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**HERITAGE HEALTH MEDICAL AID FUND**

**MAF 020**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Heritage Health Medical Aid Fund**  
**MAF 020**  
**Annual Financial Statements for the year ended 31 December 2021**  
**General Information**

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<b>Country of incorporation and domicile</b>	Namibia
<b>Fund registration number</b>	MAF 020
<b>Type of fund</b>	The Fund is an open medical aid fund, which offers cover against the cost of medical services at 100% of the actual cost being charged.
<b>Business address</b>	49 Feld Street, Unit 1 Ausspannplatz Windhoek
<b>Registered office</b>	49 Feld Street, Unit 1 Ausspannplatz Windhoek
<b>Bankers</b>	First National Bank Limited
<b>Auditors</b>	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia)
<b>Actuaries</b>	QED Actuaries
<b>Principal Officer</b>	V Muchero
<b>Trustees</b>	N Nghifindaka L Uulenga M Zimbwa P Egodhi
<b>Postal address</b>	P.O Box 23091 Windhoek, Namibia
<b>Administrator &amp; Address</b>	Clinico Health (Pty) Ltd Unit 1 49 Feld Street Windhoek Namibia

**Heritage Health Medical Aid Fund**  
**MAF 020**  
**Annual Financial Statements for the year ended 31 December 2021**  
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**Heritage Health Medical Aid Fund  
(Registration Number 1377)  
Annual Financial Statements for the year ended 31 December 2019  
Statement of Corporate Governance by the Board of Trustees**

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The Board of Trustees are responsible for the preparation and fair representation of the financial statements of Heritage Health Medical Aid Fund. The financial statements presentation on pages 8 to 39 have been prepared in accordance with International Financial Reporting standards and the Medical Aid Fund Act of Namibia and include amounts on judgements and estimates made by management.

The Board of Trustees considers that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied, and supported by reasonable and prudent Judgements and estimates.

The Board of Trustees are satisfied that the information contained in the financial statements fairly represents the results of the operations for the period and the financial position of the Fund at period-end.

The Board of Trustees are responsible for ensuring that accounting records are kept. The accounting records kept disclose the accuracy of the financial position.

The Board of Trustees are responsible for the internal control environment of the Fund. The internal control procedures are designed to provide reasonable but not absolute assurance to the reliability of the Financial Statements and to adequately safeguard and maintain accountability of assets and to prevent and detect misstatements and loss.

The going concern basis has been adopted in preparing the financial statements. The Board of Trustees has no reason to believe that the Fund will not be a going concern in the foreseeable future based on the forecasts and available cash resources. These financial statements support the viability of the fund.

The Fund's external auditors, PricewaterhouseCoopers, are responsible for auditing the financial statements in terms of international standards on auditing and their report is represented on pages 5 to 7. PricewaterhouseCoopers had unrestricted access to all financial records and related data, including minutes of members, the Boards of Trustees and all the committees believe that all their representations made to the independent auditors during their audit were accurate and appropriate.

The Financial statements were approved by the Board of Trustees and are signed on its behalf by:



**Chairperson**



**Principal Officer**



**Trustee**



**Trustee**

**Windhoek**

**Date: 23 August 2023**

**Heritage Health Medical Aid Fund  
(Registration Number 1377)  
Annual Financial Statements for the year ended 31 December 2019  
Statement of Corporate Governance by the Board of Trustees**

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**Board of Trustees**

The Board of Trustees monitors the performance of the Fund, Administrators, Health Professionals and other service providers. They address a range of key issues and discussion on terms of policy, strategy, and performance critical, informed, and constructive.

The Board of Trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Fund.

**Risk Management and Internal Controls**

The Board of trustees are accountable for Risk Management and Internal control. Risks are identified, regularly reviewed, and appropriate safeguards are implemented.

Risks are reviewed by the Board of Trustees. Risks are addressed, based on impact to the Fund and specific safeguards or processes are set in place to deal with these risks, as considered appropriate and to protect the long-term sustainability of the Fund.

The administrators of the fund maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on establishing policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

No event or item has come to the attention of the Board of Trustees, which indicates any material breakdown in the functioning of the key internal controls and system during the period under review.



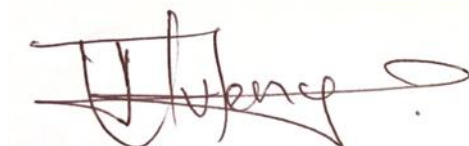
**Chairperson**



**Principal Officer**



**Trustee**



**Trustee**

**Windhoek**

**Date: 23 August 2023**



## *Independent auditor's report*

To the Members of Heritage Health Medical Aid Fund

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### *Disclaimer of opinion*

We do not express an opinion on the financial statements of Heritage Health Medical Aid Fund (the Fund). Because of the significance of the matter described in the Basis for Disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of Heritage Health Medical Aid Fund set out on pages 7 to 40, which comprise:

- the trustees' report for the year ended 31 December 2021;
- the statement of financial position as at 31 December 2021;
- the statement of surplus/deficit and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *Basis for disclaimer of opinion*

As disclosed in Note 9 of the Trustees' Report, the Fund incurred a deficit for the year ended 31 December 2021 of N\$ 7,903,424 (2020: N\$ 5,239,082), generated negative cash flows from operations of N\$ 3,110,086 and, as at that date, its total liabilities exceeded its total assets by N\$ 13,143,447 (2020: N\$5,240,023). In addition, there is an ongoing legal dispute between the Fund and The Register of Medical Aid Funds (NAMFISA). Should this matter be determined in NAMFISA's favour, the Fund will have no option but to cease operations. These matters result in a material uncertainty as to the Fund's ability to continue as a going concern. We were unable to obtain sufficient appropriate audit evidence to support the Trustees' assertion that the Fund's actions will allow it to continue operating as a going concern.

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### *Other matter*

We have read the other information and, in doing so, considered 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. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, we are unable to report further on this other information.

PricewaterhouseCoopers, Registered Auditors  
344 Independence Avenue, Windhoek, P O Box 1571, Windhoek, Khomas Region, Republic of Namibia  
T: +264 (61) 284 1000, F: +264 (61) 284 1001, [www.pwc.com/na](http://www.pwc.com/na)

Country Senior Partner: Chantell N Husselmann

The Firm's principal place of business is at 344 Independence Avenue, Windhoek, Republic of Namibia, Khomas Region, Republic of Namibia

Partners: Louis van der Riet, Anna EJ Rossouw (Partner in charge: Coast), Gerrit Esterhuysen, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Willem A Burger

Practice Number 9406



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

The trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Medical Aid Funds Act of Namibia, and for such internal control as the trustees 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 trustees are responsible for assessing the Trustee'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 trustees either intend to liquidate the Trustee or to cease operations, or have no realistic alternative but to do so.

