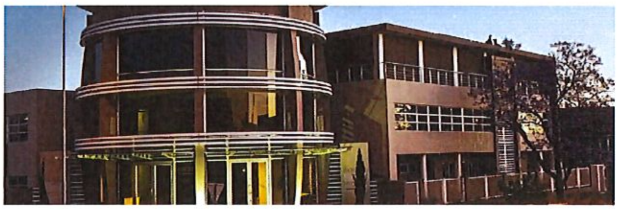
NamibRe

NAMIBIA NATIONAL REINSURANCE CORPORATION LIMITED

(Registration number 99/369)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



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 Lazarett Street and Feld Street Windhoek Namibia
Business address	Erf 8571, Corner of Lazarett Street and Feld Street Windhoek Namibia
Postal address	PO Box 716 Windhoek Namibia
Shareholder	Government of the Republic of Namibia (Ministry of Finance)
Banker	First National Bank of Namibia Limited
Auditor	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Ntwala Mwilima
Corporation registration number	99/369

Contents

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

Directors' Responsibilities and Approval

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the corporation and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board 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 corporation and all employees are required to maintain the highest ethical standards in ensuring the corporation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the corporation is on identifying, assessing, managing and monitoring all known forms of risk across the corporation. While operating risk cannot be fully eliminated, the corporation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the corporation's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the corporation has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the corporation's annual financial statements. The annual financial statements have been examined by the corporation's external auditor and their report is presented on pages 4 to 6.

The annual financial statements set out on pages 9 to 48, which have been prepared on the going concern basis, were approved by the board of directors.

Signed on behalf of the Board of Directors By:

Director

Director

Windhoek

Date: 21/9/2018

pwc

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 2018 , and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Namibia National Reinsurance Corporation Limited's financial statements set out on pages 7 to 48 comprise:

- The directors' report for the year ended 31 March 2018 ;
- the statement of financial position as at 31 March 2018 ;
- the statement of 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; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A & B)* and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with this 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 Namibia National Reinsurance Corporation Limited Annual Financial Statements for the year ended 31 March 2018. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

PricewaterhouseCoopers
PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants Namibia
Per: Trofimus Shapange
Partner
Windhoek
Date: 21 September 2018

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 2018.

1. Nature of business

Namibia National Reinsurance Corporation Limited was incorporated in Namibia with interests in the Insurance industry. The corporation 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 corporation's business from the prior year.

2. Review of financial results and activities

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

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

3. Authorised and issued share capital

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

4. Dividends

Dividends declared adn paid to the shareholder in the current financial year amounted to N$ 5 000 000 (2017: N$ 3 500 000).

5. Directorate

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

Directors	Appointments / Resignations
L D Kapere (Chairperson)	
S Makando (Deputy Chairperson)	
P A Martin (Managing Director)	
A Beukes	
I Gei-Khoibeb	Resigned 14 July 2017
T K Iindji	
H Mbako	Appointed 01 April 2018
T J A Saunderson	
F Tjivau	Appointed 01 April 2018
N J Tshitayi	

The directors were reappointed on 1 April 2018. All directors are Namibian.

6. Shareholder

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

Directors' Report

7. Events after the reporting period

On 20 September 2018, the directors approved a dividend of N$ 6 150 000.

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. Regulation and litigation

On 29 December 2017 the government of Namibia issued an announcement that in terms of Section 47 of the Namibian National Reinsurance Corporation Act all Namibian insurance companies are required to cede business per policy level to the corporation. This notice was effective 180 days after publication. There are currently legal proceedings against the coporation in this regard. Refer to note 32 for further information.

Other than those which are recorded in these financial statements, the directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened that may have a material effect on the financial position of the company.

9. Auditor

PricewaterhouseCoopers continued in office as auditor for the corporation for 2018 and will continue in office in accordance with Section 278 (2) of the Namibian Companies Act.

10. Secretary

The company secretary is Ntwala Mwilima.

Statement of Financial Position as at 31 March 2018

	Notes	2018 N$	2017 N$
Assets			
Property, plant and equipment	5	37 417 712	28 851 514
Intangible assets	6	535 973	547 293
Investments held to maturity	7	50 220 168	51 471 026
Investments at fair value through profit or loss	8	157 153 213	109 170 300
Reinsurance assets	9	20 712 752	13 450 057
Insurance and other receivables	10	10 334 208	31 362 433
Current tax receivable	11	-	1 206 137
Deferred acquisition costs	12	1 535 170	2 938 444
Staff loans and other prepayments	13	2 243 769	500 714
Cash and cash equivalents	14	22 476 534	45 556 563
Total Assets		**302 629 499**	**285 054 481**
Equity and Liabilities			
Equity			
Share capital	16	20 000 000	20 000 000
Retained income		107 401 944	94 658 841
Reserves	17	83 099 585	69 590 003
		210 501 529	**184 248 844**
Liabilities			
Finance lease liabilities	18	116 185	31 368
Deferred tax	19	8 387 384	11 747 925
Reinsurance and other payables	20	21 132 011	25 388 937
Current tax payable	11	7 668 976	-
Insurance liabilities	21	54 823 414	63 637 407
Total Liabilities		**92 127 970**	**100 805 637**
Total Equity and Liabilities		**302 629 499**	**285 054 481**

