibRe Act. The NamibRe Board currently comprises of nine (9) directors, made up of eight (8) non-executive and one (1) executive director. All non-executive directors are appointed by the Minister of Finance on a fixed three (3) year term. The term of the current Board members will end on the 31 March 2021.

The Board has adequate representation in terms of gender and skill set diversity. It comprises of four (4) female and five (5) male members. The skill sets of the directors include Finance, Accounting and Taxation (4), Legal (2), Business (1) and Insurance (1).

The following table lists the members of the Board of Directors of the Corporation, as at 31 March 2019.

Name	Position	Current term end date
Ms. Libertha Dewina Kapere	Chairperson	31 March 2021
Advocate Slysken Makando	Deputy-Chairperson	31 March 2021
Ms. Ndapandula Tshitayi	Director	31 March 2021
Mr. Theodor Saunderson	Director	31 March 2021
Mr. Tomas Iindji	Director	31 March 2021
Mr. Hilifa Mbako	Director	31 March 2021
Ms. Anthea Beukes	Director	31 March 2021
Mr. Fanuel Tjivau	Director	31 March 2021
Ms. Patty Karuaihe-Martin	Ex-officio member	

GAZETTING OF THE CURRENT BOARD

As required by section 4(5) of the NamibRe Act, the Board of Directors of the Corporation was duly gazetted on 15 May 2018.

BOARD MEETINGS

During the financial year ending 31 March 2020, the Board held a total of five (5) meetings, of which two (2) were extraordinary Board meetings. During the period under review, the Board approved the Corporation's annual operating budget and capital expenditure budget, annual financial statements, annual business strategy and workplan, as well as various Human Resources policies as recommended by the Remuneration Committee.

Directors' Attendance at Meetings						
Directors	Meeting dates					
	04/03/2019	02/04/2019	09/07/2019	17/09/2020	02/12/2019	30/03/2020
L. Kapere	x	x	x	x	x	x
S. Makando	x	x		x		x
A. Beukes	x	x		x		x
H. Mbako	x	x	x	x	x	x
T. Saunderson	x	x	x	x	x	x
F. Tjivau	x	x	x	x	x	x
N. Tshiyati	x	x	x	x	x	x
T. Indjii		x	x		x	x
P. Karuaihe-Martin	x	x	x	x	x	x

BOARD COMMITTEES

The Board has four (4) Committees, namely the Remuneration Committee, the Audit, Risk and Compliance Committee, the Technical and Finance Committee, and the Investment Committee. The Board Committees assist the Board to deal with specialised issues and enable more efficient use of the directors' time.

The roles and responsibilities of the various Board Committees are outlined hereunder.

The Remuneration Committee (RemCom) is responsible for overseeing Human Resources on behalf of the Board. The Committee deals with HR policies and ensures that the Corporation is able to attract and retain critical skills to carry out its core business. Moreover, the Committee ensures that the Corporation offers competitive, equitable and fair remuneration in line with the remuneration guidelines of the Public Enterprises Governance Act, 2019 (Act No. 1 of 2019), while at the same time enforcing a high performance culture to support the attainment of the Corporation's strategic goals.

Remuneration Committee Composition and Meeting Attendance				
Meeting dates	Directors			
	T. Indji (Chaiperson)	S. Makando	T. Saunderson	L. Kapere
06/03/2019	x	x	x	x
29/05/2019	x	x	x	x
05/09/2019	x	x	x	x
12/11/2019	x	x	x	x
28/02/2020	x	x	x	x

The Technical and Finance Committee (TFC) is responsible for ensuring that the Corporation has adequate and effective internal control and reporting systems in place and that the Corporation maintains a sound financial position at all times. During the period under review, the Committee oversaw the implementation of the new Reinsurance System, as well as several policies, including the Occupational Safety, Health and Environmental System Policy and Underwriting Policy.

Technical and Finance Committee Composition and Meeting Attendance				
Meeting dates	Directors			
	T. Saunderson (Chairperson)	L. Kapere	N. Tshitayi	H. Mbako
07/03/2019	x	x	x	x
17/03/2019	x		x	x
12/11/2019	x	x		x
24/02/2020	x		x	x
31/03/2020	x	x	x	x

The Audit, Risk and Compliance Committee assists the Board in fulfilling its oversight functions in relation to the integrity of the Corporation's financial statements. Therefore, the Committee is vested with the responsibility of approving the budget and audit plans of the External Auditors, as well as overseeing the implementation of Enterprise Risk Management (ERM).

Audit, Risk and Compliance Committee Composition and Meeting Attendance				
Meeting dates	Directors			
	N. Tshitayi (Chaiperson)	A. Beukes	F. Tjivau	T. Indjii
05/03/2019	x	x	x	
28/05/2019	x	x	x	x
25/02/2020	x	x	x	
30/03/2020	x	x	x	x

The Investment Committee oversees investment-related matters of the Corporation on behalf of the Board. This is done by proposing investment policies and procedures to the Board for onward approval to the Minister of Finance, and by monitoring the performance of the investment funds of the Corporation to ensure that the investment funds attain good returns. To this end, the Committee oversaw the process of reviewing the Corporation's Investment Policy.

Investment Committee Composition and Meeting Attendance				
Meeting dates	Directors			
	S. Makando (Chairperson)	A. Beukes	H. Mbako	F. Tjivau
28/05/2019		x	x	x
12/11/2019	x		x	x
25/02/2020	x	x	x	x

ANNUAL GENERAL MEETING

The Corporation held its Annual General Meeting (AGM) on 12 November 2019, as required by the Companies Act, 2004 (Act No. 8 of 2004). Among others, the AGM approved (i) the appointment of the External Auditors for the Corporation, and (ii) the Audited Financial Statements and Annual Report of the Corporation.

The Shareholder approved a recommendation for the Corporation to declare a dividend of N$10 million for the financial year ended 31 March 2019, which is 21% of the net profit of the Corporation for the same financial year.