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

Our responsibility is to conduct an audit of the Trustee's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Trustee in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standard)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

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*PricewaterhouseCoopers*  
**PricewaterhouseCoopers**  
**Registered Accountants and Auditors**  
**Chartered Accountants (Namibia)**

**Per: Samuel N Ndahangwapo**  
**Partner**

**Windhoek**  
**Date: 25 August 2023**

**Heritage Health Medical Aid Fund**  
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**Annual Financial Statements for the year ended 31 December 2021**  
**Report of the Board of Trustees**

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The Board of Trustees submit their report for the year ended 31 December 2021.

### **1.1 Terms of registration**

The Heritage Health Medical Aid Fund is a not for profit open Medical Aid Fund registered in terms of the Medical Aid Funds Act 23 of 1995.

### **Main business and operations**

The Fund is an open medical aid fund, which offers cover against the cost of medical services and operates principally in Namibia. The operating results of the Fund are fully set out on page 13 to 39.

The surplus/ (deficit) of the Fund for the year under review was (N\$ 3,903,424) (2020: N\$ 5,239,082).

### **Membership**

As at 31 December 2021, the total membership of the Fund was 928 (2020: 1,140)

#### **1.2. The fund has the following benefit options;**

- Hoodia (Comprehensive Plan)
- Baobab (Hospital Plan)
- Kiaat (Hospital Plan)
- Super Day-to-Day Option (Optional Benefits)
- Standard Day-to-Day Option (Optional Benefits)
- Camelthorn (Comprehensive Plan)
- Acacia (Hospital Plan)
- Maroela (Comprehensive Plan)

#### **1.3. Risk transfer arrangements**

No Risk transfer arrangements were entered into as at 31 December 2021 however new options and quotes are being investigated at the time of these financials.

## **2. Management**

Board of Trustees in office during the year under review were:

<b>Trustee</b>	<b>Nationality</b>	<b>Date Appointed</b>	<b>Date Resigned</b>
D Billy	Namibian	31 March 2021	31 May 2022
M Zimbwa	Zimbabwean	30 March 2021	
P Egodhi	Namibian	31 March 2021	
N Nghifindaka (Chairperson)	Namibian	31 March 2021	
L Uulenga	Namibian	31 March 2021	
J Harteveld	Namibian	16 July 2021	21 February 2022
V du Preez	Namibian	25 June 2020	16 April 2021
B van Biljon	Namibian	25 June 2020	31 March 2021
A Maree	South African	21 May 2017	23 March 2021
J Dawid	Namibian	25 June 2020	31 March 2021



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**Results of Fund**

**3.1. Operational statistics for the fund**

	<b>2021</b>	<b>2020</b>
	<b>N\$</b>	<b>N\$</b>
Non-Healthcare Costs	8,712,644	7,592,759
Health Management Costs	1,649,085	1,717,703
Non-Healthcare Costs as a % of contributions	26%	23%

**3.2. Results of operations**

The results of the Medical Aid Fund are set out in the financial statements, and the trustees believe that no further clarification is required.

**3.3. Reserve ratio**

Total members' funds per statement of financial position	(13,143,447)	(5,240,023)
Risk contribution income	33,047,458	33,002,081
Reserve level	-40%	-16%

**3.4. Solvency ratio**

Total Assets	2,748,180	5,038,025
Total Liabilities	15,891,627	10,278,048
Solvency ratio	<b>.17 Times</b>	<b>.49 Times</b>

**3.5. Reserve accounts**

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Fund.

**3.6. Outstanding claims**

The basis of calculation of the outstanding risk claims provision is discussed in note 6. Movements on the outstanding risk claims provision are set out in note 6 to the financial statements. There has been no unusual movement that the trustees believe should be brought to the attention of the members of the Medical Aid Fund.

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#### **4. Actuarial services**

The Fund makes use of independent actuaries, who is used amongst other matters, to determine the contribution and benefit levels for the 2021 year as well as evaluating the need and cost of the risk transfer arrangements.

#### **5. Guarantees received by the fund from a third party**

In terms of section 4 of the Medical Aid Funds Act, First National Bank has provided a guarantee of N\$ 750,000 to the Fund in favour of NAMFISA.

First National Bank has ceded an amount of N\$ 500,000 in their favour to cover for the Premium and Claims collection (PAC's) facility utilised by the Fund.

#### **6. Investments in and loans to participating employers of members of the Medical Aid Fund and other related parties**

The Medical Aid Fund does not hold investments in or provides loans to participating employers of Medical Aid Fund members or the administrator.

#### **7. Related party transactions**

Refer to related party disclosure in note 13 to the annual financial statements.

#### **8. Board of Trustee meetings and attendance**

The following schedule sets out Board of Trustees meeting attendance.

##### **Board meetings**

<b>Trustee</b>	<b>Total Meetings for the year</b>	<b>Number of Meetings</b>
D Billy	4	4
P Egodhi	4	4
N Nghifindaka	4	4
L Uulenga	4	4
J Hartevelde	4	2
V du Preez	4	2
B van Biljon	4	2
A Maree	4	1
J Dawid	4	1

All meetings are minuted and attendance registers kept. The Administrator and Principal Officer participate in all the meetings and discussions at the meetings held by the Fund, but the ultimate decision-making vest solely in the Board of Trustees.

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**9. Going Concern**

We draw attention to the fact that on 31 December 2021 the Fund recorded a deficit of (N\$ 7,903,424) (2020: N\$ (5,239,082)) and generated negative cash flows from operation of N\$ 3,110,086 and had accumulated deficit of (N\$ 13,143,447) (2020: (N\$ 5,240,023)). As at that date, the fund's liabilities exceed its assets by (N\$ 13,143,447) (2020: (N\$ 5,240,023)).

Furthermore, the Fund continues to incur daily penalties imposed by NAMFISA resulting from charging members unapproved premium rates and the Fund has borne significant legal costs as a result.