Statement of Comprehensive Income

	Notes	2018 N$	2017 N$
Gross premium written	23	245 947 966	307 145 059
Premiums ceded to reinsurers	23	(83 480 918)	(64 994 108)
Net premiums earned		**162 467 048**	**242 150 951**
Fees and commission received		20 599 724	16 884 463
Investment income	24	11 496 719	9 681 677
Sundry income		140 375	46 195
Fair value adjustments	3	4 513 008	4 549 797
Other income		**36 749 826**	**31 162 132**
Net income		**199 216 874**	**273 313 083**
Gross benefits and claims incurred	25	(87 897 084)	(157 739 569)
Claims ceded to reinsurers	25	21 328 009	31 433 579
Gross change in insurance liabilities	25	1 330 576	(14 171 715)
Change in insurance liabilities ceded to reinsurers	25	7 475 410	9 445 487
Net benefits and claims		**(57 763 089)**	**(131 032 218)**
Fees and commission paid		(56 480 560)	(76 874 856)
Other operating expenses		(41 594 539)	(35 304 960)
Other expenses		**(98 075 099)**	**(112 179 816)**
Total benefits, claims and other expenses		**(155 838 188)**	**(243 212 034)**
Results of operating activities	26	**43 378 686**	**30 101 049**
Finance costs paid	27	(10 580)	(3 756)
Profit before taxation		**43 368 106**	**30 097 293**
Taxation	28	(12 614 571)	(8 540 412)
Profit for the year		**30 753 535**	**21 556 881**
Total comprehensive income for the year		**30 753 535**	**21 556 881**

Statement of Changes in Equity

	Share capital N$	Revaluation reserve N$	Staff welfare reserve N$	General reserve N$	Total reserves N$	Retained income N$	Total equity N$
Balance at 01 April 2016	**20 000 000**	**3 587 172**	**1 480 464**	**56 144 004**	**61 211 640**	**85 204 128**	**166 415 768**
Profit for the year	-	-	-	-	-	21 556 881	21 556 881
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**21 556 881**	**21 556 881**
Transfer to general reserve	-	-	-	7 524 324	7 524 324	(7 524 324)	-
Utilised during the year	-	-	(223 805)	-	(223 805)	-	(223 805)
Transfer to staff welfare reserve	-	-	1 077 844	-	1 077 844	(1 077 844)	-
Dividends paid	-	-	-	-	-	(3 500 000)	(3 500 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**854 039**	**7 524 324**	**8 378 363**	**(12 102 168)**	**(3 723 805)**
Balance at 01 April 2017	**20 000 000**	**3 587 172**	**2 334 503**	**63 668 328**	**69 590 003**	**94 658 841**	**184 248 844**
Profit for the year	-	-	-	-	-	30 753 535	30 753 535
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**30 753 535**	**30 753 535**
Transfer between reserves	-	-	2 168 405	10 842 027	13 010 432	(13 010 432)	-
Transfer to revaluation reserve	-	1 871 923	-	-	1 871 923	-	1 871 923
Utilisation of reserve	-	-	(1 372 773)	-	(1 372 773)	-	(1 372 773)
Dividends paid	-	-	-	-	-	(5 000 000)	(5 000 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**1 871 923**	**795 632**	**10 842 027**	**13 509 582**	**(18 010 432)**	**(4 500 850)**
Balance at 31 March 2018	**20 000 000**	**5 459 095**	**3 130 135**	**74 510 355**	**83 099 585**	**107 401 944**	**210 501 529**
Notes	16	17	17	17			

Statement of Cash Flows

	Notes	2018 N$	2017 N$
Cash flows from operating activities			
Cash generated from operations	29	28 195 490	15 977 572
Interest received on investments received		6 157 671	8 450 529
Dividend income received		-	1 231 148
Finance costs paid	27	-	(3 756)
Tax paid	30	(7 100 000)	(220 735)
Net cash from operating activities		**27 253 161**	**25 434 758**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(7 443 856)	(3 684 710)
Proceeds on disposal of property, plant and equipment	5	101 788	-
Purchase of intangible assets	6	-	(87 825)
Maturation (purchase) of investments held to maturity	7	3 120 000	(16 954 451)
(Purchase) disposal of investments at fair value through profit or loss		(40 000 000)	33 448 191
Net cash from investing activities		**(44 222 068)**	**12 721 205**
Cash flows from financing activities			
Finance lease payments	31	(43 037)	(25 862)
Dividends paid		(5 000 000)	(3 500 000)
Net cash from financing activities		**(5 043 037)**	**(3 525 862)**
Total cash movement for the year		**(22 011 944)**	**34 630 101**
Cash at the beginning of the year		45 556 563	11 548 546
Effect of exchange rate movement on cash balances		(1 068 085)	(622 084)
Total cash at end of the year	14	**22 476 534**	**45 556 563**

Accounting Policies

1. Significant accounting policies

1.1 Presentation of financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the Companies Act of Namibia and the Namibian National Reinsurance Corporation Act. They have been prepared on the historic cost convention, incorporating the principal accounting policies set out below. The presentation currency is Namibian Dollars.

These accounting policies are consistent with the policies applied in the previous period.

1.2 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

Key sources of estimation uncertainty

Asset useful lives and residual values

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

Taxation

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

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

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Insurance liabilities

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

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

> ***Provision for unearned premiums***

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

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

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

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

The provision for life IBNR has been calculated at 85% (2017: 85%) of premiums earned. A claims loss ratio approach, an accepted actuarial methology, was used to calculate the liability. This is due to life insurance being a recent addition to the product offering of the business and accordingly there is currently insufficient claims data to analyse using the usual actuarial methodologies. This estimate is based on past experience and industry norms in Namibia and other African countries.

The provision for non-life IBNR has been calculated at 14.51% (2017: 10.34%) of premiums earned using a mix of loss ratio and actuarial methodologies using information on historical trends, past experience and industry norms in Namibia.

> ***Provisions for outstanding claims***

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

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

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.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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.

Liability adequacy testing

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

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

1.3 Property, plant and equipment

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

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

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

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

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

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

1.4 Intangible assets

Intangible assets are initially recognised at cost.