EXECUTIVE MANAGEMENT

Patty Karuaihe-Martin
Managing Director

Ntwala Mwilima
General Manager: Corporate Affairs & Strategy

Francois Francis
General Manager: Finance & Administration

Rudolph Humavindu
General Manager: Reinsurance

MANAGING DIRECTOR'S OFFICE

Patty Karuaihe-Martin
Managing Director

Hiskia Ndjavera

Erika Shikusinde

Leonard Hamunyela

Ntwala Mwilima

Elizabeth Nailenge

Liz Tashiya

Georgia Kauapirura

Helen Andreas

Loryn Tjimbundu-Kangueehi

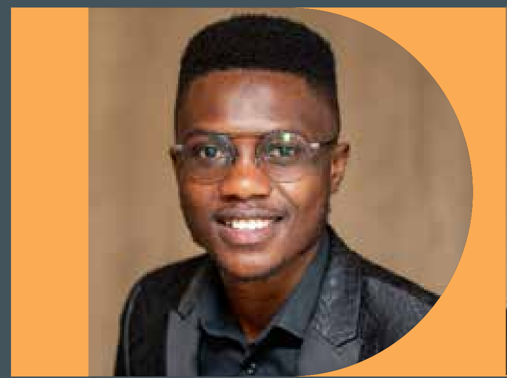
Alina Primus

REINSURANCE DEPARTMENT

Rudolph Humavindu
General Manager

Secilia Nkoshi

Lothe
Henguva



David Shafudah

Hilya Intamba

Herman
Shilongo

Tuyeni
Nampila

Nelson Matheus

Jerry
Ndemwoongela

Rochelle
Tjirondero

Valentino Jahs

FINANCE & ADMINISTRATION DEPARTMENT

Francois Francis
General Manager

Adeline Kasera

Ellis Haindobo

Tanaka Shumba

Xenia Frank-Schultz

Kelly Ndyenge

Brian Nuseb

Ottilie Negonga

Faroza Eberenz

FINANCE & ADMINISTRATION DEPARTMENT

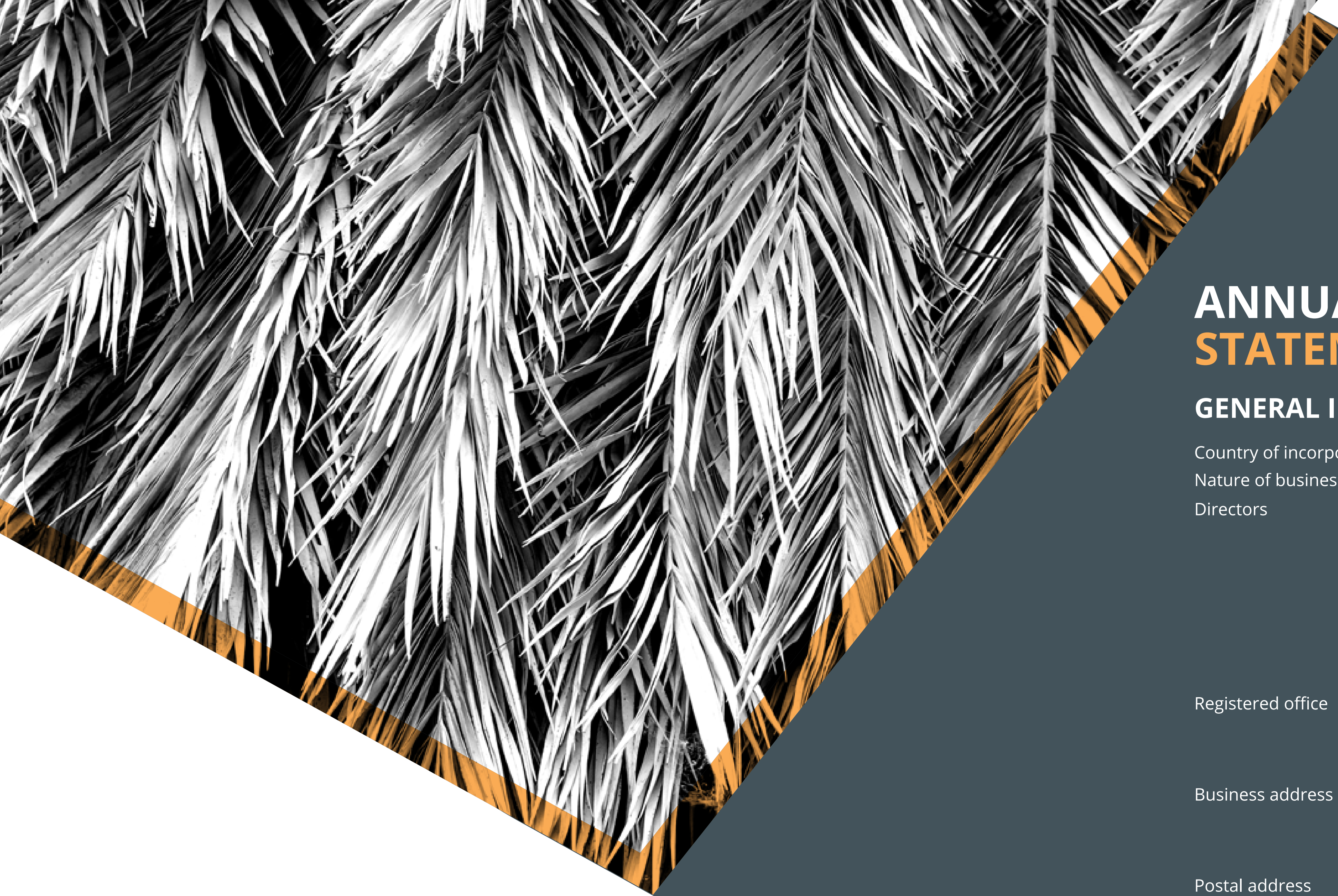
Jean Huebsch

Michelle Witbooi

Justina Lukas

Petrina Hamunyela

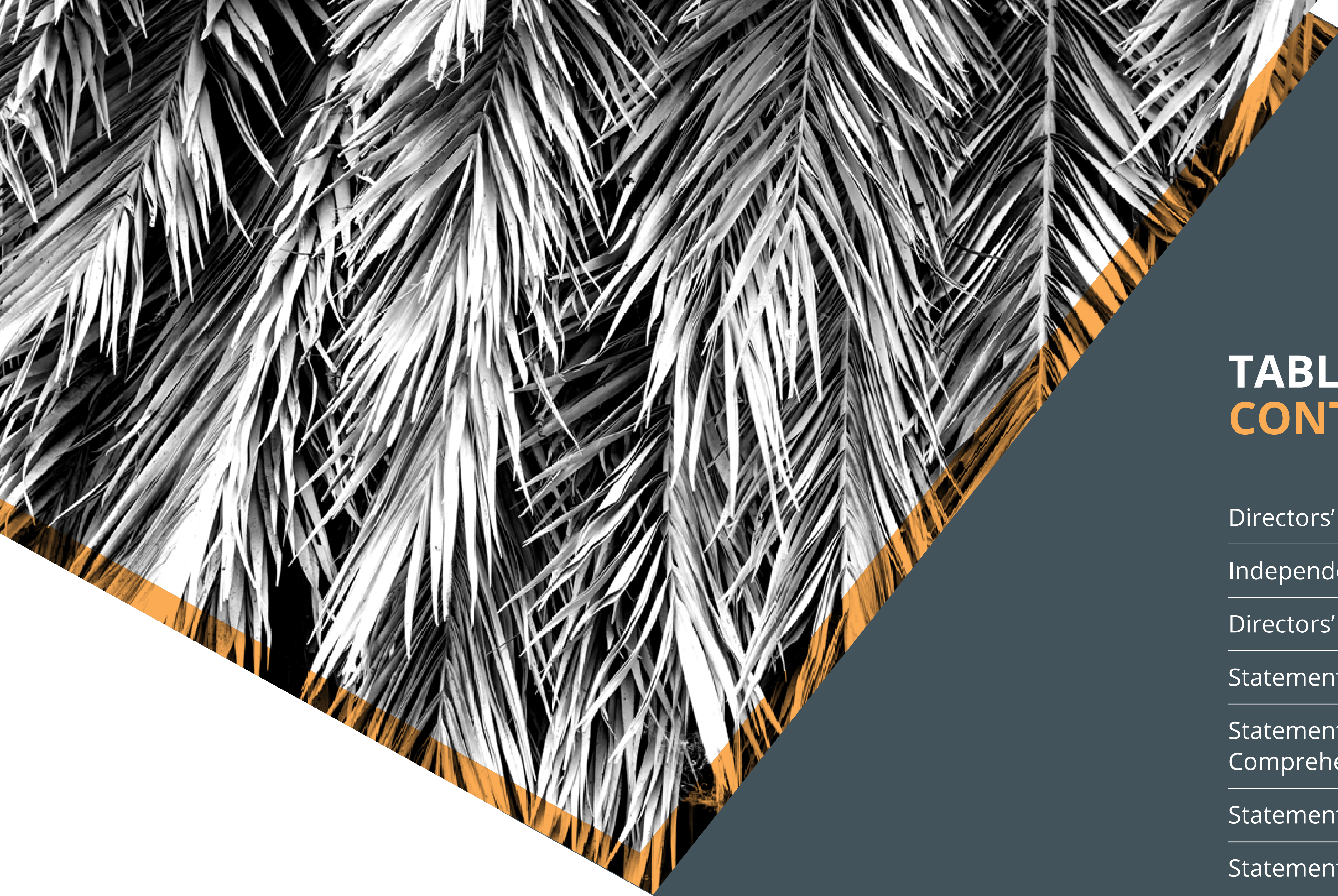
Lizette Engelbrecht



ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

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



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DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 March 2021 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements.

The annual financial statements have been examined by the company's external auditors and their report is presented on pages 33 to 34.

The annual financial statements set out on pages 35 to 82, which have been prepared on the going concern basis, were approved by the board of directors and were signed on their behalf by:

Director
Windhoek

28/09/2020

Date

Director

INDEPENDENT AUDITOR'S REPORT

To the Members of Namibia National Reinsurance Corporation Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Namibia National Reinsurance Corporation Limited (the "Company") as at 31 March 2020 , and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Namibia National Reinsurance Corporation Limited's financial statements set out on pages 35 to 82 comprise:

- the directors' report for the year ended 31 March 2020;
- the Statement of Financial Position as at 31 March 2020;
- the Statement of Profit or Loss and Other Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the accounting policies; and
- the notes to the financial statements.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Namibia National Reinsurance Corporation Limited Annual Financial Statements for the year ended 31 March 2020". The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT (CONT)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Louis Van Der Riet
Partner
Windhoek
Date: 30 September 2020

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 2020.

1. Nature of business

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

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

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

2. Review of financial results and activities

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

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

3. Share capital

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

4. Dividends

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

Dividends declared and paid to the shareholder in the current financial year amounted to N$ 10 000 000 (2019: N$ 6 150 000).