Furthermore, NAMFISA brought an application under section 35 of the Medical Aid Funds Act, 23 of 1995 during 2021 seeking for the fund to be dissolved and this legal matter was still not finalized at the date of these financial statements. This section was incorrectly quoted in the financial statements of Fund for the year ended 31 December 2020 as section 65 of the Medical Aid Funds Act instead of section 35 Medical Aid Funds Act. Refer to note 10 of the Report of the Board of Trustee for more details on this.

These events and conditions, amongst others, indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern.

The accumulated loss is mainly attributable to a legal dispute that exists between The Register of Medical Aid Funds (NAMFISA) and the Fund as well as legal fees incurred and penalties imposed by NAMFISA, refer to note 10 of the Board of Trustees report for further detail on the legal matter.

The following amounts related to the legal dispute were included in the Financial Statements during the year under review:

	<b>2021</b>	<b>2020</b>
	<b>N\$</b>	<b>N\$</b>
Premiums refundable to members balance	8,451,820	7,179,243
Legal costs	1,262,934	1,051,759
NAMFISA Penalties balance	1,934,000	1,484,000

The penalties were incurred for as a result of charging members of the Fund premium rates that were not approved by the regulator. The legal fees were incurred as a result of the current court cases between the Fund and NAMFISA. Refer to note 10 of the Board of Trustees report for further details.

The Trustees and Management are confident that regardless of the matters reported above, the Fund has adequate financial resources to continue operation in the foreseeable future and are satisfied that the Fund is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements, after the following considerations:

- The fund entered into a payment arrangement with NAMFISA to settle the current Penalties liability in monthly instalments of no more than N\$ 100,000.
- Management has planned changes to the Product Portfolio to make the Fund more appealing to employer groups, enabling improved numerical growth and better viability.
- The Fund is conducting marketing campaigns to increase membership
- The Fund recorded an improvement in losses during the year under review

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- The fund is expected to have improved future cash flows.
- Managements had currently taken actions aimed at facilitating the numerical and recovery of the Fund of which are 10% Premium Increase, Benefits reductions, Benefits restrictions, Product Portfolio improvements, managed care control improvements and bad debt management improvements. Refer below for further details.

**Benefit Restrictions**

- Introducing sublimits on all benefit pockets as opposed to paying them from the Overall Annual Benefit Limit (OAL) which has for all intents and purposes unrestricted benefit limits.
- Introducing mandatory general practitioner (GP) referral as precondition for access to physicians and pediatricians. In other words, restricting access to physicians and pediatricians to those that have been referred by their GP.
- Introducing access to benefit restrictions by way of copayments e.g., NAD 2500 on all scope procedures. Furthermore, copayment on branded medication increased from 20% to 51%. Copayment on generic medication increased from zero to 30%. This to encourage the use of cheaper generic medications.
- Introducing more stringent clinical criteria to warrant access to benefits i.e., whereas a survey based subjective instrument was used to assess the level of incapacity for hip and knee replacement procedures, an objective XRAY based joint degradation scale is used which eliminates the abuses driven by doctor driven demand for procedures. Many requests for procedures have been declined based on these new criteria.

**Product Portfolio Extensions**

- Introducing competitive entry level products namely Aloe and Moringa. The current recessionary market conditions along with healthcare cost hyperinflation renders entry level products an absolute necessity to have as part of the product offering. What distinguishes our entry level products is that they compare well to competitors but offer the added benefit of out of hospital benefits not being limited to a network of doctors. Furthermore, they offer selected short stay surgical procedures in private hospitals whereas peer products only offer their services in state hospital facilities. We therefore expect to attract growth in this entry level market segment.
- Introducing a digital healthcare service has attracted much interest from employer groups with remote offices e.g., NWR and Debmarine. Digital healthcare services allow us to offer a virtual healthcare solution at the lowest possible rates. This service along with our entry level products places us in a position to outcompete other medical aids in the entry level healthcare segment.

**Bad Debt Recovery Improvements**

- Improvements in bad debt management were required as a new administration system was being embedded and processes were not optimized yet. We have since initiated the automating the bulk member benefit suspension process as well as the member termination process. The services of revenue collecting agents RSN as well ITCBA Bureau were enlisted.

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**Report of the Board of Trustees**

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**Bad Debt Recovery Improvements (Continue)**

The above actions are designed to limit the funds claims exposure, facilitate numerical growth and improve liquidity and within the funds market reputation.

- The Fund will be eased from constraints that were set about by the Registrar ; The registrar of Medical aid fund has been order by the High Court to facilitate the conditions for the fund`s Financial recovery – it`s contained on page 7 to 10 of the high Court Order delivered 14-04-2023.
- The Registrar received instruction from Court to reverse the Fund`s unreasonably issued Penalties, disregard the refund liability emanating from the self-funding gap matter and approve the funds products and premium tables.

## **10. Litigation**

### **Matter 1**

During 2019, the Fund approached the High Court to seek relief as a result of a dispute with NAMFISA. During 2020, the judgement in the High Court went in favour of NAMFISA and the Fund subsequently appealed the judgement in the Supreme Court.

The dispute resulted from the Funds charging its members premium rates during the financial periods 31 December 2019, 2020 and 2021 that were not approved by NAMFISA. As a result, the net differential premiums of N\$ 8,451,820 (2020: N\$ 7,179,243) has been recognised as liability (a possible refund to the members who has not waived their right to be refunded) in the Statement of Financial Position.

The Fund additionally incurred penalties from NAMFISA, amounting to N\$ 900,000 (2020: N\$ 941,000), as well as legal costs amounting to N\$ 1,262,934 (2020: 1,051,759).

The case was heard in the Supreme Court on 5<sup>th</sup> of October 2025 and the Judgment was delivered on 21 November 2022.

The Judgement of the court a quo is altered to read as follows: (Paragraph 73)

b(i) "The declaratory relief sought that the annual contribution increases of medical aids funds does not amount to rule amendments of such funds and hence does not require the approval of the Registrar of Medical Aid Funds is dismissed"

Thus, the interpretation and the relief sought by the Fund that the Registrar`s approval is not required for any amendments to the contribution and benefit structures of medical aid funds is incorrect and was accordingly dismissed by the Supreme Court.

Paragraph 71 of the Supreme Court Judgement provides more Clarity on Paragraph 73,

"As far as the costs a quo is concerned, the Fund was unsuccessful in respect of its main attack on the registrar, namely that his approval was not necessary for the increase of the contributions and consequent changes in benefits and also in respect of its audi alteram point ..."

