

Heritage Health Medical Aid Fund

(Registration Number MAF20)

Annual Financial Statements

for the year ended 31 December 2022

Audited Financial Statements

in compliance with the Medical Aid Funds Act 23 of 1995

Heritage Health Medical Aid Fund

(Registration Number MAF20)

Annual Financial Statements for the year ended 31 December 2022

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General Information

Country of Incorporation and Domicile	Namibia
Registration Number	MAF20
Nature of Business and Principal Activities	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.
Trustees	Dr Ndahahafa Nghifindaka Ms Denise Billy Mr Munyaradzi Zimbwa Mr Joris Harteveld Mr Paulus Egodhi Ms Linda Uulenga
Actuaries	QED Actuaries
Principal Officer	V Muchero
Administrator & Address	Clinico Health (Pty) Ltd Unit 1 49 Feld Street Windhoek Namibia
Registered Office	49 Feld Street, Unit 1 Ausspannplatz Windhoek
Business Address	49 Feld Street, Unit 1 Ausspannplatz Windhoek
Postal Address	PO Box 23091 Windhoek Namibia
Bankers	First National Bank of Namibia Limited
Auditors	Ubuntu Registered Accountants & Auditors Erf 740A Liszt Street, Windhoek West, Windhoek, Namibia

Heritage Health Medical Aid Fund

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Trustees' Responsibilities and Approval

The trustees are required by the Medical Aid Funds Act 23 of 1995 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. These annual financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB®) and it is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the statement of financial position, results of operations and business of the fund, and explain the transactions and financial position of the business of the fund at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the fund and supported by reasonable and prudent judgements and estimates.

The trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the fund and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, the trustees set 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 fund and all employees are required to maintain the highest ethical standards in ensuring the fund's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the fund is on identifying, assessing, managing and monitoring all known forms of risk across the fund. While operating risk cannot be fully eliminated, the fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The trustees 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 going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the trustees have no reason to believe that the fund will not be a going concern in the foreseeable future. The annual financial statements support the viability of the fund.

The annual financial statements have been audited by the independent auditing firm, Ubuntu Registered Accountants & Auditors, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the member, the trustees and committees of the trustees. The trustees believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's qualified audit report is presented on pages 4 to 5.

The annual financial statements set out on pages 6 to 34, and the supplementary information set out on page 35 which have been prepared on the going concern basis, were approved by the trustees and were signed on 09/08/2024 on their behalf by:



Dr Ndahahafa Nghifindaka
Chairperson



V Muchero
Principal Officer

Independent Auditor's Report

To the Member of Heritage Health Medical Aid Fund

Qualified Opinion

We have audited the financial statements of Heritage Health Medical Aid Fund set out on pages 6 to 34, which comprise the trustees' report, the statement of financial position as at 31 December 2022, and the statement of surplus or deficit and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Aid Funds Act 23 of 1995.

Basis for Qualified Opinion

As stated in Note 2 of the Trustees' Report, although the Fund experienced a surplus of N\$ 2,571,909 for the year ending 31 December 2022 (compared to a loss of (N\$ 7,903,424) in 2021). It also generated negative cash flows from operations amounting to N\$ 1,130,015, and on that date, its total liabilities exceeded its total assets by N\$ 10,571,539 (compared to N\$ 13,143,447 in 2021). Furthermore, there is a dispute between the Fund and the Registrar of Medical Aid Funds (NAMFISA) over the "unapproved premium increase liability" of N\$ 8,330,499.00. Furthermore, 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. The High Court handed down a judgment on 14th April 2023 was in favor of the Fund. However, in July 2023 NAMFISA lodged an appeal with the Supreme Court of Namibia to have the Fund liquidated. The appeal is still in progress and the appeal ruling was not issued at the date of the audit report.

The final court ruling can either go for or against the Fund, hence the pending judgement casts an uncertainty on the going concern of the Fund.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Aid Funds Act 23 of 1995, 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 fund'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 fund 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 fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' 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 fund'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 fund 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 trustees 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.

Ubuntu Registered Accountants & Auditors

09/08/2024



Per: Martin D. Shaanika
Partner
Registered Auditor

Erf 740A
Liszt Street, Windhoek West,
Windhoek, Namibia



Heritage Health Medical Aid Fund

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Annual Financial Statements for the year ended 31 December 2022

Trustees' Report

The trustees present their report for the year ended 31 December 2022.