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

The amortisation periods and methods for intangible assets are reviewed every financial year end.

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

Accounting Policies

1.5 Financial instruments

Classification

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

- Financial assets at fair value through profit or loss - held for trade
- 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 or 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 corporation becomes a party to the contractual provisions of the instruments.

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

Financial instruments are measured initially at fair value, except for those instruments 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 corporation'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 corporation establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

1.5 Financial instruments (continued)

Held to maturity

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

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

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

Impairment of financial assets

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

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

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 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 trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Insurance and other receivables are classified as loans and receivables.

Accounting Policies

1.5 Financial instruments (continued)

Reinsurance and other payables

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

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

Cash and cash equivalents

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

Borrowings

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

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit or loss nor taxable profit or 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 or loss nor taxable profit or 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 that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.6 Tax (continued)

Income tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or a business combination.

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

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

1.7 Leases

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

Finance leases – lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

1.8 Impairment of non-financial assets

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

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 may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated. The increased carrying amount attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

Accounting Policies

1.9 Share capital and equity

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

1.10 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

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

Termination benefits

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

1.11 Provisions and contingencies

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

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

Provisions are not recognised for future operating losses.

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

Accounting Policies

1.11 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.12 Revenue

Gross premiums written

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

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

Premiums ceded to reinsurers

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

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

Fees and commission income

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

Finance income

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

Other income

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

1.13 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.

Accounting Policies

1.13 Benefits, claims and expenses recognition (continued)

Reinsurance claims

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

Fees and commission expense

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

Deferred acquisition costs (DAC)

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

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

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

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

1.14 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.

Accounting Policies

1.14 Reinsurance contracts (continued)

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.

1.15 Translation of foreign currencies

Foreign currency transactions

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

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

1.16 Dividend distribution

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the changes in liabilities arising from financing activities.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The corporation has adopted the amendment for the first time in the 2018 annual financial statements.

Refer to the Statement of Cash Flows for disclosure on cash flows from financing activities.

2.2 Standards and interpretations not yet effective

The corporation has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the corporation's accounting periods beginning on or after 01 April 2018 or later periods:

IFRS 17: Insurance Contracts

The standard 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 01 January 2021.

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

The adoption of this standard is not expected to impact on the results of the corporation, but may result in more disclosure than is currently provided in the annual financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments

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

The effective date of the interpretation is for years beginning on or after 01 January 2019.

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

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

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 may impact the corporation are as follows:

- 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 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.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

The effective date of the standard is for years beginning on or after 01 January 2019.

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

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

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

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

The effective date of the amendment is for years beginning on or after 01 January 2018.

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

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

IFRIC 22: Foreign Currency Transactions and Advance Consideration

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

The effective date of the interpretation is for years beginning on or after 01 January 2018.

The corporation expects to adopt the interpretation for the first time in the 2019 annual financial statements.

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

Amendments to 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 for annual periods beginning before 1 January 2021. The exemption is only available provided the insurer has not previously applied any version of IFRS 9 (with some exceptions) and that the activities are predominantly connected with insurance.

The amendment further permits, but does not require, insurers to apply the "overlay approach" to designated financial assets when it first applies IFRS 9. The overlay approach requires the entity to reclassify between profit or loss and other comprehensive income, an amount which results in the profit or loss of the designated financial assets at the end of the reporting period being equal to what it would have been had IAS 39 been applied to the designated financial assets.

Additional disclosures are required as a result of the amendment.

The effective date of the amendment is for years beginning on or after 01 January 2018.

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

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

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

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

The effective date of the amendment is for years beginning on or after 01 January 2018.

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

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

IFRS 9: Financial Instruments

IFRS 9 and its subsequent amendments have introduced new requirements for the classification, measurement, impairment and derecognition of financial assets and liabilities.

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 amount are generally measured at amortised cost at the end of subsequent reporting periods.

Debt investments that are held within a business model whose objective is achieved by both collecting contractual cash flows and for 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 amount, are measured at fair value through other comprehensive income.

All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition 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 recognised in profit or loss.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

In relation to the impairment of financial assets, the standard requires an expected credit loss model to be applied as opposed to IAS 39's incurred credit loss model. 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.

The effective date of the standard is for years beginning on or after 01 January 2018.

The corporation expects to adopt the standard for the first time in the 2019 annual financial statements.

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

IFRS 15: Revenue from Contracts with Customers

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

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

IFRS 15 also includes extensive new disclosure requirements. The effective date of the standard is for years beginning on or after 01 January 2018.

The corporation expects to adopt the standard for the first time in the 2019 annual financial statements.

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

3. Risk management

Capital risk management

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

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

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

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

3. Risk management (continued)

Liquidity risk

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

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

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

At 31 March 2018	Less than 1 year	Between 2 and 5 years
Insurance liabilities	15 399 697	-
Reinsurance and other payables	14 776 473	-
Finance lease liabilities	44 729	71 456

At 31 March 2017	Less than 1 year	Between 2 and 5 years
Insurance liabilities	30 041 041	-
Reinsurance and other payables	25 388 933	-
Finance lease liabilities	13 341	18 027

Credit risk

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

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

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

Financial assets (N$)	**Notes**	**2018**	**2017**
Investments held to maturity	7	50 220 168	51 471 026
Investments at fair value through profit or loss	8	157 153 214	109 170 300
Insurance and other receivables	10	10 334 208	31 362 433
Staff loans and prepayments	13	451 467	415 123
Cash and cash equivalents	14	22 476 534	45 556 563

Notes to the Annual Financial Statements

3. Risk management (continued)

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 (2017: 100 basis points), the after-tax affect on profit would have been a decrease (increase) of N$ 577 063 (2017: N$ 471 046).