**Heritage Health Medical Aid Fund**  
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**10. Litigation (continued)**

In amplification of paragraph 71, the Fund did not succeed in proving that the implementation of contribution and benefits changes can be implemented without the Registrars approval and that the principle of audi alteram partem was not observed during this process. The Outcome of this failure is that the order as to costs in the court a quo must be amended to reflect the correct order as to costs, which would be no order as to costs and each party consequently bear own costs.

We are pleased to advise that the case has been concluded with a Supreme court victory for the Fund to the extent that the Fund does not have to bear the costs occasioned by the cessation of the self-funding rule. However, the court confirmed that the annual contribution increases of medical aid funds require the approval of the Registrar.

**Matter 2:**

During July 2021, The Register of Medical Aid Funds, NAMFISA, brought an application under section 35 of the Medical Aid Funds Act, 23 of 1995 to liquidate Heritage Health Medical Aid Fund on the grounds that the Fund repeatedly contravenes the Act, and on the further ground that the Fund is not in a sound financial position. In exercising its discretion, the Court must consider the equitable interest of the members and make whatever order it deems “most advantageous to the members of the Fund.”

The High Court handed down a judgment on 14th April 2023 was in favor of the Fund were the application of NAMFISA for the winding up of the Fund was dismissed with costs. This should bring great relief to all the members. However, the Regulator (NAMFISA) has lodged an appeal against this judgement and the appeal hearing is pending. As such, not much details of this matter can be shared at this stage since the case is still subjudice.

**11. Material events after year-end**

**Covid-19**

The covid 19 pandemic continued during 2021. The Fund assessed the impact of the Covid-19 pandemic and financial impact on the Fund operations due to restrictions and decreases in economic activity and did not identify a going concern risk.

Refer to note 10 for details of material events after year end.

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**MAF 020**  
**Annual Financial Statements for the year ended 31 December 2021**  
**Statement of Financial Position**

	Note(s)	2021 N\$	2020 N\$
<b>Assets</b>	-		
<b>Current Assets</b>			
Trade and other receivables	4	809,306	-
Cash and cash equivalents	5	1,938,874	5,038,025
		<b>2,748,180</b>	<b>5,038,025</b>
<b>Total Assets</b>		<b>2,748,180</b>	<b>5,038,025</b>
<b>Funds and Liabilities</b>			
<b>Members' funds</b>			
Accumulated Surplus/ (Deficit)		(13,143,447)	(5,240,023)
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	10,410,820	9,008,504
Outstanding risk claims	6	5,480,807	1,269,544
		<b>15,891,627</b>	<b>10,278,048</b>
<b>Total Funds and Liabilities</b>		<b>2,748,180</b>	<b>5,038,025</b>

**Heritage Health Medical Aid Fund**  
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**Statement of Surplus/Deficit and Other Comprehensive Income**

	Note(s)	2021 N\$	2020 N\$
<b>Risk contribution income</b>	9	<b>33,047,458</b>	<b>33,002,081</b>
Relevant healthcare expenditure			
Net risk claims incurred	10	(30,614,469)	(29,049,694)
Claims incurred	10	(30,614,469)	(29,049,694)
Net income/(expense) on risk transfer arrangements		-	-
Risk transfer arrangements fees / premiums paid	11	-	-
<b>Gross healthcare result</b>		<b>2,432,989</b>	<b>3,952,387</b>
Managed care: health management costs	16	(1,649,085)	(1,717,703)
Non-healthcare costs	15	(8,712,644)	(7,592,759)
<b>Net healthcare result</b>		<b>(7,928,740)</b>	<b>(5,358,075)</b>
Investment income	8	10,935	21,024
Other Income	8	14,381	97,969
<b>Total surplus/ (Deficit) for the period</b>		<b>(7,903,424)</b>	<b>(5,239,082)</b>



**Heritage Health Medical Aid Fund**  
**MAF 020**  
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**Statement of Changes in Equity**

	Accumulated Surplus/(Deficit) N\$	Total equity N\$
<b>Balance on 01 January 2020</b>	<b>(941)</b>	<b>(941)</b>
(Deficit) for the year	(5,239,082)	(5,239,082)
<b>Total comprehensive Deficit for the year</b>	<b>(5,240,023)</b>	<b>(5,240,023)</b>
<b>Balance at 01 January 2021</b>	<b>(5,240,023)</b>	<b>(5,240,023)</b>
(Deficit) for the year	(7,903,424)	(7,903,424)
<b>Balance at 31 December 2021</b>	<b>(13,143,447)</b>	<b>(13,143,447)</b>

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**Statement of Cash Flows**

	Notes(s)	2021 N\$	2020 N\$
<b>Cash flows from operating activities</b>			
Cash receipts from members		32,687,756	33,002,081
Cash paid to providers and members		(35,797,842)	(32,730,867)
<hr/>			
Cash generated from operations	12	(3,110,086)	271,214
Interest received	8	10,935	21,024
<hr/>			
<b>Net cash from operating activities</b>		<b>(3,099,151)</b>	<b>292,238</b>
<hr/>			
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(3,099,151)</b>	<b>292,238</b>
<hr/>			
Cash and cash equivalents at beginning of the year	5	5,038,025	4,745,787
<hr/>			
<b>Cash and cash equivalents at end of the year</b>	5	<b>1,938,874</b>	<b>5,038,025</b>

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**1. Summary of significant accounting policies**

The main business of the Fund is provision of medical Aid services.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Funds accounting policies.

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

**1.1. Basis of presentation**

The financial statements have been prepared in accordance with the International Financial Reporting Standards and the Medical Aid Fund Act 23 of 1995. The financial statements have been prepared under the historical cost basis.

**International Financial Reporting Standards**

**Standards and interpretations issued affecting amounts reported and disclosures in the current year relevant to Fund operations**

<b>Title of standard</b>	<b>Effective date</b>	<b>Executive summary</b>
Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform (Phase 1)	Annual periods beginning on or after 1 January 2020	These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 June 2020	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payment.

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**Standards and interpretations issued but not yet effective**

Title of standard	Effective date	Executive summary	Impact
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022	<p>These amendments include minor changes to:</p> <ul style="list-style-type: none"> <li>• IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent.</li> <li>• IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability.</li> <li>• IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements.</li> </ul>	Management is currently assessing the impact.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022	<p>The amendment clarifies that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).</p>	Management is currently assessing the impact.
Amendments to IFRS 17 'Insurance Contracts'	Annual periods beginning on or after 1 January 2023	<p>IFRS 17 Insurance contracts establish the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.</p>	Management is currently assessing the impact.