5. Shareholder

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

6. Directorate

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

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

DIRECTORS' REPORT (CONT)

7. Events after the reporting period

The directors believe that the corporation has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the corporation is in a fair financial position and is in a position to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the corporation.

Management acknowledges the existence of the coronavirus (COVID-19) as described in the subsequent events note (refer to note 36). However, as described above, management has a reasonable expectation that the corporation has adequate resources to continue in operational existence for the foreseeable future, and will be able to realise assets at their recognised values, and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

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

8. Litigation statement

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

The corporation is currently involved in litigation between itself, tWhe Government of the Republic of Namibia and the Insurance industry related to the Namibre Act. Please also refer to notes 26.1 and 33.

9. Secretary

The company secretary is Ms Ntwala Mwilima.

10. Terms of appointment of the auditors

PricewaterhouseCoopers continued in office as auditor for the corporation for 2020 and will continue in office in accordance with Section 278 (2) of the Namibian Companies Act.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

Figures in Namibia Dollar	Note	2020	2019
Assets			
Property and equipment	5	40 954 927	39 121 873
Intangible assets	6	11 144 202	6 809 016
Investments held to maturity	7	48 026 330	45 878 362
Deferred tax	20	6 807 895	-
Investments at fair value through profit or loss	8	147 075 810	137 884 507
Reinsurance assets	9	50 301 177	90 889 056
Insurance and other receivables	10	341 881 769	64 469 205
Current tax receivable	11	3 897 838	-
Deferred acquisition costs	12	2 786 143	2 786 143
Staff loans and other prepayments	13	1 387 260	650 054
Cash and cash equivalents	14	30 554 202	51 576 393
Total Assets		**684 817 553**	**440 064 609**
Equity and Liabilities			
Equity			
Share capital	15	20 000 000	20 000 000
Reserves		105 829 536	96 400 478
Retained income		128 357 062	120 188 897
		254 186 598	**236 589 375**
Liabilities			
Finance lease liabilities	19	-	64 659
Deferred tax	20	-	5 929 701
Reinsurance and other payables	21	93 241 466	41 499 558
Current tax payable	11	-	100 744
Insurance liabilities	22	327 389 489	149 730 572
Dividend payable		10 000 000	6 150 000
Total Liabilities		**430 630 955**	**203 475 234**
Total Equity and Liabilities		**684 817 553**	**440 064 609**

The above statement of financial position should be read in conjunction with the accompanying notes

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Namibia Dollar	Note	2020	2019
Gross premium written	23	755 051 857	265 415 652
Premiums ceded to reinsurers	23	(160 845 152)	(86 638 708)
Net premium		**594 206 705**	**178 776 944**
Fees and commission		28 317 739	13 798 905
Investment income	24	13 097 688	10 706 075
Sundry income		106 504	117 327
Fair value adjustments		3 111 856	4 677 516
Other income		**44 633 787**	**29 299 823**
Net income		**638 840 492**	**208 076 767**
Gross benefits and claims incurred	25	(283 469 313)	(112 742 331)
Claims ceded to reinsurers	25	143 081 919	67 455 465
Gross change in insurance liabilities	25	(187 915 972)	(55 005 201)
Changes in insurance liabilities ceded to reinsurers	25	(35 142 039)	51 250 716
Net benefits and claims		**(363 445 405)**	**(49 041 351)**
Commission paid		(180 907 645)	(66 628 343)
Other operating expenses		(54 540 651)	(44 068 834)
Other expenses		**(235 448 296)**	**(110 697 177)**
Total benefits, claims and other expenses	**26**	**(598 893 701)**	**(159 738 528)**
Results of operating activities		**39 946 791**	**48 338 239**
Finance costs paid	27	-	(9 851)
Profit before taxation		**39 946 791**	**48 328 388**
Taxation	31	(12 349 568)	(14 893 060)
Profit for the year		**27 597 223**	**33 435 328**
Total comprehensive income for the year		**27 597 223**	**33 435 328**

The above statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

Figures in Namibia Dollar	Share capital	Revaluation reserve	Staff welfare reserve	General reserve
Balance at 1 April 2018	**20 000 000**	**5 459 095**	**3 130 135**	**74 510 355**
Profit for the year	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**
Transfer between reserves	-	-	2 416 396	12 081 979
Utilisation of reserve	-	-	(1 197 482)	-
Dividends	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**1 218 914**	**12 081 979**
Balance at 1 April 2019	**20 000 000**	**5 459 095**	**4 349 049**	**86 592 334**
Profit for the year	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**
Transfer between reserves	-	-	2 131 812	9 986 698
Utilisation of reserve	-	-	(2 689 452)	-
Dividends	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**(557 640)**	**9 986 698**
Balance at 31 March 2020	**20 000 000**	**5 459 095**	**3 791 409**	**96 579 032**
Note(s)	15	16	17	18

Figures in Namibia Dollar	Total reserves	Retained income	Total equity
Balance at 1 April 2018	**83 099 585**	**107 401 944**	**210 501 529**
Profit for the year	-	33 435 328	33 435 328
Total comprehensive income for the year	**-**	**33 435 328**	**33 435 328**
Transfer between reserves	14 498 375	(14 498 375)	-
Utilisation of reserve	(1 197 482)	-	(1 197 482)
Dividends	-	(6 150 000)	(6 150 000)
Total contributions by and distributions to owners of company recognised directly in equity	**13 300 893**	**(20 648 375)**	**(7 347 482)**
Balance at 1 April 2019	**96 400 478**	**120 188 897**	**236 589 375**
Profit for the year	-	27 597 223	27 597 223
Total comprehensive income for the year	**-**	**27 597 223**	**27 597 223**
Transfer between reserves	12 118 510	(12 118 510)	-
Utilisation of reserve	(2 689 452)	2 689 452	-
Dividends	-	(10 000 000)	(10 000 000)
Total contributions by and distributions to owners of company recognised directly in equity	**9 429 058**	**(19 429 058)**	**(10 000 000)**
Balance at 31 March 2020	**105 829 536**	**128 357 062**	**254 186 598**
Note(s)			

The above changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

Figures in Namibia Dollar	Note	2020	2019
Cash flows from operating activities			
Cash generated from operations	28	19 578 361	25 231 901
Interest received	24	1 038 750	2 088 750
Tax paid	9	(29 085 744)	(24 918 976)
Net cash (outflow) / inflow from operating activities		**(8 468 633)**	**2 401 675**
Cash flows from investing activities			
Purchase of property and equipment	5	(3 148 656)	(2 473 724)
Purchase of intangible assets	6	(4 917 720)	(6 347 831)
Maturation of investments held to maturity		2 088 750	6 285 000
Purchase of investments at fair value through profit or loss	8	(26 038 750)	(7 323 750)
Disposal of investments at fair value through profit or loss	8	25 612 818	36 619 866
Net cash (outflow) / inflow from investing activities		**(6 403 558)**	**26 759 561**
Cash flows from financing activities			
Finance lease payments	32	-	(61 377)
Dividends paid	30	(6 150 000)	-
Net cash outflow from financing activities		**(6 150 000)**	**(61 377)**
Total cash movement for the year		**(21 022 191)**	**29 099 859**
Cash at the beginning of the year		51 576 393	22 476 534
Total cash at end of the year	**14**	**30 554 202**	**51 576 393**

The above statement of cash flows should be read in conjunction with the accompanying notes

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ACCOUNTING POLICIES

1. Significant accounting policies

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

1.1 Basis of preparation

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

These accounting policies are consistent with the previous period except where stated.

1.2 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

Key sources of estimation uncertainty

Impairment of financial assets

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

Fair value of financial instruments

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

Useful lives of property, plant and equipment

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

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 authorised share capital. As the general reserve (after a transfer of profit before tax) has exceeded twice the amount of the authorised share capital since year ended 31 March 2014, the Corporation is liable for income taxation in the current year.

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The corporation recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

Insurance liabilities

Insurance liabilities comprise a provision for unearned premium; provision for claims IBNR and provision for outstanding claims included in "Insurance contract liability" as one of the Insurance liabilities which are accounted for as disclosed in the following notes.