1. Review of activities

Main business and operations

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. There were no major changes herein during the year.

Membership

As at 31 December 2022, the total membership of the Fund was 632 (2021: 928)

1.2 The fund has the following benefit options;

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

1.3 Risk transfer arrangements

No risk transfer arrangements were entered into as at 31 December 2022 however new options and quotes are being investigated at the time of these financials.

2. Going concern

We draw attention to the fact that on 31 December 2022 the Fund recorded a surplus of N\$ 2,571,909 (2021: N\$ (7,903,424) and generated negative cash flows from operation of N\$ 1,130,015 and had accumulated deficit of N\$ 10,571,539 (2021: N\$ 13,143,447). As at that date, the Fund's liabilities exceed its assets by N\$ 10,571,539 (2021: N\$ 13,143,447).

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. On April 14, 2023, the High Court ruled in favor of the Fund, dismissing NAMFISA's application for winding up the Fund with costs. This ruling should bring great relief to all members. However, NAMFISA has lodged an appeal against this judgement, and the appeal hearing is pending. As the case is still subjudice, limited details can be shared at this time.

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

	2022	2021
	N\$	N\$
Premiums refundable to members balance	8,330,499	8,451,820
Legal costs	2,015,298	1,262,934
NAMFISA Penalties balance	2,277,000	1,934,000

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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 11 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\$ 65,000.
- 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 a surplus during the year under review
- 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 Reductions

- Reducing the Additional Hospital Benefit (AHB) by 75% units. In other words, a decrease from 225% to 150% and then to 125% of NAMAFA tariff in respect of in-hospital procedures.
- Reducing the fees paid to hospitals for hospitalisation from 100% to 95% of NAMAFA tariff.
- Reducing the Overall Annual Limits (OAL) on all plans to what they were in the 2018 benefit year. This change is done in response to the registrar's directives.
- Reducing all benefits from the cost of invoice to that stipulated by the NAMAFA rates. In other words, from paying whatever the service provider charges to paying what the industry benchmark is.
- Reducing medication benefits from paying at 100% of the Namibian Reference Price File (NRP) prices to 70% of NRP.

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 orthopedic surgeons, obstetrician & gynecologists, physicians and pediatricians. In other words, restricting access to these specialists to those that have been referred by their GP in an effort to curb over utilisation and ensure the level of care matches the clinical condition.
- Introducing access to benefit restrictions by way of co-payments e.g., NAD 2500 on all scope procedures. Furthermore, co-payment on branded medication increased from 20% to 51%. Co-payment on generic medication increased from zero to 30%. This to encourage the use of cheaper generic medications.
- Introducing more objective 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 from doctor driven demand for procedures. Many clinically unjustifiable requests for procedures have been declined based on these new criteria.

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Trustees' Report

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.

3. Events after reporting date

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

4. Management

The trustees of the fund during the year and up to the date of this report are as follows:

Trustee	Nationality	Date Appointed	Date resigned
Dr N Nghifindaka (Chairperson)	Namibian	31 March 2021	
Mr M Zimbwa	Zimbabwean	30 March 2021	
Mr P Egodhi	Namibian	31 March 2021	
Ms L Uulenga	Namibian	31 March 2021	
Ms D Billy	Namibian	31 March 2021	31 May 2022
Mr J Harteveld	Namibian	16 July 2021	21 February 2022

5. Results of Fund

5.1 Operational statistics for the fund

	2022 N\$	2021 N\$
Non-Healthcare Costs	10,015,942	8,712,645
Health Management Costs	1,685,075	1,649,085
Non-Healthcare Costs as a % of contributions	30%	26%

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Trustees' Report

5.2 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.

5.3 Reserve ratio

Total members' funds per statement of financial position	(10,571,539)	(13,143,448)
Risk contribution income	33,227,183	33,047,458
Reserve level	-32%	-40%

5.4 Solvency ratio

Total Assets	2,378,585	2,748,178
Total Liabilities	12,950,124	15,891,626
Solvency ratio	0.18	0.17

5.5 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.

5.6 Outstanding claims

The basis of calculation of the outstanding risk claims provision is discussed in note 7. Movements on the outstanding risk claims provision are set out in note 10 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.