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## **1.2 Financial instruments**

### ***Classification***

Financial instruments held by the Fund are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Fund, as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost
- Fair value through profit or loss

Financial liabilities:

- Amortised cost

Note 2 "Financial risk management", presents the financial instruments held by the Fund based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The specific accounting policies for the classification, recognition, and measurement of each type of financial instrument held by the Fund are presented below:

### ***Offsetting financial instruments***

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### ***Trade and other receivables.***

#### ***Classification***

Contribution receivables are classified as financial assets subsequently measured at amortised cost. Contribution receivables are amounts due from counterparties trading in the normal course of business, such as Fund members for contributions or from insurers for claim recoveries. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Fund's business model is to collect the contractual cash flows on contribution receivables.

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**1.2 Financial instruments .....continued**

***Recognition and measurement***

Contribution receivables are recognised when the Fund becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount adjusted for any loss allowance.

***Application of the effective interest method***

For receivables which contain a significant financing component, interest income is calculated using the effective interest method and is included in surplus or deficit in investment income (note 14).

The application of the effective interest method to calculate interest income on contribution receivables is dependent on the credit risk of the contribution as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

***Impairment***

The Fund recognises a loss allowance for expected credit losses on contribution receivables, excluding prepayments. The amount of expected credit losses is updated at each reporting date.

The Fund measures the loss allowance for contribution receivables at an amount equal to lifetime expected credit losses, which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

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***Measurement and recognition of expected credit losses***

The Fund makes use of a provision matrix as a practical expedient to the determination of expected credit losses on contribution receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all contribution receivables in totality.

An impairment gain or loss is recognised in surplus or deficit with a corresponding adjustment to the carrying amount of contribution receivables, through use of a loss allowance account. The impairment loss is included in health management fees in surplus or deficit as a movement in credit loss allowance.

***Write off policy***

The Fund writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Fund recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in surplus or deficit.

***Credit risk***

Details of credit risk are included in the financial instruments and risk management note (note 2).

***De-recognition***

Refer to the de-recognition section of the accounting policy for the policies and processes related to De-recognition.

Any gains or losses arising on the de-recognition of contribution receivables is included in surplus or deficit in the de-recognition gains (losses) on financial assets at amortised cost.

***Trade and other payables***

***Classification***

Trade and other payables, excluding amounts received in advance, are classified as financial liabilities and are subsequently measured at amortised cost.

Trade payables are obligations to pay for claims and/or goods and services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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*Recognition and measurement*

They are recognised when the Fund becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in surplus or deficit in asset management fees.

Trade and other payables expose the Fund to liquidity risk and possibly to interest rate risk. Refer to note 2 for details of risk exposure and management thereof.

### **1.3 Reversals of impairment**

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit and loss and other comprehensive income, unless the investment is an equity instrument and the entity have elected to present gains and losses on that investment in other comprehensive income, in which case impairment losses recognised in the statement of surplus/deficit on equity instruments are not reversed through the statement of surplus/deficit.

### **1.4 Offsetting financial instruments**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### **1.5 Trade receivables**

Contribution trade receivables are amounts due from counterparties trading in the normal course of business, such as Fund members for contributions or from insurers for claim recoveries. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less provision for impairment.



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### **1.6 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

### **1.7 Trade payables**

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

### **1.8 Healthcare insurance contracts**

Contracts under which the Fund accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts. The contracts issued compensate the Fund's members for healthcare expenses incurred.

The accounting policies for the income, expenses, assets, and liabilities relating to such insurance contracts are disclosed in more detail in specific accounting policy notes.

### **1.9 Risk transfer arrangements**

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. A portion of risk transfer premiums is treated as prepayments.

Risk transfer premiums and benefits reimbursed are presented in the statement of surplus/deficit and statement of financial position on a gross basis.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. Claim recoveries relating to risk transfer arrangements are calculated based on the underlying contracts, utilising detail expense reports provided by the insurer.

### **1.10 Provisions**

Provisions are recognised when: The Fund has a present legal or constructive obligation because of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a few similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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NAMFISA provisions for premiums refundable to members have been recognised during the year under review, the Fund has a present legal obligation as a result of premium rates that were increased without the approval of the Registrar of medical aid funds (NAMFISA).

The provision is measured at the present value of the expected net liability payable.  
Refer to note 9 & 10 in the Report of the Board of Trustees.

#### **1.11 Outstanding Risk Claims**

Claims outstanding comprise provisions for the Fund's estimate of the ultimate cost of settling all claims incurred but not yet reported or reported but not yet processed at the statement of financial position date. Claims outstanding are determined as accurately as possible based on the actual claims relating to the financial year received in the four months after year-end plus an estimate for expected claims relating to the financial year that will be paid after the four-month period. This estimate is based on the ratio of claims after four months to the claims within four months and is determined from historical experience. Claim handling expenses are not separately accounted for as the service is provided by the Administrator and a fixed fee paid for the full administration service including claims handling. No provision for claims handling expenses is required as the Fund has no further liability to the Administrator at year-end.

#### **1.12 Risk contribution income**

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. Net contributions represent gross contributions after deduction of savings plan contributions. The earned portion of net contributions received is recognised as revenue. Net contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis.

#### **1.13 Relevant healthcare expenditure**

Relevant healthcare expenditure consists of net claims incurred and net income or expense from risk Transfer arrangements.

#### **1.14 Risk claims incurred**

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the period and for which the Fund is responsible, whether reported by the end of the period or not. Net claims incurred represent claims incurred net of discounts received, recoveries from members for co-payments and after considering recoveries from third parties.

Net claims incurred comprise:

- claims submitted and accrued for services rendered during the period, net of discounts received;
- recoveries from members for co-payments;
- movement in the provision for outstanding claims;
- claims settled in terms of risk transfer arrangements; and
- charges for managed care: healthcare services (Ex-gratia).

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### **1.15 Managed care: Management services costs**

The expenses represent the cost of managing healthcare expenditure and the amounts paid or payable to third party administrators, related parties and other third parties for managing the utilisation, costs, and quality of healthcare services to the Fund.

### **1.16 Investment income**

Investment income comprises interest income.

#### ***Interest income***

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues to unwind the discounts interest income. Interest income on impaired loan and receivable are recognised using the original effective interest rate.