Foreign exchange risk

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

The corporation does not hedge foreign exchange fluctuations.

Foreign currency exposure as at 31 March 2018	Insurance and other receivables	Reinsurance and other payables	Total
US Dollar	4 125 540	(758 100)	3 367 440
Botswana Pula	(190 583)	(116 834)	(307 417)
Zambian Kwacha	(277 712)	(77 133)	(354 845)
Malawian Kwacha	(514 503)	-	(514 503)
Kenyan Shillings	(1 467 638)	(174 495)	(1 642 133)
Tanzania Shillings	380 286	(150 297)	229 989
	2 055 390	**(1 276 859)**	**778 531**

Foreign currency exposure as at 31 March 2017	Insurance and other receivables	Reinsurance and other payables	Total
US Dollar	1 666 745	(270 171)	1 396 574
Zambian Kwacha	914 448	(69 021)	845 427
Malawian Kwacha	-	(5 193)	(5 193)
Kenyan Shillings	-	(23 957)	(23 957)
Other	-	(40 643)	(40 643)
	2 581 193	**(408 985)**	**2 172 208**

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.

Notes to the Annual Financial Statements

3. Risk management (continued)

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 Managment ('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 67%, non-proportional 2% and facultative 31%.

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

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

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

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

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

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

Notes to the Annual Financial Statements

3. Risk management (continued)

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

2018	Gross liability	Reinsurance asset	Net liability
Life	(4 347 497)	1 642 521	(2 704 976)
Fire	(29 078 339)	10 986 044	(18 092 295)
Health	(1 770 796)	669 022	(1 101 774)
Marine	(2 916 606)	1 101 918	(1 814 688)
Motor miscellaneous	(14 528 205)	5 488 879	(9 039 326)
Nasria	(619 505)	234 054	(385 451)
Aviation	(1 562 467)	590 314	(972 153)
	(54 823 415)	**20 712 752**	**(34 110 663)**

2017	Gross insurance liability	Reinsurance assets	Net liability
Life	(318 187)	233 090	(85 097)
Fire	(34 006 630)	7 389 548	(26 617 082)
Health	(4 449 816)	958 485	(3 491 331)
Marine	(938 287)	62 448	(875 839)
Motor miscellaneous	(23 094 161)	4 442 458	(18 651 703)
Nasria	(406 943)	26 965	(379 978)
Aviation	(423 383)	337 063	(86 320)
	(63 637 407)	**13 450 057**	**(50 187 350)**

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.

2018	Gross insurance liability	Reinsurance assets	Net liability
Namibian	(51 120 642)	19 313 813	(31 806 829)
Foreign	(3 702 773)	1 398 939	(2 303 834)
	(54 823 415)	**20 712 752**	**(34 110 663)**

2017	Gross liability	Reinsurance asset	Net liability
Namibian	(61 582 453)	13 156 096	(48 426 357)
Foreign	(2 054 954)	293 961	(1 760 993)
	(63 637 407)	**13 450 057**	**(50 187 350)**

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

Notes to the Annual Financial Statements

3. Risk management (continued)

Sensitivity analysis for life liabilities

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

	Claims loss ratio increase of 10%		Claims loss ratio decrease of 10%	
Effect on the current year:	**Gross**	**Net**	**Gross**	**Net**
Decrease (increase) in after tax profit	1 183 103	459 681	(1 183 103)	(316 115)
(Increase) decrease in IBNR liability	(1 747 211)	(676 001)	1 747 211	(464 874)

Sensitivity analysis for non-life liabilities

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

	Treaty insurance		Facultative insurance	
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**
Increase (decrease) in after tax profit	555 447	(555 447)	1 755 524	(1 755 524)
(Increase) decrease in IBNR liability	(1 735 772)	1 735 772	(5 486 012)	5 486 012
	(1 180 325)	**1 180 325**	**(3 730 488)**	**3 730 488**

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.

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.

Notes to the Annual Financial Statements

5. Property, plant and equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 448 374	-	4 448 374	4 448 374	-	4 448 374
Buildings	31 346 626	-	31 346 626	22 197 781	-	22 197 781
Furniture and fixtures	1 570 918	(909 498)	661 420	1 708 722	(743 884)	964 838
Motor vehicles	1 203 748	(551 653)	652 095	1 203 748	(281 820)	921 928
Office equipment	73 306	(15 313)	57 993	55 190	(2 654)	52 536
IT equipment	667 336	(495 879)	171 457	741 934	(499 390)	242 544
Finance lease asset	229 841	(150 094)	79 747	127 863	(104 350)	23 513
Total	**39 540 149**	**(2 122 437)**	**37 417 712**	**30 483 612**	**(1 632 098)**	**28 851 514**

Reconciliation of property, plant and equipment - 2018

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

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Land	4 448 374	-	-	4 448 374
Buildings	20 413 290	1 784 491	-	22 197 781
Furniture and fixtures	445 586	707 826	(188 574)	964 838
Motor vehicles	54 375	1 060 572	(193 019)	921 928
Office equipment	-	55 190	(2 654)	52 536
IT equipment	304 538	76 631	(138 625)	242 544
Finance lease asset	48 129	-	(24 616)	23 513
	25 714 292	**3 684 710**	**(547 488)**	**28 851 514**

Notes to the Annual Financial Statements

5. Property, plant and equipment (continued)

Depreciation rates

Depreciation of property, plant and equipment is provided on a straight-line basis to the assets' residual values as follows:

Item	Useful life
Land	Not depreciated
Buildings	50 years
Furniture and fixtures	5 years
Motor vehicles	4 years
Office equipment	3 years
IT equipment	3 years
Finance lease assets	3 years

Revaluations

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

The carrying value of land and buildings under the cost model would have been N$ 30 335 905 (2017 N$ 23 058 983).