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

Provision for unearned premiums

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

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

Provision for claims incurred but not yet reported (IBNR)

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

The provision for life IBNR has been calculated at 42% (2019: 85%) of premiums earned. A claims loss ratio approach, an accepted actuarial methodology, was used to calculate the liability. This is due to life insurance being a recent addition to the product offering of the business and accordingly there is currently insufficient claims data to analyse using the usual actuarial methodologies. This estimate is based on past experience and industry norms in Namibia and other African countries.

The provision for non-life IBNR has been calculated at 17.76% (2019: 14.10%) of premiums earned using a mix of loss ratio and actuarial methodologies using information on historical trends, past experience and industry norms in Namibia.

Provisions for outstanding claims

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

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

Deferred acquisition costs (DAC)

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

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ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

Liability adequacy testing

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

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

1.3 Property and equipment

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

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

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of the asset less their residual value over their estimated useful lives, using the straight-line method. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property 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 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.

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

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

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

1.4 Intangible assets

Intangible assets are initially recognised at cost.

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

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

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

ACCOUNTING POLICIES

1.4 Intangible assets (continued)

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis.

Item	Useful life
Computer software	10 years

1.5 Financial instruments

Classification

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

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

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

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

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

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

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

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

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

Fair value determination

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

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ACCOUNTING POLICIES

1.5 Financial instruments (continued)

Impairment of financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

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

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

Insurance and other receivables

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

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

Insurance and other receivables are classified as loans and receivables.

Reinsurance and other payables

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

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

Cash and cash equivalents

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

ACCOUNTING POLICIES

1.5 Financial instruments (continued)

Borrowings

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

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments classified as fair value through profit or loss are initially recognised at cost and subsequently re-measured to fair value based on quoted prices, without any deduction for transaction costs. All related realised and unrealised gains and losses are included in the profit or loss. Interest earned whilst holding held for trading investments is reported as investment income.

Held to maturity investments

Held to maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Corporation has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation and losses arising from impairment of such investments are recognised in the profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement at cost, receivables are subsequently remeasured to amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

Derecognition of financial assets

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Derecognition of financial liabilities

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The condition is met when the liability is settled by paying the creditors, or when the Corporation is released from primary responsibility for the financial liability either by process of law or by creditor.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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

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

Tax assets and liabilities are offset at the taxpayer level and in same jurisdiction as the law allows net settlement. The different balances are shown accordingly either as assets or liabilities on the statement of financial position.

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ACCOUNTING POLICIES

1.6 Tax (continued)

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.

Deferred tax assets and liabilities are offset at the taxpayer level and in same jurisdiction as the law allows net settlement. The different balances are shown accordingly either as assets or liabilities on the statement of financial position.

Tax expenses

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

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

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

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

1.7 Leases

The corporation assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determines whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies

Corporation as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date for all lease agreements for which the Corporation is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and

ACCOUNTING POLICIES

1.7 Leases (continued)

the aggregate stand-alone price of the non-lease components (where non-lease components exist).

1.8 Leases (comparatives under IAS 17)

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

Finance leases – lessee

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

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

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

1.9 Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

1.11 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 and pension) are recognised in the period in which the service is rendered and are not discounted.

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ACCOUNTING POLICIES

1.11 Employee benefits (continued)

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.

Termination benefits

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

1.12 Provisions and contingencies

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

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

Provisions are not recognised for future operating losses.

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

Contingencies are disclosed in note 33.

1.13 Revenue

Gross premiums written

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

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

Premiums ceded to reinsurers

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

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

Fees and commission income

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

ACCOUNTING POLICIES

1.13 Revenue (continued)

Finance income

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

Other income

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

1.14 Translation of foreign currencies

Foreign currency transactions

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

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

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

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

1.15 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.

ACCOUNTING POLICIES

1.15 Benefits, claims and expenses recognition (continued)

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

1.16 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.

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

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

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

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

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

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

1.17 Dividend distribution

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

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

IFRS 16 Leases

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

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short-term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.1 Standards and interpretations effective and adopted in the current year (continued)

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16.
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

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

The company has adopted the standard for the first time in the 2020 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2020 or later periods:

IFRS 17 Insurance Contracts

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

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

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

The impact of this standard is currently being assessed.

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.2 Standards and interpretations not yet effective (continued)

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

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

2020 The fair value and change in fair value for the two groups of financial assets	Amortised cost	Fair value through profit or loss	Fair value
Held to maturity investments			
Opening value	45 878 362	-	45 878 362
Additions	4 236 718	-	4 236 718
Disposals and maturities	(2 088 750)	-	(2 088 750)
Closing value	**48 026 330**	**-**	**48 026 330**
Insurance and short-term receivables			
Opening value	64 469 205	-	64 469 205
Additions	341 881 769	-	341 881 769
Disposals and maturities	(64 469 205)	-	(64 469 205)
Closing value	**341 881 769**	**-**	**341 881 769**
Fair value through profit or loss			
Opening value	-	137 884 507	137 884 507
Additions	-	31 692 265	31 692 265
Increase/(decrease) in fair value	-	3 111 856	3 111 856
Disposals and maturities	-	(25 612 818)	(25 612 818)
Closing value	**-**	**147 075 810**	**147 075 810**

Investments held to collect interest and principal payments only as at 31 March 2020	Credit risk rating	Carrying amount / fair value
Insurance receivables	not rated	341 881 769
Republic of Namibia bonds	Baa3	21 151 190
Standard Bank Fixed Deposit Account	BB+	25 875 140
		389 908 099

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.2 Standards and interpretations not yet effective (continued)

2019 The fair value and change in fair value for the two groups of financial assets	Amortised cost	Fair value through profit or loss	Fair value
Held to maturity investments			
Opening value	50 220 168	-	50 220 168
Additions	4 031 945	-	4 031 945
Disposals and maturities	(8 373 750)	-	(8 373 750)
Closing value	**45 878 362**	**-**	**45 878 362**
Insurance and short-term receivables			
Opening value	10 334 208	-	10 334 208
Additions	64 469 205	-	64 469 205
Disposals and maturities	(10 334 208)	-	(10 334 208)
Closing value	**64 469 205**	**-**	**64 469 205**
Fair value through profit or loss			
Opening value	-	157 153 213	157 153 213
Additions	-	11 567 157	11 567 157
Increase/(decrease) in fair value	-	4 677 537	4 677 537
Disposals and maturities	-	(35 513 400)	(35 513 400)
Closing value	**-**	**137 884 507**	**137 884 507**

Investments held to collect interest and principal payments only as at 31 March 2019	Credit risk rating	Carrying amount / fair value
Insurance receivables	not rated	64 469 205
Republic of Namibia bonds	Baa3	22 068 995
Standard Bank Fixed Deposit Account	BB+	23 809 367
		110 347 567

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.2 Standards and interpretations not yet effective (continued)

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

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

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

The impact of this amendment is currently being assessed.

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

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

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

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

The impact of this standard is currently being assessed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2020	Note(s)	Held to maturity investments	Fair value through profit or loss - held for trade	Loans and receivables	Total
Staff loans and deposits	13	-	-	1 387 260	1 387 260
Insurance and other receivables	10	-	-	341 881 769	341 881 769
Reinsurance assets	9	-	-	50 301 177	50 301 177
Cash and cash equivalents	14	-	-	30 554 202	30 554 202
Investments	7 & 8	48 026 330	147 075 810	-	195 102 140
		48 026 330	**147 075 810**	**424 124 408**	**619 226 548**

2019	Note(s)	Held to maturity investments	Fair value through profit or loss - held for trade	Loans and receivables	Total
Staff loans and deposits	13	-	-	531 964	531 964
Insurance and other receivables	10	-	-	64 469 205	64 469 205
Reinsurance assets	9	-	-	90 889 056	90 889 056
Cash and cash equivalents	14	-	-	51 576 393	51 576 393
Investments	7 & 8	45 878 362	137 884 507	-	183 762 869
		45 878 362	**137 884 507**	**207 466 618**	**391 229 487**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Financial instruments and risk management (continued)

Categories of financial liabilities

2020	Note(s)	Amortised cost	Total
Reinsurance and other payables	21	93 241 466	93 241 466
Dividend payable		10 000 000	10 000 000
Insurance liabilities	22	327 389 489	327 389 489
		430 630 955	430 630 955

2019	Note(s)	Amortised cost	Total
Reinsurance and other payables	21	41 499 557	41 499 557
Finance lease obligations	19	64 659	64 659
Dividend payable		6 150 000	6 150 000
Insurance liabilities	22	149 730 572	149 730 572
		197 444 788	197 444 788

Capital risk management

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

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

Financial risk management

Overview

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

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

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

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

Credit risk

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

The Corporation only invests with reputable institutions with high quality credit standing and limits exposure to any one counter-party. The credit quality of insurance

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Financial instruments and risk management (continued)

receivables are individually assessed using a credit rating scorecard which takes into account the financial position, past experience and other factors.