### **1.17 Allocation of income and expenditure to benefit options**

The following items are directly allocated to benefit options:

- Contribution income
- Claims incurred
- Net income/(expense) on risk transfer arrangement fees
- Managed care: management services
- Administration fees

The remaining items are apportioned based on the contribution option:

- Investment and other income

### **Key sources of estimation uncertainty**

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

### **Financial assets measured at cost and amortised cost**

The Fund assesses its financial assets measured at cost and amortised cost for impairment at each reporting period date. In determining whether an impairment loss should be recorded in the statement of surplus/deficit, the Fund makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for financial assets measured at cost and amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting period date that correlate with defaults on the portfolio.

These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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**Provisions**

Provisions for restructuring costs and legal claims are recognised when: the Fund has a present legal or constructive obligation because of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

**Financial assets and cash and cash equivalents**

Counterparties and cash transactions are limited to high credit quality financial institutions. The Fund has a policy of limiting the amount of credit exposure to any one financial institution.

**1.18 Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

- Cash and cash equivalents

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## **2. Financial Risk Management**

### **2.1 Overview**

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance and statutory solvency requirement.

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund manages these risks through various risk management processes. These processes have been developed to ensure that the long-term investment return on assets supporting the insurance liabilities is sufficient to Fund members' reasonable benefit expectations.

### **2.2 Credit risk**

Credit risk is the risk of financial loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations.

#### **2.2.1 Credit risk management**

The Fund's principal financial assets are cash and cash equivalents and trade and other receivables. The Fund's credit risk is primarily attributable to its trade and other receivables.

#### **Trade and other receivables**

Trade and other receivables comprise outstanding contributions (insurance receivables) and other receivables. The main components of insurance receivables are:

- receivables for contributions due from members;
- receivables for amounts recoverable from insurance contracts.

The Fund manages credit risk by:

- actively pursuing all contributions not received after 1 month of becoming due;
- performing credit checks on insurer;
- suspending benefits on member accounts when contributions have not been received for 30 days;
- terminating benefits on member accounts when contributions have not been received for 90 days;
- ageing and pursuing unpaid accounts monthly.

The Fund establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Refer to note 4 for more detail. The Fund's management does not expect any losses in excess of this provision from non-performance by these counterparties.

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**Financial assets and cash and cash equivalents**

Counterparties and cash transactions are limited to high credit quality financial institutions. The Fund has a policy of limiting the amount of credit exposure to any one financial institution.

**2.2.2 Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>2021</b>	<b>2020</b>
	<b>N\$</b>	<b>N\$</b>
Cash and cash equivalents	1,938,874	5,038,025
	<u>1,938,874</u>	<u>5,038,025</u>

**Trade and other receivables**

The main components of insurance receivables are contribution receivables. Contribution receivables are collected by means of debit orders or cash payments.

	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
Trade and other receivables	359,702	-	-	-
Current	<u>359,702</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Cash and cash equivalents**

Cash and cash equivalents are neither past due nor impaired.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit rating below was obtained from Fitch.

	<b>Credit</b>	<b>2021</b>	<b>2020</b>
	<b>rating</b>		
First National Bank Limited	BB	1,938,874	5,038,025
		<u>1,938,874</u>	<u>5,038,025</u>

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**2.3 Liquidity Risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The short-term financial liabilities of the Fund consist of claims made by members which have not yet been processed by the Fund as well as savings refundable to members and claims incurred but not yet reported (outstanding claims provision).

The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Prudent liquidity management implies maintaining sufficient cash and marketable securities, reflected in the table below. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Fund could fund its day-today operations.

	<b>Less than 1 year N\$</b>	<b>Between and 2 years N\$</b>	<b>1 Between and 5 years N\$</b>	<b>2 Total N\$</b>
<b><u>2021</u></b>				
<b>Assets</b>				
Trade and other receivables	809,306	-	-	809,306
Cash and cash equivalents	<u>1,938,874</u>	<u>-</u>	<u>-</u>	<u>1,938,874</u>
	2,748,180	-	-	2,748,180
Trade and other payables	(10,410,820)	-	-	(10,410,820)
Outstanding risk claims provision	<u>(5,480,807)</u>	<u>-</u>	<u>-</u>	<u>(5,480,807)</u>
	<u>(15,891,627)</u>	<u>-</u>	<u>-</u>	<u>(15,891,627)</u>
<b>Net position</b>	(13,143,447)	-	-	(13,143,447)
	<b>Less than 1 year N\$</b>	<b>Between and 2 years N\$</b>	<b>1 Between and 5 years N\$</b>	<b>2 Total N\$</b>
<b><u>2020</u></b>				
<b>Assets</b>				
Trade and other receivables	-	-	-	-
Cash and cash equivalents	<u>5,038,025</u>	<u>-</u>	<u>-</u>	<u>5,038,025</u>
	5,038,025	-	-	5,038,025
<b>Liabilities</b>				
Trade and other payables	(9,008,504)	-	-	(9,008,504)
Outstanding risk claims provision	<u>(1,269,544)</u>	<u>-</u>	<u>-</u>	<u>(1,269,544)</u>
	<u>(10,278,048)</u>	<u>-</u>	<u>-</u>	<u>(10,278,048)</u>
<b>Net position</b>	(5,240,023)	-	-	(5,240,023)

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**2.4 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

*Currency risk*

The Fund operates in Namibia and therefore its cash flows are denominated in Namibian dollar (N\$). The exposure to foreign currency movements is not significant as the Fund has no balances denominated in foreign currency.

*Price risk*

The Fund has no investments in equity securities and is thus not exposed to price risk.

*Interest rate risk (cash flow and fair value)*

The Fund is not exposed to a material interest rate risk.

The table summarises the Fund's exposure to interest rate risks. Included in the table are the Fund's investments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	<b>Less than 12 months N\$</b>	<b>More than 12 months N\$</b>	<b>Total N\$</b>
<b><u>2021</u></b>			
Cash and cash equivalents	<u>1,938,874</u>	-	<u>1,938,874</u>
Percentage of cash on contribution income			5%

	<b>Less than 12 months N\$</b>	<b>More than 12 months N\$</b>	<b>Total N\$</b>
<b><u>2020</u></b>			
Cash and cash equivalents	<u>5,038,025</u>	-	<u>5,038,025</u>
Percentage of cash on contribution income			16%



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**Market risk .....continued**

A change of 100 basis points in interest rates at the reporting date would have increased or decreased surplus by the amounts shown below. No impact on accumulated funds as all interest income is reported in the statement of comprehensive income. This analysis assumes that all other variables remain constant.