Details of property

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

6. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	565 210	(29 237)	535 973	565 210	(17 917)	547 293

Reconciliation of intangible assets - 2018

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

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	470 198	87 825	(10 730)	547 293

Amortisation rate

Computer software is estimated to have a useful life of 10 years.

Notes to the Annual Financial Statements

	2018 N$	2017 N$

7. Investments held to maturity

	2018 N$	2017 N$
Held to maturity financial instruments		
Republic of Namibia Government bonds (Baa3)	28 124 166	31 180 067
Standard Bank Fixed deposit account (BB+)	22 096 002	20 290 959
	50 220 168	**51 471 026**

The fair value of the held to maturity investments is considered to approximate the carrying amount. No amounts are past due or considered impaired. All amounts are denominated in Namibian dollars. Refer to note 3 for credit risk management.

8. Investments at fair value through profit or loss

	2018 N$	2017 N$
Level 2 fair value investments in funds with no credit ratings		
Bank Windhoek Select Fund	37 605 119	34 849 745
FNB Namibia Unit Trust Income Fund	15 664 437	14 491 795
EMH Prescient Unit Trust Fund	20 963 051	-
Liberty Life Investment Policy	38 861 338	36 708 961
Allan Gray Namibia Balance Fund	8 955 680	21 826 620
Old Mutual Nedbank Namibia Corporate Fund	3 164	2 957
Prudential Namibia Inflation Plus Fund	20 561 383	-
Bank Windhoek Money Market Investment Fund	351 954	1 290 222
Prudential Namibia Inflation Fund	14 187 087	-
	157 153 213	**109 170 300**

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.

	2018 N$	2017 N$
Reconciliation of level 2 financial assets held at fair value through profit or loss		
Opening balance	109 170 300	142 263 836
Additions at fair value	40 000 000	15 000 000
Disposals at fair value	-	(59 078 256)
Interest capitalised	4 134 645	4 172 948
Dividend capitalised	684 859	1 377 333
Coupon interest on government bonds	1 209 375	1 209 375
Coupon withdrawals	(2 160 625)	-
Fair value adjustments	4 513 008	4 549 797
Expenses	(398 349)	(324 733)
	157 153 213	**109 170 300**

9. Reinsurance assets

	2018 N$	2017 N$
Reinsurance asset receivable	20 712 752	13 450 057

Notes to the Annual Financial Statements

	2018 N$	2017 N$

9. Reinsurance assets (continued)

No impairment loss was recognised by the corporation at year end (2017: 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 (2017: N$ nil).

10. Insurance and other receivables

	2018 N$	2017 N$
Premium insurance debtors	10 045 404	31 884 606
Provision for doubtful debtors	(3 029 798)	(522 173)
Other receivable	3 318 602	-
	10 334 208	**31 362 433**

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.

Credit quality of premium debtors of short-term insurance

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

Premium debtors of short-term insurance

	2018 N$	2017 N$
Counterparties without external credit rating		
Group 2	10 334 208	31 362 433

Group 1 – new customer (less 6 months).

Group 2 – existing customers 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.

Insurance and other receivables impaired

The ageing of amounts past due and impaired is as follows:

	2018 N$	2017 N$
120+ days	-	1 916 900

Insurance 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.

	2018 N$	2017 N$
120 days	2 507 625	522 173
120+ days	522 173	-

Reconciliation of provision for impairment of trade and other receivables

	2018 N$	2017 N$
Opening balance	(522 173)	(522 173)
Provision for impairment	(2 507 625)	-
	(3 029 798)	**(522 173)**

Notes to the Annual Financial Statements

	2018 N$	2017 N$

10. Insurance and other receivables (continued)

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The corporation does not hold any collateral as security. Foreign exchange risk information is disclosed in note 3.

Refer to note 33 for related party information.

11. Current tax (payable) receivable

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

Refer to note 33 for related party information.

	2018 N$	2017 N$
Normal tax	(7 668 976)	1 206 137

	2018 N$	2017 N$
Provision for taxation		
Opening balance	1 206 137	5 439 266
Provision for the year	(15 975 113)	(4 453 864)
Interest charged by Receiver of Revenue	-	(243 608)
Provisional tax payment	7 100 000	464 343
	(7 668 976)	**1 206 137**

	2018 N$	2017 N$
Balance of provision for taxation consists of:		
2017	1 206 137	1 206 137
2018	(8 875 113)	-
	(7 668 976)	**1 206 137**

12. Deferred acquisition costs

	2018 N$	2017 N$
Deferred acquisition costs		
Balance at the beginning of the year	2 938 444	3 712 691
Expenses deferred	(1 403 274)	(774 247)
	1 535 170	**2 938 444**

The reinsurance deferred acquisition costs have been included in the reinsurance and other payable balance in note 20.

	2018 N$	2017 N$
Reinsurance deferred acquisition costs		
Balance at the beginning of the year	(238 011)	(341 547)
Expenses deferred	9 982	103 536
	(228 029)	**(238 011)**

13. Staff loans, deposits and other prepayments

	2018 N$	2017 N$
Staff loans advanced	451 467	85 587
Deposits and prepayments	1 792 302	415 127
	2 243 769	**500 714**

Notes to the Annual Financial Statements

	2018 N$	2017 N$

13. Staff loans, deposits and other prepayments (continued)

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:

	2018 N$	2017 N$
Cash on hand	1 273	1 039
Current bank accounts	14 360 632	5 179 875
Call bank accounts	8 114 629	40 375 649
	22 476 534	**45 556 563**

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 (2017: N$ N$ 2 000 000).In addition, there is a N$ 50 000 (2017: 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:

	2018 N$	2017 N$
Credit rating		
First National Bank Limited: A1+ (2017: A1+)	7 612 290	39 606 158
Bank Windhoek Limited: A1+ (2017: A1+)	14 837 446	5 389 792
Simonis Storm: no rating (2017: no rating)	25 525	559 574
	22 475 261	**45 555 524**

15. Financial assets by category

The accounting policies for financial instruments have been applied to the line items in the table below. Only those balances which meet the definition of a financial asset have been included and accordingly the line items may not correspond directly to the Statement of Financial Position. Refer to note 3 for information on financial risk management.