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

2020	Note(s)	Gross carrying amount	Provision for doubtful debts	Amortised cost / fair value
Staff loans and other prepayments	13	800 561	-	800 561
Investments at fair value through profit or loss	8	147 075 810	-	147 075 810
Investments held to maturity	7	48 026 330	-	48 026 330
Insurance and other receivables	10	344 911 567	(3 029 798)	341 881 769
Cash and cash equivalents	14	30 554 202	-	30 554 202
		571 368 470	(3 029 798)	568 338 672

2019	Note(s)	Gross carrying amount	Provision for doubtful debts	Amortised cost / fair value
Staff loans and other prepayments	13	531 964	-	531 964
Investments at fair value through profit or loss	8	137 884 507	-	137 884 507
Investments held to maturity	7	45 878 362	-	45 878 362
Insurance and other receivables	10	67 499 003	(3 029 798)	64 469 205
Cash and cash equivalents	14	51 576 393	-	51 576 393
		303 370 229	(3 029 798)	300 340 431

Liquidity risk

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Financial instruments and risk management (continued)

2020	Note(s)	Less than 1 year	1 to 5 years	Total	Carrying amount
Current liabilities					
Reinsurance and other payables	21	93 241 466	-	93 241 466	93 241 466
Dividend payable		10 000 000	-	10 000 000	10 000 000
Insurance liabilities	22	327 389 489	-	327 389 489	327 389 489
		430 630 955	**-**	**430 630 955**	**430 630 955**

2019	Note(s)	Less than 1 year	1 to 5 years	Total	Carrying amount
Reinsurance and other payables	21	41 499 557	-	41 499 557	41 499 557
Dividend payable		6 150 000	-	6 150 000	6 150 000
Insurance liabilities	22	149 730 572	-	149 730 572	149 730 572
Finance lease liabilities	19	44 729	19 930	64 659	63 682
		197 424 858	**19 930**	**197 444 788**	**197 443 811**

Foreign currency risk

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

The Corporation does not hedge foreign exchange fluctuations.

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

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

Foreign currency exposure as at 31 March 2020	Insurance and other receivables	Reinsurance and other payables	Total
US Dollar	8 678 039	(2 266 271)	6 411 768
Botswana Pula	324 574	(84 763)	239 811
Zambian Kwacha	348 234	(90 941)	257 293
Malawian Kwacha	-	-	-
Kenyan Shillings	616 519	(161 004)	455 515
Tanzania Shillings	188 463	(49 217)	139 246
	10 155 829	**(2 652 196)**	**7 503 633**

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3. Financial instruments and risk management (continued)

Foreign currency exposure as at 31 March 2019	Insurance and other receivables	Reinsurance and other payables	Total
US Dollar	15 105 546	(19 177 654)	(4 072 108)
Botswana Pula	965 608	(1 311 700)	(346 092)
Zambian Kwacha	1 114 134	(1 770 675)	(656 541)
Malawian Kwacha	890 403	(1 902 617)	(1 012 214)
Kenyan Shillings	1 275 897	(744 013)	531 884
Tanzania Shillings	1 031 291	(2 010 958)	(979 667)
	20 382 879	**(26 917 617)**	**(6 534 738)**

Interest rate risk

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

The Corporation's exposure to the risk of changes in market interest rates primarily arises from interest-bearing investments and cash and cash equivalents, both of which have variable risk rates. Had the interest rates increased (decreased) by 100 basis points (2019: 100 basis points), the after-tax effect on profit would have been a decrease (increase) of N$ 1 567 385 (2019: N$ 2 353 393).

Insurance risk

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

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

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

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

As part of risk mitigation process, the Corporation purchases reinsurance and cedes it on proportional and non-proportional basis to reduce exposure. The spread is that proportional constitutes 44% (2019: 36%), non-proportional 9% (2019: 10%) and facultative 41% (2019: 54%).

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Financial instruments and risk management (continued)

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

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

These exposures are strategically mitigated through specific risk selection and underwriting methodologies which diversifies risk across the geographical areas.

The Corporation has selected specific markets in Eastern, Central and Southern Africa for foreign business underwriting.

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

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

2020	Gross liability	Reinsurance asset	Net liability
Life	(9 715 751)	5 843 087	(3 872 664)
Fire	(210 708 754)	27 667 730	(183 041 024)
Health	(2 906 622)	860 541	(2 046 081)
Marine	(7 234 859)	2 141 968	(5 092 891)
Motor miscellaneous	(94 909 762)	13 221 265	(81 688 497)
Nasria	(1 654 815)	489 928	(1 164 887)
Aviation	(258 926)	76 658	(182 268)
	(327 389 489)	**50 301 177**	**(277 088 312)**

2019	Gross liability	Reinsurance asset	Net liability
Life	(11 505 373)	6 983 961	(4 521 412)
Fire	(95 472 117)	57 953 232	(37 518 885)
Health	(2 851 806)	1 731 096	(1 120 710)
Marine	(5 821 014)	3 533 457	(2 287 557)
Motor miscellaneous	(30 700 096)	18 635 491	(12 064 605)
Nasria	(1 604 956)	974 236	(630 720)
Aviation	(1 775 210)	1 077 583	(697 627)
	(149 730 572)	**90 889 056**	**(58 841 516)**

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

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3. Financial instruments and risk management (continued)

2020	Gross insurance liability	Reinsurance assets	Net liability
Namibian	(312 683 191)	45 630 977	(267 052 214)
Foreign	(14 706 298)	4 670 200	(10 036 098)
	(327 389 489)	**50 301 177**	**(277 088 312)**

2019	Gross insurance liability	Reinsurance assets	Net liability
Namibian	(136 090 117)	82 609 063	(53 481 054)
Foreign	(13 640 455)	8 279 993	(5 360 462)
	(149 730 572)	**90 889 056**	**(58 841 516)**

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

Sensitivity analysis for insurance liabilities

The claims IBNR liability is statistically calculated using certain assumptions (refer to note 1.2 "Insurance liabilities"). The table below illustrates the effect of an adjustment to the claims loss ratio of 10% on gross IBNR liabilities and on IBNR liabilities net of reinsurance assets.

	Claims loss ratio increase of 10%		Claims loss ratio decrease of 10%	
Effect on the current year:	**Gross**	**Net**	**Gross**	**Net**
Decrease (increase) in after tax profit	7 931 707	5 490 093	(7 931 707)	(7 931 707)
(Increase) decrease in IBNR liability	(11 664 275)	(8 073 666)	11 664 275	8 073 666

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

	Treaty insurance		Facultative insurance	
Effect on the current year:	**Increase of 5% in loss ratio**	**Decrease of 5% in loss ratio**	**Increase of 5% in loss ratio**	**Decrease of 5% in loss ratio**
Decrease (increase) in after tax profit	2 342 260	(2 342 260)	1 293 258	(1 293 258)
(Increase) decrease in IBNR liability	(3 444 500)	3 444 500	(1 901 850)	1 901 850

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Fair value information

Non-financial assets

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

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

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

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

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

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

5. Property and equipment

2020	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 448 374	-	4 448 374
Buildings	33 780 421	(619 590)	33 160 831
Furniture and fixtures	2 416 687	(1 602 323)	814 364
Motor vehicles	1 203 748	(776 486)	427 262
Office equipment	265 996	(50 541)	215 455
IT equipment	2 808 686	(920 045)	1 888 641
Finance lease asset	-	-	-
Total	**44 923 912**	**(3 968 985)**	**40 954 927**

2019	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 448 374	-	4 448 374
Buildings	33 007 052	-	33 007 052
Furniture and fixtures	2 258 083	(1 245 002)	1 013 081
Motor vehicles	1 203 748	(794 150)	409 598
Office equipment	73 306	(29 972)	43 334
IT equipment	793 469	(627 038)	166 431
Finance lease asset	229 841	(195 838)	34 003
Total	**42 013 873**	**(2 892 000)**	**39 121 873**

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5. Property and equipment (continued)

Reconciliation of property and equipment - 2020	Opening balance	Additions	Disposals	Depreciation	Total
Land	4 448 374	-	-	-	4 448 374
Buildings	33 007 052	773 369	-	(619 590)	33 160 831
Furniture and fixtures	1 013 081	167 380	(7)	(366 090)	814 364
Motor vehicles	409 598	-	-	17 664	427 262
Office equipment	43 334	192 690	-	(20 569)	215 455
IT equipment	166 431	2 015 217	-	(293 007)	1 888 641
Finance lease asset	34 003	-	(34 003)	-	-
	39 121 873	**3 148 656**	**(34 010)**	**(1 281 592)**	**40 954 927**

Reconciliation of property and equipment - 2019	Opening balance	Additions	Depreciation	Total
Land	4 448 374	-	-	4 448 374
Buildings	31 346 626	1 660 426	-	33 007 052
Furniture and fixtures	661 420	687 165	(335 504)	1 013 081
Motor vehicles	652 095	-	(242 497)	409 598
Office equipment	57 993	-	(14 659)	43 334
IT equipment	171 457	126 133	(131 159)	166 431
Finance lease asset	79 747	-	(45 744)	34 003
	37 417 712	**2 473 724**	**(769 563)**	**39 121 873**

Depreciation rates

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

Revaluations

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

The carrying value of land and buildings under the cost model would have been N$ 33 160 831 (2019: N$ 30 335 905).