	<b>2021</b>		<b>2020</b>	
	<b>100bp increase in market</b>	<b>100bp Decrease in market</b>	<b>100bp increase in market</b>	<b>100bp decrease in market</b>
Cash and cash equivalents	<u>19,388</u>	<u>(19,388)</u>	<u>50,380</u>	<u>(50,380)</u>

**2.5 Legal risk**

Legal risk is the risk that the Fund will be exposed to contractual obligations which have not been provided for. On 31 December 2021, the Fund was exposed to a significant legal risk that has been detailed in note 10 of the Trustees Report.

**2.6 Capital risk management**

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern to provide benefits for its stakeholders.

Consistent with others in the industry, the Fund monitors capital based on the solvency ratio and reserve level ratio. This ratio is calculated as accumulated funds divided by gross contributions. At period-end the Fund had a solvency ratio of .17 times (2020: .49 times) and current reserve level of (40%) (2020: (16%).

**2.7 Fair value estimation**

Valuation techniques and assumptions applied for the purposes of measuring fair value.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. These valuation techniques make maximum use of market inputs and are relying as little as possible on entity- specific inputs.

The carrying amount less impairment provision of trade receivables and the carrying amount of trade payables is assumed to approximate their fair values due to their short-term nature. The same applies to the outstanding claims provision, as claims should be settled within 4 months after period-end according to the terms of the Fund. Cash and cash equivalents have a maturity of less than 3 months and therefore their fair value is also approximated by the carrying amount.

Fair value measurements recognised in the statement of financial position (fair value hierarchy). For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

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***Fair value estimation ..... continued***

Level 1 fair value measurement represents those instruments which are measured using unadjusted quoted prices for identical assets. Fair value measurements classified as level 1 include exchange-traded prices of fixed maturities and equity securities. Listed debt securities such as Government securities and corporate bonds may be classified as level 1 or 2 depending on trade frequency and data availability.

Level 2 fair value measurement represents those instruments for which inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). They primarily include government and agency securities and certain corporate debt securities, such as private fixed maturities. As market quotes are generally not readily available or accessible for these securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that effectively discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security's duration, also taking into consideration issuer-specific credit quality and liquidity.

These valuation methodologies have been studied and evaluated by the asset manager and the resulting prices determined to be representative of exit values. Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. Additional observable inputs are used when available, and as may be appropriate, for certain security types, such as prepayment, default, and collateral information for purpose of measuring the fair value of mortgage- and asset- backed securities.

Level 3 fair value measurement represents those instruments for which inputs for the asset or liability are not based on observable market data (that is, unobservable inputs). Private equity securities are usually priced based on unobservable market data and are not easily tradable and therefore likely to be classified as level 3.

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**3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal relating results.

**(i) Outstanding claims provision**

The Outstanding Claims Provision comprise provisions for the Fund's estimate of the ultimate cost of settling all claims incurred but not yet reported or reported but not yet processed at the statement of financial position date. Claims outstanding are determined as accurately as possible based on the actual claims relating to the financial year received in the four months after year-end plus an estimate for expected claims relating to the financial year that will be paid after the four-month period. This estimate is based on the ratio of claims after four months to the claims within four months and is determined from historical experience. Claim handling expenses are not separately accounted for as the service is provided by the Administrator and a fixed fee paid for the full administration service including claims handling. No provision for claims handling expenses is required as the Fund has no further liability to the Administrator at year-end. The Fund does not discount its provision for outstanding claims, since the effect of the time value of money is not considered material, as claims must be settled within four months of the medical event.

**(ii) Provision for premium repayable**

The provision for premium repayable relates to the estimate of the possible refunds due to members as a result of being charged unapproved rates.

The provision was determined based on the present value of the expected net liability payable.

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**4. Trade and other receivables**

	<b>2021</b>	<b>2020</b>
	<b>N\$</b>	<b>N\$</b>
Contribution receivables	359,702	-
Prepayments	449,604	-
	<b>809,306</b>	<b>-</b>

Contribution receivables are premiums due from members and prepayments includes payments made in advance.

**Fair value of trade and other receivables**

The fair value of trade and other receivables approximates their carrying amounts.

**5. Cash and cash equivalents**

	<b>2021</b>	<b>2020</b>
	<b>N\$</b>	<b>N\$</b>
Cash and cash equivalents consist of:		
Current account	525,774	3,680,148
Short-term deposits	587,220	582,337
Call account	825,880	773,540
	<b>1,938,874</b>	<b>5,036,025</b>

The effective interest rate on the current account at period-end was 0.30% (0.36%: 2020). The call accounts and cheque account balance are available on request. The interest rate on the current account is determined on a sliding scale based on the balance in the account at any point in time. At period-end the applicable interest rate was 0.30%. The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

An amount of N\$ 750,000 (2020: N\$ 750,000) was pledged as guarantee for NAMFISA on First National Bank.

Refer to note 5 in the Report of the Board of Trustees.

**6. Outstanding risk claims provision**

**Reconciliation of outstanding risk claims provision**

	<b>Balance at beginning of period</b>	<b>Adjustment for current year</b>	<b>Amount paid for current year</b>	<b>Balance at end of the year</b>
	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>
<b>2021</b>				
Claims provision	<b>1,269,544</b>	5,385,182	(1,173,919)	<b>5,480,807</b>
<b>2020</b>				
Claims provision	<b>1,150,862</b>	1,295,445	(1,176,763)	<b>1,269,544</b>

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	<b>2021</b>	<b>2020</b>
	<b>N\$</b>	<b>N\$</b>
Analysis of outstanding claims provision		
Estimated gross claims	5,480,807	1,269,544
	<b>1,480,807</b>	<b>1,269,544</b>

The outstanding risk claims provision was based on the actual claims relating to the financial period received in the four months after period-end plus an estimate for expected claims relating to the financial period that will be paid after the four-month period. This estimate is based on the ratio of claims after four months to the claims within four months and is determined from historical experience.

**7. Trade and other payables**

Accruals	25,000	345,261
NAMFISA Penalties	1,934,000	1,484,000
Provision for premiums payable	8,451,820	7,179,243
	<b>10,410,820</b>	<b>9,008,504</b>

The carrying amounts of trade and other payables approximate their fair values due to the short-term maturities of these liabilities.

The provision for premiums payables relates to the Net differential premium increase not approved by the regulator refer to note 9 and 10 in the Report of the Board of Trustees.