2018

	Loans and receivables	Fair value through profit or loss - held for trade	Held to maturity investments	Total
Investments	-	157 153 214	50 220 168	207 373 382
Insurance and other receivables	10 512 344	-	-	10 512 344
Staff loans and deposits	451 467	-	-	451 467
Cash and cash equivalents	22 476 534	-	-	22 476 534
	33 440 345	**157 153 214**	**50 220 168**	**240 813 727**

	2018 N$	2017 N$

15. Financial assets by category (continued)

2017

	Loans and receivables	Fair value through profit or loss - held for trade	Held to maturity investments	Total
Investments	-	109 170 300	51 471 026	160 641 326
Insurance and other receivables	31 362 433	-	-	31 362 433
Staff loans and deposits	415 123	-	-	415 123
Cash and cash equivalents	45 556 563	-	-	45 556 563
	77 334 119	**109 170 300**	**51 471 026**	**237 975 445**

16. Share capital

	2018 N$	2017 N$
Authorised and issued shares		
20 000 000 ordinary shares of N$1 each	20 000 000	20 000 000

17. Reserves

	2018 N$	2017 N$
General reserve		
Opening balance	63 668 328	56 144 004
Transfer from retained income	10 842 027	7 524 324
	74 510 355	**63 668 328**

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

	2018 N$	2017 N$
Staff welfare reserve		
Opening balance	2 334 503	1 480 464
Utilised during the year	(1 372 773)	(223 805)
Transfer from retained income	2 168 405	1 077 844
	3 130 135	**2 334 503**

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.

Notes to the Annual Financial Statements

	2018 N$	2017 N$

17. Reserves (continued)

Revaluation reserve		
Opening balance	3 587 172	3 587 172
Gain on revaluation of property	1 871 923	-
	5 459 095	**3 587 172**

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

Total reserves	**83 099 585**	**69 590 003**

18. Finance lease liabilities

Minimum lease payments due		
- within one year	53 658	15 131
- in second to fifth year inclusive	76 103	18 690
	129 761	33 821
less: future finance charges	(13 576)	(2 453)
Present value of minimum lease payments	**116 185**	**31 368**

Present value of minimum lease payments due		
- within one year	44 729	13 341
- in second to fifth year inclusive	71 456	18 027
	116 185	**31 368**

The finance lease liabilities relate to IT equipment (photo copier machines) that were purchased under finance leases. The liabilities are repayable in 36 equal monthly installments of N$ 4 375 (2017: N$ 1 131) and bear interest at prime. The book values of the IT equipment held under the leases amount to N$ 79 747 (2017: N$ 23 513).

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

The fair values of the loans approximate the carrying amount.

19. Deferred tax

Deferred tax liability

Deferred tax liability	(8 387 384)	(11 747 925)

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.

Deferred tax liability	(15 123 573)	(13 781 184)
Deferred tax asset	6 736 189	2 033 259
Total net deferred tax liability	**(8 387 384)**	**(11 747 925)**

Notes to the Annual Financial Statements

	2018 N$	2017 N$

19. Deferred tax (continued)

Reconciliation of net deferred tax liability

	2018 N$	2017 N$
At beginning of year	(11 747 925)	(7 661 377)
Temporary differences on property, plant and equipment	(1 004 897)	(455 724)
Temporary differences on investments	-	(4 800 000)
Temporary differences on prepayments	(319 476)	13 100
Temporary differences on accruals	67 938	96 153
Temporary differences on deferred acquisition costs	445 854	214 627
Temporary differences on finance leases	4 461	(399)
Temporary differences on income in advance	3 564 853	845 695
Temporary differences on insurance and other receivables	601 808	-
	(8 387 384)	**(11 747 925)**

	2018 N$	2017 N$
Expected release of deferred tax asset		
Within 12 months	6 736 189	2 033 259

	2018 N$	2017 N$
Expected release of deferred tax liability		
Within 12 months	(2 184 620)	(2 494 685)
After 12 months	(12 938 952)	(9 253 240)
	(15 123 572)	**(11 747 925)**

20. Reinsurance and other payables

	2018 N$	2017 N$
Reinsurance payables	17 836 300	18 065 932
Reinsurance deferred acquisition costs	228 030	238 011
Other payables	3 067 681	7 084 994
	21 132 011	**25 388 937**

The fair value of reinsurance and other payables approximates the carrying amount due to their short term nature. Details on foreign exchange balances have been disclosed in note 3.

Refer to note 12 for information corresponding to reinsurance deferred acquisition costs and to note 33 for related party information.