Details of properties

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

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6. Intangible assets

2020	Cost	Accumulated amortisation	Carrying value
Computer software	11 265 550	(121 348)	11 144 202

2019	Cost	Accumulated amortisation	Carrying value
Computer software	6 913 040	(104 024)	6 809 016

Reconciliation of intangible assets - 2020	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	6 809 016	4 917 720	(391 693)	(190 841)	11 144 202

Reconciliation of intangible assets - 2019	Opening balance	Additions	Amortisation	Total
Computer software	535 973	6 347 831	(74 788)	6 809 016

Other information

Disposal in the current period relates to decommission of CBRS system, which is the Corporation's previous reinsurance system.

Amortisation method

Computer software	Straight line basis - years	10

7. Investments held to maturity

Figures in Namibia Dollar	2020	2019
Held to maturity financial instruments		
Republic of Namibia Government bonds (Baa3)	22 151 190	22 068 995
Standard Bank Fixed Deposit Account (BB+)	25 875 140	23 809 367
	48 026 330	**45 878 362**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Investments at fair value through profit or loss

Figures in Namibia Dollar	2020	2019
Level 2 fair value investments in funds with no credit ratings		
Bank Windhoek Select Fund	43 343 399	40 407 495
FNB Namibia Unit Trust Income Fund	18 029 872	16 780 978
EMH Prescient Unit Trust Fund	24 364 667	22 613 453
Liberty Life Investment Policy	35 168 351	33 434 905
Allan Gray Namibia Balance Fund	-	9 590 527
Old Mutual Nedbank Namibia Corporate Fund	3 657	3 404
Sanlam Namibia Floating Rate Fund	25 019 525	-
Bank Windhoek Money Market Investment Fund	1 146 339	38 423
Prudential Namibia Inflation Fund	-	15 015 322
	147 075 810	**137 884 507**

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

All balances are denominated in Namibian Dollars.

Figures in Namibia Dollar	2020	2019
Reconciliation of level 2 financial assets held at fair value through profit or loss		
Opening balance	137 884 507	157 153 213
Additions at fair value	25 000 000	6 285 000
Disposals at fair value	(25 612 818)	(35 169 866)
Interest capitalised	5 088 622	4 974 191
Dividend capitalised	858 682	719 216
Coupon interest on government bonds	1 038 750	1 038 750
Coupon withdrawals	-	(1 450 000)
Fair value adjustments	3 111 856	4 677 537
Expenses	(293 789)	(343 534)
	147 075 810	**137 884 507**

9. Reinsurance assets

Figures in Namibia Dollar	2020	2019
Reinsurance asset receivable	50 301 177	90 889 056

No impairment loss was recognised by the Corporation at year end (2019: 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 (2019: N$ nil).

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10. Insurance and other receivables

Figures in Namibia Dollar	2020	2019
Premium insurance debtors	336 522 794	60 230 770
Provision for doubtful debtors	(3 029 798)	(3 029 798)
	333 492 996	57 200 972
Other receivable	10 614	-
Receivables	8 378 159	7 268 233
Total insurance and other receivables	**341 881 769**	**64 469 205**

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

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

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows:

At amortised cost	341 881 769	64 469 205

Exposure to credit risk

Credit risk disclosures

Credit quality of insurance and other receivables

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

Premium debtors of short-term insurance

Counterparties without external credit rating

Group 2	341 881 769	64 469 205

Group 1 – new customer (less than 6 months).

Group 2 – existing customer with more than 6 months' history with the company and no defaults in the past.

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

Trade and other receivables past due but not impaired

Insurance and other receivables that are less than 3 months past due are not considered for impairment.

120 days	-	-
120+ days	3 029 798	3 029 798

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10. Insurance and other receivables (continued)

Figures in Namibia Dollar	2020	2019
Insurance and other receivables impaired		
The ageing of these amounts past due and impaired is as follows:		
120+ days	-	-
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(3 029 798)	(3 029 798)
Provision for impairment	-	-
	(3 029 798)	**(3 029 798)**

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The company does not hold any collateral as security.

Refer to note 34 for related party exposure.

Exposure to currency risk

Refer to note 3 for details of currency risk management for trade receivables.

11. Current tax receivable (payable)

The current tax balance is made up as indicated in the tables below:

Refer to note 34 for related party information.

Normal tax	3 897 838	(100 744)
Provision for taxation		
Opening balance	(100 744)	(7 668 976)
Provision for the year	(25 087 162)	(17 350 744)
Refunds received from the Receiver of Revenue	-	(1 206 136)
Third payment relating to prior year	100 744	-
Provisional tax payment	28 985 000	26 125 112
	3 897 838	**(100 744)**
Balance of provision for taxation consists of:		
2019	-	(100 744)
2020	3 897 838	-
	3 897 838	**(100 744)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Namibia Dollar	2020	2019

12. Deferred acquisition costs

Deferred acquisition costs		
Balance at the beginning of the year	2 786 143	1 535 170
Expenses deferred	-	1 250 973
	2 786 143	2 786 143

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

Reinsurance deferred acquisition costs		
Balance at the beginning of the year	(228 029)	(228 029)
Expenses deferred	-	-
	(228 029)	(228 029)

13. Staff loans, deposits and other prepayments

Staff loans advanced	800 561	531 964
Deposits and prepayments	586 699	118 090
	1 387 260	650 054

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

Refer to note 3 for information on credit risk.

14. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	2 420	4 001
Bank balances	8 328 203	12 290 863
Short-term deposits	22 223 579	39 281 529
	30 554 202	51 576 393

First National Bank Namibia Limited provides the guarantee facilities to Namibia National Reinsurance Corporation Limited of N$ 2 000 000 in favour of NAMFISA in respect of registration of short-term business (2019: N$ 2 000 000). In addition, there is a N$ 50 000 (2019: N$ 50 000) credit card facility available to the Corporation.

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:

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Figures in Namibia Dollar	2020	2019

14. Cash and cash equivalents (continued)

Credit rating		
First National Bank Limited: A1+ (2019: A1+)	5 729 315	8 858 411
Bank Windhoek Limited: A1+ (2019: A1+)	23 679 017	42 674 769
Simonis Storm: no rating (2019: no rating)	1 143 450	39 212
	30 551 782	51 572 392

15. Share capital

Authorised		
20 000 000 ordinary shares of N$1 each	20 000 000	20 000 000
Issued		
20 000 000 ordinary shares of N$1 each	20 000 000	20 000 000

16. Revaluation reserve

The revaluation reserve relates to revaluations performed on land and building every 3 years. Refer to note 5 for information on land and buildings.

Opening balance	5 459 095	5 459 095

17. Staff welfare reserve

A staff welfare fund is required to be maintained in terms of section 29 of the Namibia National Reinsurance Corporation Act, 1998. The annual amount transferred to the fund may not exceed 5% of the net profit after tax of the Corporation for the financial year.