**8. Other and Investment Income**

Interest received from Bank	10,935	21,024
Other Income	14,381	97,968
Total Other and Investment Income	<b>25,316</b>	<b>118,992</b>

**9. Risk contribution Income**

Net contributions	<b>33,047,458</b>	<b>33,002,081</b>
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**10. Net claims incurred**

Current claims	(26,403,206)	(29,075,595)
Adjustment for current period	(4,211,263)	25,901
	<b>(30,614,469)</b>	<b>(29,049,694)</b>

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	<b>2021</b>	<b>2020</b>
	<b>N\$</b>	<b>N\$</b>
<b>11. Net expense on risk transfer arrangements</b>		
<b>Insurance</b>		
Recoveries from risk transfer arrangements	-	-
Risk transfer arrangement fees/premiums paid	-	-
	-	-
<b>12. Cash used in operations</b>		
Surplus/(Deficit) for the year	(7,903,424)	(5,239,082)
<b>Adjustments for:</b>		
Interest received	(10,935)	(21,024)
Movements in provisions	4,211,263	118,681
<b>Changes in working capital:</b>		
Trade and other receivables	(809,306)	-
Trade and other payables	1,402,316	5,412,639
	<b>(3,110,086)</b>	<b>271,214</b>

**13. Related Parties.**

The Fund had two Administrators during the year under review, namely Integrated Wellness solutions (Pty) Ltd until 31 August 2021 and Clinico Health (Pty) Ltd from 1 September 2021. Both entities are considered to have had an influence on the Fund's operational decisions, subject to the rules and regulations of the Fund and the Board of Trustees decisions. The Administrator as well as the Principal Officer attend and participate in all discussions at various meeting held by the Fund but the ultimate power and decision-making vests solely in the Board of Trustees. The Administrator and Principal Officer do not have voting rights at any meeting. The Fund entered a contract with the Administrators and The Fund paid the administrator an amount of N\$ 3,891,037 (2020: N\$ 3,966,299).

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund. Key Management personnel include the Board of Trustees and the Principal Officer. Details of the Trustee fees and the salary of the Principal Officer are disclosed per note 15 to the Financial Statements.

**Amounts included in Trade receivable (Trade Payable) regarding related parties**

<b>Fund administrator: IWS (Pty) Ltd</b>	-	-
<b>Fund administrator: Clinico Health (Pty) Ltd</b>	449 604	
	449 604	

Risk transfer arrangements which were entered into with Investmed Ltd was cancelled by mutual agreement 1 June 2017. The Fund is currently at date of this statements enquiring for new quotes to engage in new a new agreement to mitigate the risk. The actuaries of the Fund will

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evaluate the need and cost of the risk transfer arrangements.

**Nature of transactions and terms and conditions thereof**

**Contributions received**

This constitutes the contribution paid by the related party as a member of the Fund, in their individual capacity. All contributions were on the same terms as applicable to other members.

**Claims incurred**

This constitutes the claims paid to the related party as a member of the Fund, in their individual capacity. All claims were on the same terms as applicable to other members.

**Claims reported not yet paid**

This constitutes the claims payable by the related party as a member of the Fund, in their individual capacity. All claims outstanding were on the same terms as applicable to other members.

	<b>2021</b>	<b>2020</b>
	<b>N\$</b>	<b>N\$</b>
<b>Related party transactions</b>		
Fund administrator: Integrated Wellness solutions (Pty) Ltd	2,441,549	3,966,299
Fund administrator: Clinico Health (Pty) Ltd	1,449,488	-

**14. Risk transfer arrangements and medical insurance risk management**

**Risk management objectives and policies for mitigating Insurance risk**

The primary insurance activity carried out by the Fund assumes the risk of loss from members and their dependants that are directly subject to the risk. These risks relate to the health of the Fund members. As such the Fund is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Fund also has exposure to market risk through its insurance activities.

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements as well as the monitoring of emerging issues and as advice by the actuaries of the Fund.

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***Risk management objectives and policies for mitigating Insurance risk continued.....***

The Fund uses several methods to assess and monitor insurance risk exposure both for individual types of risk insured and overall risk. These methods include internal risk measurement models, sensitivity analysis, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

In-hospital benefits cover all costs incurred by members whilst they are in hospital to receive pre-authorized treatment for certain medical conditions.

Chronic benefits cover the cost of certain medicines utilised by members for chronic conditions/ diseases, such as high blood pressure, cholesterol, and asthma.

Day-to-day benefits cover the cost of all out-of-hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines.

The Fund's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risk over several years and, as such it is believed that this reduces the variability of the outcome.

**Risk transfer arrangements**

No Risk transfer arrangements were entered into as at 31 December 2021 however new options and quotes are being investigated at the time of these financials. The Fund seeks to insure a portion of the risk it underwrites through Hospital & Chronic medication related claims in order to control its exposure to losses and protect capital resources and to reduce the net exposure to the Fund.



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	<b>2021</b>	<b>2020</b>
	<b>N\$</b>	<b>N\$</b>
<b>15. Non-healthcare costs</b>		
Accounting fees	(116,500)	-
Actuary report fees	(200,509)	(140,000)
Administration fees	(3,891,037)	(3,966,299)
Advertising	(530,543)	(55,107)
Bank charges	(29,483)	(31,601)
Auditor's remuneration	(154,100)	(207,207)
Consulting Fees	(115,312)	-
Entertainment	-	(400)
IT expenses	(419,806)	(162,269)
Insurance	(3,000)	(12,000)
Legal expenses	(1,262,934)	(1,051,759)
Namaf fees	(92,099)	(60,900)
Namfisa levies	(51,120)	(87,376)
Office Expenses	(114,462)	-
Penalties	(900,000)	(941,000)
Principal officer remuneration	(537,916)	(602,928)
Printing and stationery	(8,092)	(55,718)
Rent office and parking	(41,943)	(53,645)
Salaries and wages	(160,000)	(13,000)
Specialized reports	-	(73,750)
Telephone	3,911	(48,000)
Trustee strategic meeting and training	(87 700)	(29,800)
	<u><b>(8,712,644)</b></u>	<u><b>(7,592,759)</b></u>

**16. Managed care: Management services**

Managed Care - Administrator	(948,850)	(933,263)
Jumla Disease Management	(135,000)	(105,000)
E-Med	(565,235)	(659,440)
Fund manager - Administrator	-	(20,000)
	<u><b>(1,649,085)</b></u>	<u><b>(1,717,703)</b></u>