21. Insurance liabilities

Reconciliation of insurance liabilities - 2018

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

Notes to the Annual Financial Statements

	2018 N$	2017 N$

21. Insurance liabilities (continued)

Reconciliation of insurance liabilities- 2017

	Opening balance	Incurred (utilised) during the year	Total
Provision for claims incurred but not reported, IBNR (refer to 21.3)	22 617 000	10 979 366	33 596 366
Provision for unearned premiums (refer to 21.1.a)	16 815 210	(3 725 696)	13 089 514
Provision for outstanding claims (refer to 21.2)	12 113 669	4 837 858	16 951 527
	51 545 879	**12 091 528**	**63 637 407**

	2018	2017
Long-term insurance contracts	1 920 556	779 295
Short-term insurance contracts	49 106 097	61 212 603
	51 026 653	**61 991 898**

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: 2018	**2 - 5 years**	**Over 5 years**	**Total**
Long-term insurance contracts	-	1 920 556	1 920 556
Short-term insurance contracts	49 106 097	-	49 106 097
	49 106 097	**1 920 556**	**51 026 653**

Estimated timing of outflows: 2017	**2 - 5 years**	**Over 5 years**	**Total**
Long-term insurance contracts	-	779 295	779 295
Short-term insurance contracts	61 212 603	-	61 212 603
	61 212 603	**779 295**	**61 991 898**

21.1 Gross provision for unearned premiums	2018	2017
Balance beginning of the year	13 089 514	16 815 210
Premiums written during the year	244 621 087	307 145 059
Premiums earned during the year	(252 104 503)	(310 870 755)
	5 606 098	**13 089 514**

21.1.a Net unearned premium reserve	2018	2017
Balance beginning of the year	11 969 550	15 256 496
Utilised during the year	(7 270 703)	(3 286 946)
	4 698 847	**11 969 550**

The balance comprises	2018	2017
Gross provision for unearned premiums	5 606 098	13 089 514
Reinsurer's share of unearned premiums	(907 251)	(1 119 964)
	4 698 847	**11 969 550**

Notes to the Annual Financial Statements

	2018 N$	2017 N$

21. Insurance liabilities (continued)

21.2 Provision for outstanding claims

	2018 N$	2017 N$
Balance beginning of the year	16 951 527	12 113 669
(Utilised) incurred for the year	(7 157 928)	4 837 858
	9 793 599	**16 951 527**

Provision for outstanding claims ceded to reinsurers

	2018 N$	2017 N$
Balance beginning of the year	(3 411 803)	(1 082 604)
Incurred (utilised) for the year	2 393 063	(2 329 199)
	(1 018 740)	**(3 411 803)**
Net provision for outstanding claims	**8 774 859**	**13 539 724**

21.3 Provision for claims incurred but not reported (IBNR)

	2018 N$	2017 N$
Balance beginning of the year	31 950 857	22 617 000
Incurred short-term	2 534 438	8 554 562
Incurred long-term	1 141 661	779 295
	35 626 956	**31 950 857**

Reinsurance provision for claims incurred but not reported

	2018 N$	2017 N$
Balance beginning of the year	(7 272 779)	(1 802 000)
Incurred for the year	(7 717 221)	(5 470 779)
	(14 990 000)	**(7 272 779)**
Net provision for claims incurred but not reported	**20 636 956**	**24 678 078**

22. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below. Only those balances which qualify as financial liabilties are included and accordingly the line item may not correspond directly with the statement of financial position. Information regarding the risk management of financial liabilities is detailed in note 3.

Financial liabilities at amortised cost

	2018 N$	2017 N$
Finance lease liabilities	116 185	31 368
Reinsurance and other payables	14 776 473	25 388 933
Insurance liabilities	15 399 697	30 041 041
	30 292 355	**55 461 342**

23. Premiums

Gross premiums written

	2018 N$	2017 N$
Long-term insurance contracts	15 961 036	4 594 385
Short-term insurance contracts	222 503 415	298 824 980
Change in provision for unearned premiums	7 483 515	3 725 694
	245 947 966	**307 145 059**

Notes to the Annual Financial Statements

	2018 N$	2017 N$
23. Premiums (continued)		
Premiums ceded to reinsurers		
Long-term reinsurane contracts	(11 992 252)	(6 104 899)
Short-term reinsurance contracts	(71 275 853)	(58 450 459)
Change in provision for unearned premiums	(212 813)	(438 750)
	(83 480 918)	**(64 994 108)**
24. Investment revenue		
Dividend revenue		
Dividend income received on money market investments	684 859	1 231 148
Interest revenue		
Bank	1 937 507	339 544
Interest on investments	8 874 353	8 110 985
Total interest income	**10 811 860**	**8 450 529**
Total investment income	**11 496 719**	**9 681 677**
25. Net benefits and claims		
a) Gross benefits and claims incurred		
Short-term insurance	(77 723 164)	(153 338 648)
Long-term insurance	(10 173 920)	(4 400 921)
	(87 897 084)	**(157 739 569)**
b) Claims ceded to reinsurers		
Short-term reinsurance recoveries relating to claims incurred	13 286 162	28 192 862
Long-term reinsurance recoveries relating to claims incurred	8 041 847	3 240 717
	21 328 009	**31 433 579**
c) Gross change in insurance liabilities		
Change in provision for outstanding claims	7 157 928	(4 837 858)
Short-term change in provision for claims IBNR	(2 534 438)	(8 554 562)
Long-term change in provision for claims IBNR	(3 292 914)	(779 295)
	1 330 576	**(14 171 715)**
d) Change in insurance liabilities ceded to reinsurers		
Change in provision for outstanding claims	(2 393 063)	2 329 199
Short-term change in provision for claims IBNR	7 717 221	5 470 779
Long-term change in provision for claims IBNR	2 151 252	1 645 509
	7 475 410	**9 445 487**

Notes to the Annual Financial Statements

	2018 N$	2017 N$

26. Results of operating activities

Results of operating activities for the year is stated after charging the following significant expenses in the table below.