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

Opening balance	4 349 049	3 130 135
Utilised during the year	(2 689 452)	(1 197 482)
Transfer from retained income	2 131 812	2 416 396
	3 791 409	4 349 049

18. General reserve

In terms of section 28 of the Namibia National Reinsurance Corporation Act, 1998, the Corporation is required to maintain a General reserve into which it shall deposit at the end of the each financial year end an amount equal to 50% of the net profit before tax for the year, provided the General reserve fund is less than the authorised share capital of the Corporation. Alternatively, should the General reserve be equal to or exceed the authorised share capital of the Corporation, then 25% of the net profit before tax must be transferred to the reserve.

Opening balance	86 592 334	74 510 355
Transfer from retained income	9 986 698	12 081 979
	96 579 032	86 592 334

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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19. Finance lease liabilities

Minimum lease payments due		
- within one year	-	52 500
- in second to fifth year inclusive	-	17 170
	-	69 670
less: future finance charges	-	(5 011)
Present value of minimum lease payments	**-**	**64 659**
Present value of minimum lease payments due		
- within one year	-	44 729
- in second to fifth year inclusive	-	19 930
	-	**64 659**

The finance lease liabilities relate to IT equipment (photo copier machines) that were purchased under finance leases. The liabilities are repayable in nil (2019: 36) equal monthly instalments of N$ nil (2019: N$ 4 375) and bear interest at prime. The book values of the IT equipment held under the leases amount to N$ nil (2019: N$ 34 003).

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

20. Deferred tax

Deferred tax liability		
Deferred tax liability	(14 466 718)	(12 828 413)
Deferred tax asset		
Other deferred tax asset	21 274 613	6 898 712

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

Deferred tax liability	(14 466 718)	(12 828 413)
Deferred tax asset	21 274 613	6 898 712
Total net deferred tax (liability) asset	**6 807 895**	**(5 929 701)**

Reconciliation of deferred tax asset / (liability)		
At beginning of year	(5 929 701)	(8 387 384)
Temporary differences on property, plant and equipment	(1 505 589)	(499 315)
Temporary difference on investments	-	2 470 755
Temporary differences on prepayments	(143 611)	309 095
Temporary differences on accruals	154 986	91 149
Temporary differences on deferred acquisition costs	-	(400 312)
Temporary differences on finance leases	(1 012)	177
Temporary differences on income in advance	14 232 822	486 134
	6 807 895	**(5 929 701)**

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20. Deferred tax (continued)

Expected release of deferred tax asset		
Within 12 months	21 274 613	6 898 712
Expected release of deferred tax liability		
Within 12 months	(137 786)	(1 705 999)
After 12 months	(14 328 933)	(11 122 414)
	(14 466 719)	**(12 828 413)**

21. Reinsurance and other payables

Trade payables	70 375 139	30 067 870
Reinsurance deferred acquisition costs	228 030	228 030
Other payables	22 638 297	11 203 658
	93 241 466	**41 499 558**

Exposure to currency risk

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

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

22. Insurance liabilities

Reconciliation of insurance liabilities - 2020	Opening balance	Created during the year	Utilised during the year	Total
Provision for unearned premiums (refer to 22.1)	45 508 055	-	(10 257 055)	35 251 000
Provision for outstanding claims (refer to 22.2)	60 682 752	5 623 919	(60 682 752)	5 623 919
Provision for claims incurred but not reported, IBNR (refer to 22.3)	42 000 272	74 642 479	-	116 642 751
Provision for unallocated loss adjustment expenditure (refer to 22.4)	1 539 493	-	(660 493)	879 000
Insurance contract liability (refer to 22.5)	-	168 992 819	-	168 992 819
	149 730 572	**249 259 217**	**(71 600 300)**	**327 389 489**

Reconciliation of insurance liabilities - 2019	Opening balance	Created during the year	Total
Provision for unearned premiums (refer to 22.1)	5 606 098	39 901 957	45 508 055
Provision for outstanding claims (refer to 22.2)	9 793 599	50 889 153	60 682 752
Provision for claims incurred but not reported, IBNR (refer to 22.3)	39 423 717	2 576 555	42 000 272
Provision for unallocated loss adjustment expenditure (refer to 22.4)	-	1 539 493	1 539 493
	54 823 414	**94 907 158**	**149 730 572**

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22. Insurance liabilities (continued)

Long-term insurance contracts	9 715 751	8 240 101
Short-term insurance contracts	317 673 738	141 490 471
	327 389 489	**149 730 572**

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

Estimated timing of outflows: 2020	2 - 5 years	Over 5 years	Total
Long-term insurance contracts	-	9 715 751	9 715 751
Short-term insurance contracts	317 673 738	-	317 673 738
	317 673 738	**9 715 751**	**327 389 489**

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

22.1 Gross provision for unearned premiums		
Balance beginning of the year	45 508 055	5 606 098
Premiums written during the year	744 794 802	305 317 609
Premiums earned during the year	(755 051 857)	(265 415 652)
	35 251 000	**45 508 055**
22.1(a) Net unearned premium reserve		
Balance beginning of the year	25 675 216	4 698 847
Transfer (from)/to statement of comprehensive income	(4 811 216)	20 976 369
	20 864 000	**25 675 216**
The balance comprises		
Gross provision for unearned premiums	35 251 000	45 508 000
Reinsurer's share of unearned premiums	(14 387 000)	(19 832 784)
	20 864 000	**25 675 216**
22.2 Provision for outstanding claims		
Balance beginning of the year	60 682 752	9 793 599
Transfer (from)/to statement of comprehensive income	(55 058 833)	50 889 153
	5 623 919	**60 682 752**
Provision for outstanding claims ceded to reinsurers		
Balance beginning of the year	(54 142 279)	(1 018 740)
Transfer (from)/to statement of comprehensive income	54 134 189	(53 123 539)
	(8 090)	**(54 142 279)**
Net provision for outstanding claims	**5 615 829**	**6 540 473**

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22. Insurance liabilities (continued)

22.3 Provision for claims incurred but not reported (IBNR)		
Balance beginning of the year	42 000 272	39 423 717
Incurred short-term	1 475 650	357 911
Incurred long-term	73 166 829	2 218 644
	116 642 751	**42 000 272**
Reinsurance provision for claims incurred but not reported		
Balance beginning of the year	(16 913 937)	(14 990 000)
Utilised during the year	(18 992 150)	(1 923 937)
	(35 906 087)	**(16 913 937)**
Net provision for claims incurred but not reported	**80 736 664**	**25 086 335**
22.4 Provision for unallocated loss adjustment expenditure		
Balance beginning of the year	1 539 493	-
Incurred short-term	-	-
Incurred long-term	-	1 539 493
Utilised during the year	(660 493)	-
	879 000	**1 539 493**
Reinsurance provision for unallocated loss adjustment expenditure		
Balance beginning of the year	-	-
Utilised/(incurred)	-	-
	-	**-**
Net provision for unallocated loss adjustment expenditure	**879 000**	**1 539 493**
22.5 Insurance contract liability		
Balance beginning of the year	-	-
Incurred short-term	168 992 819	-
Incurred long-term	-	-
Utilised during the year	-	-
	168 992 819	**-**
Reinsurance for insurance contract liability		
Balance beginning of the year	-	-
Utilised/(incurred) during the year	-	-
	-	**-**
Net insurance contract liability	**168 992 819**	**-**

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23. Premiums		
Gross premiums written		
Long-term insurance contracts	45 316 812	17 991 392
Short-term insurance contracts	699 477 990	287 326 162
Change in provision for unearned premiums	10 257 055	(39 901 902)
	755 051 857	**265 415 652**
Premiums ceded to reinsurers		
Long-term reinsurance contracts	(36 475 961)	(14 132 090)
Short-term reinsurance contracts	(118 923 352)	(91 432 151)
Change in provision for unearned premiums	(5 445 839)	18 925 533
	(160 845 152)	**(86 638 708)**
24. Investment revenue		
Dividend revenue		
Dividend income received on money market investments	858 682	719 216
Interest revenue		
Bank	2 505 860	980 724
Interest on investments	9 733 146	9 006 135
Total interest revenue	**12 239 006**	**9 986 859**
Total investment revenue	**13 097 688**	**10 706 075**
25. Net benefits and claims		
a) Gross benefits and claims incurred		
Long-term insurance	(39 693 661)	(102 873 267)
Short-term insurance	(243 936 500)	(9 869 065)
	(283 630 161)	**(112 742 332)**
b) Claims ceded to reinsurers		
Long-term reinsurance recoveries relating to claims incurred	31 658 791	59 872 745
Short-term reinsurance recoveries relating to claims incurred	111 423 128	7 582 720
	143 081 919	**67 455 465**
c) Gross change in insurance liabilities		
Change in provision for outstanding claims	55 058 833	(50 889 152)
Short-term change in provision for claims IBNR	(73 166 829)	(54 171)
Long-term change in provision for claims IBNR	(1 475 650)	(2 522 384)
Change in provision for unallocated loss adjustment expenditure	660 493	(1 539 494)
Change in insurance contract liability	(168 992 819)	-
	(187 915 972)	**(55 005 201)**