	2018 N$	2017 N$
Operating expenses by nature		
Actuary fees	412 421	522 463
Auditors remuneration - external auditors	530 390	355 230
Bad debts written off and provision for bad debts	2 508 254	1 916 900
Employee costs	20 782 533	17 683 049
Fees and commission paid	56 480 560	76 874 856
Foreign exchange losses	1 036 195	622 084
Gross benefits and claims incurred	87 897 084	157 739 569
Legal expenses	2 045 039	1 872 362
Other consulting and professional fees	4 134 334	2 282 720
Telephone and internet expenses	1 006 135	729 131
Training	1 762 019	1 097 348
Travel	2 763 096	2 862 260
Other operating expenses not individually material	4 614 123	5 361 413
	185 972 183	**269 919 385**

Employee costs

	2018 N$	2017 N$
Salaries, wages, bonuses and other benefits	13 658 901	12 304 508
Housing benefit	2 851 231	2 483 624
Travel allowance	166 703	151 845
Motor vehicle allowance	2 520 721	1 444 351
Other short term costs	241 688	73 503
Termination benefits	1 343 289	1 225 218
Total employee costs	**20 782 533**	**17 683 049**

27. Finance cost

	2018 N$	2017 N$
Interest on finance lease liability	10 580	3 756

28. Taxation

Major components of the tax expense

	2018 N$	2017 N$
Current		
Long-term Insurance business	105 994	94 525
Short-term insurance business	15 869 119	4 359 339
	15 975 113	**4 453 864**
Deferred		
Originating and reversing temporary differences	(3 360 542)	4 086 548
	12 614 571	**8 540 412**

Notes to the Annual Financial Statements

28. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2018 N$	2017 N$
Accounting profit	43 368 106	30 097 293
Tax at the applicable tax rate of 32% (2017: 32%)	13 877 794	9 631 134
Tax effect of adjustments on taxable income		
Non-deductible expenses	868 617	10 122
Non-taxable long-term insurance net income	(2 131 840)	(1 100 844)
	12 614 571	**8 540 412**

29. Cash generated from operations

	2018 N$	2017 N$
(Loss) profit before taxation	43 368 106	30 097 293
Adjustments for:		
Depreciation and amortisation	761 091	558 218
Dividend income	(684 859)	(1 231 148)
Interest received on investments	(10 811 860)	(8 450 529)
Finance costs expensed	10 580	3 756
Fair value gains	(4 513 008)	(4 549 797)
Movements in insurance liability	(8 813 993)	10 446 019
Staff welfare reserve	(1 372 773)	(223 805)
Unrealised foreign exchange losses	1 068 085	622 084
Changes in working capital:		
Insurance and other receivables	21 028 225	(10 095 761)
Reinsurance assets	(7 262 695)	(7 361 450)
Deferred acquisition costs	1 403 274	774 247
Staff loans and other prepayments	(1 743 055)	(78 773)
Reinsurance and other payables	(4 241 628)	5 467 218
	28 195 490	**15 977 572**

30. Tax paid

	2018 N$	2017 N$
Balance at beginning of the year	1 206 137	5 439 266
Current tax for the year recognised in profit or loss	(15 975 113)	(4 453 864)
Balance at end of the year	7 668 976	(1 206 137)
	(7 100 000)	**(220 735)**

Notes to the Annual Financial Statements

	2018 N$	2017 N$

31. Changes in liabilities arising from financing activities

Finance lease borrowing		
Opening balance	31 368	57 230
Interest charged	10 580	3 576
Finance lease payments	(43 037)	(25 862)
Additional finance lease liabilities recognised	117 274	-
Other	-	(3 576)
	116 185	**31 368**

32. Contingencies

Contingent liabilities represent items that as at 31 March 2018 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$ 2.8 million payable to the applicants in respect of its legal costs incurred.

33. Related parties

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

Related party balances

Amounts owing by (to) the Government of the Republic of Namibia		
Other receivables	2 944 260	-
Current tax (payable) receivable	7 668 976	1 206 137
Insurance and other payables: Value-added tax	(1 181 760)	(4 861 665)
Insurance and other payables: PAYE (employees' tax)	(270 124)	(243 758)

Notes to the Annual Financial Statements

	2018 N$	2017 N$

33. Related parties (continued)

Related party transactions

	2018 N$	2017 N$
Payments to the Government of the Republic of Namibia		
Legal fees paid	2 944 260	-
Income tax paid	7 100 000	220 735
Dividend declared and paid	5 000 000	3 500 000
Agency payments: Value-added tax	12 482 569	9 626 447
Agency payments: PAYE	4 455 075	3 310 531

34. Directors' emoluments

	2018 N$	2017 N$
Fees for services as directors	851 459	707 008

35. Comparative figures

Certain comparative figures have been reclassified. The effect of the reclassification is reflected in the table below. There is no effect on profit or loss.

In the Statement of Financial Position, an amount of N$ 559 574 included in Investments at fair value through profit or loss is now included in Cash and cash equivalents. In addition, Reinsurance assets of N$ 1 645 509 were previously netted off against Insurance liabilities. These have been moved to Reinsurance assets.

Is the Statement of Comprehensive Income, Gross benefits and claims incurred of N$ 4 726 228 and an amount included in Change of Insurance liabilities ceded to reinsurers of N$ 6 303 907 were both moved out of Other operating expenses into their respective lines in the Statement of Comprehensive Income.

	2018 N$	2017 N$
Statement of Financial Position		
Investments at fair value through profit or loss	-	(559 574)
Reinsurance assets	-	1 645 509
Cash and cash equivalents	-	559 574
Insurance liabilities	-	(1 645 509)
Statement of Comprehensive Income		
Gross benefits and claims incurred	-	4 726 228
Change in insurance liabilities ceded to reinsurers	-	6 303 907
Other operating expenses	-	(11 030 135)