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25. Net benefits and claims (continued)		
d) Change in insurance liabilities ceded to reinsurers		
Change in provision for outstanding claims	(54 134 189)	53 123 540
Short-term change in provision for claims IBNR	18 992 150	(3 919 150)
Long-term change in provision for claims IBNR	-	2 046 326
	(35 142 039)	**51 250 716**

26. Results of operations

Results of operating activities for the year are stated after charging (crediting) the following, amongst others:

Employee costs	2020	2019
Salaries, wages, bonuses and other benefits	19 727 992	13 067 721
Housing benefit	4 156 599	2 946 494
Travel allowance	183 559	159 533
Motor vehicle allowance	3 195 494	2 852 524
Termination benefits	1 557 729	1 306 337
Total employee costs	**28 821 373**	**20 332 609**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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26. Results of operations (continued)

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Actuary fees	433 744	1 409 294
Auditors remuneration - external auditors	724 022	760 463
Employee costs	28 821 373	20 332 609
Depreciation, amortisation and impairment	1 472 433	844 351
Fees and commission paid	180 907 645	66 628 343
Gross benefits and claims incurred	283 469 313	112 742 331
Claims ceded to reinsurers	(143 081 919)	(67 455 465)
Gross change in insurance liabilities	187 915 972	55 005 201
Changes in insurance liabilities ceded to reinsurers	35 142 039	(51 250 716)
Legal expenses	3 496 419	6 221 587
Other consulting and professional fees	4 467 135	3 957 415
Telephone and internet expenses	1 352 305	1 096 647
Bursaries	2 083 737	1 224 624
Investment expense	293 789	343 534
Municipal expenses	267 599	274 343
Security	150 617	137 368
Repairs and maintenance	179 697	506 533
Levies	530 920	312 469
Insurance	291 385	251 725
Entertainment	412 305	271 702
Donations	584 050	330 651
Bank charges	165 791	152 324
Staff welfare	2 689 452	3 599
Travel	2 441 999	1 851 771
Training	695 530	2 977 770
Other operating expenses not individually material	2 986 349	808 055
	598 893 701	**159 738 528**

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26. Results of operations (continued)

26.1 Legal fees

The Namibia National Reinsurance Corporation Act, Act 22 of 1998 and Government Gazette No. 6496 stipulate that short-term and long-term insurance companies should cede 12.5% of every policy to the Corporation as compulsory reinsurance, subject to specific exclusions and exemptions as prescribed in Government Gazette No. 6496. The Act and Government Gazette Notice are currently under legal dispute by some insurance companies in the courts of law, therefore only a number of insurers are presently complying, with the majority still disputing the regulation. The Corporation's legal counsel and directors believe that a favourable outcome is probable, which will require all insurers registered in Namibia to comply with the regulation. The Corporation has only recognised per policy cession business from complying insurance companies in its financial statements; no accrual has been recognised nor contingent asset for non-complying cedants.

27. Finance costs paid

Interest on finance lease liability	-	9 851

28. Cash generated from operations

Profit before taxation	39 946 791	48 328 388
Adjustments for:		
Depreciation	1 281 592	769 563
Amortisation	190 841	74 788
Loss on disposal of assets	361 043	-
Dividend income	(858 682)	(719 216)
Interest income	(12 239 006)	(9 986 859)
Finance costs paid	-	9 851
Fair value gains and other non-cash items	(1 236 940)	(4 894 295)
Movements in insurance liability	177 658 917	94 907 158
Expenses on investments	293 789	343 535
Changes in working capital:		
Increase in insurance and other receivables	(277 412 564)	(54 134 997)
Increase in reinsurance assets	40 587 879	(70 176 304)
Increase in deferred acquisition costs	-	(1 250 973)
Staff loans and other prepayments	(737 206)	1 593 715
Reinsurance and other payables	51 741 907	20 367 547
	19 578 361	**25 231 901**

29. Tax paid

Balance at beginning of the year	(100 744)	(7 668 976)
Current tax for the year recognised in profit or loss	(25 087 162)	(17 350 744)
Balance at end of the year	(3 897 838)	100 744
	(29 085 744)	**(24 918 976)**

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30. Dividends paid

Balance at beginning of the year	(6 150 000)	-
Dividends	(10 000 000)	(6 150 000)
Balance at end of the year	10 000 000	6 150 000
	(6 150 000)	-

31. Taxation

Major components of the tax expense		
Current		
Long-term Insurance business	112 111	107 656
Short-term insurance business	24 975 051	17 243 088
	25 087 162	17 350 744
Deferred		
Originating and reversing temporary differences	(12 737 594)	(2 457 684)
	12 349 568	14 893 060
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense		
Accounting profit	39 946 791	48 328 388
Tax at the applicable tax rate of 32% (2019: 32%)	12 782 973	15 465 084
Tax effect of adjustments on taxable income		
Charitable donations income	-	1 729 823
Deferred tax effect income	(433 405)	(2 301 847)
	12 349 568	14 893 060

32. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2020	Opening balance	Other non-cash movements	Total non-cash movements	Closing balance
Finance lease liabilities	64 659	(64 659)	(64 659)	-
Total liabilities from financing activities	64 659	(64 659)	(64 659)	-

Reconciliation of liabilities arising from financing activities - 2019	Opening balance	Interest charge	Total non-cash movements	Cash flows	Closing balance
Finance lease liabilities	116 185	9 851	9 851	(61 377)	64 659
Total liabilities from financing activities	116 185	9 851	9 851	(61 377)	64 659

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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33. Contingencies

Contingent liabilities represent items that as at 31 March 2020 have not been recognised in the statement of financial position because there is significant uncertainty at that date as to the necessity for the Corporation to make payments in respect of the legal case.

The Corporation has the following legal cases pending:

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

The Corporation's lawyers consider the extent of the exposure of the Corporation to be limited to the applicants' legal costs. Accordingly, the Corporation has a contingent liability in respect of legal costs of about N$ 9 million payable to the applicants in respect of its legal costs incurred.

34. Related parties

Relationships
Shareholder: Government of the Republic of Namibia (Ministry of Finance)

Related party balances		
Amount owing by (to) the Government of the Republic of Namibia		
Other receivables	8 378 159	7 268 233
Insurance and other payables: Value-added tax	(19 661 785)	(7 855 595)
Current tax receivable (payable)	3 897 838	(100 744)
Insurance and other payables: PAYE (employees' tax)	367 140	-
Insurance and other payables: VAT on imported services	20 566	-
Insurance and other payables: Withholding taxes	54 412	-
Dividend payable	(10 000 000)	(6 150 000)
Related party transactions		
Payments to the Government of the Republic of Namibia		
Legal fees paid	1 109 926	4 323 973
Income tax paid	29 085 744	24 918 976
Dividends declared and paid	10 000 000	6 150 000
Agency payments: Value-added tax	14 872 852	12 580 840
Agency payments: PAYE	6 310 932	4 351 707
VAT on imported services paid	438 675	437 077
Withholding tax paid	445 962	286 789

35. Directors' emoluments

For services as directors	3 705 530	3 375 505

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36. Events after the reporting period

At the time of preparing the financial statements, the existence of the coronavirus (COVID-19) was confirmed and had begun spreading more rapidly across the globe. During this outbreak, protecting the health and well-being of our staff, clients and other key stakeholders is at the centre of our response plans. Precautionary measures have been put in place and are consistent with protocol from the World Health Organisation and Namibia National Reinsurance Corporation Limited policies. We have activated our business continuity plans to ensure continued performance of essential functions even under stressed conditions and identified appropriate mitigating initiatives to address the challenges being faced. The Corporation is well capitalised and liquid. We are also working closely with our clients to identify and remediate any potential challenges and are confident that the right attention is being applied across the spectrum of risks that need to be managed.

At this time, the situation is still evolving and the total impact on communities and business activities is difficult to quantify. The impact will be considered and included in strategy, long and short-term budget plans as well as the 2020 macroeconomic forecasts that are incorporated into all our financial estimates.

NOTES