6. Board of Trustee meetings and attendance

The following schedule sets out Board of Trustees meeting attendance.

Board meetings

	Total meetings for the year	Number of meetings attended
Trustee		
Dr Ndahahafa Nghifindaka	4	4
Mr Munyaradzi Zimbwa	4	4
Mr Paulus Egodhi	4	4
Ms Linda Uulenga	4	4
Ms Denise Billy (Resigned 31 May 2022)	4	1 (resigned)
Mr Joris Harteveld (Resigned 21 February 2022)	4	0 (resigned)

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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Trustees' Report

7. Actuarial services

The Fund makes use of independent actuaries, who are used amongst other matters, to determine the contribution and benefit levels for the 2022 year as well as evaluating the need and cost of the risk transfer arrangements.

8. Guarantees received by the fund from a third party

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\$ 750,000 in their favour to cover for the Premium and Claims collection (PAC's) facility utilised by the Fund.

9. 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.

10. Related party transactions

Refer to related party disclosure in note 15 to the annual financial statements.

11. Litigation

Matter 1:

In July 2021, the Register of Medical Aid Funds, NAMFISA, filed an application under section 35 of the Medical Aid Funds Act, 23 of 1995, to liquidate the Heritage Health Medical Aid Fund. The application was based on allegations that the Fund repeatedly violated the Act and was not in a sound financial position. When making its decision, the Court must consider the equitable interests of the members and issue an order it deems most beneficial to them.

On April 14, 2023, the High Court ruled in favor of the Fund, dismissing NAMFISA's application for winding up the Fund with costs. This ruling should bring great relief to all members. However, NAMFISA has lodged an appeal against this judgment, and the appeal hearing is pending. As the case is still subjudice, limited details can be shared at this time.

12. Independent Auditors

Ubuntu Registered Accountants & Auditors were the independent auditors for the year under review.

Heritage Health Medical Aid Fund

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Financial Statements for the year ended 31 December 2022

Statement of Financial Position

Figures in N\$

	Notes	2022	2021
Assets			
Current assets			
Trade and other receivables	5	1,555,167	809,304
Cash and cash equivalents	6	823,418	1,938,874
Total current assets		2,378,585	2,748,178
Total assets		2,378,585	2,748,178
Members' Funds and liabilities			
Members' Funds			
Accumulated deficit		(10,571,539)	(13,143,448)
Liabilities			
Current liabilities			
Outstanding risk claims provision and other provisions	7	2,197,762	5,480,806
Trade and other payables	8	10,752,362	10,410,820
Total current liabilities		12,950,124	15,891,626
Total members' funds and liabilities		2,378,585	2,748,178

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Statement of Surplus or Deficit and Other Comprehensive Income

Figures in N\$

	Notes	2022	2021
Risk contribution income	9	33,227,183	33,047,458
Claims incurred	10	(19,090,138)	(30,614,469)
Gross surplus		14,137,045	2,432,989
Other income	11	121,322	14,381
Managed care: Management services	12	(1,685,075)	(1,649,085)
Non-healthcare costs	13	(10,015,942)	(8,712,645)
Surplus / (deficit) from operating activities		2,557,350	(7,914,360)
Investment income	14	14,559	10,935
Surplus / (deficit) for the year		2,571,909	(7,903,425)

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Financial Statements for the year ended 31 December 2022

Statement of Changes in Equity

Figures in N\$	Accumulated deficit
Balance at 1 January 2021	(5,240,023)
Changes in members' funds	
Deficit for the year	(7,903,425)
Total comprehensive income for the year	<u>(7,903,425)</u>
Balance at 31 December 2021	<u>(13,143,448)</u>
Balance at 1 January 2022	(13,143,448)
Changes in members' funds	
Surplus for the year	2,571,909
Total comprehensive income for the year	<u>2,571,909</u>
Balance at 31 December 2022	<u>(10,571,539)</u>

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Statement of Cash Flows

Figures in N\$

	Notes	2022	2021
Net cash flows used in operations	17	(1,130,015)	(3,110,087)
Interest received		14,559	10,935
Net cash flows used in operating activities		(1,115,456)	(3,099,152)
Net decrease in cash and cash equivalents		(1,115,456)	(3,099,152)
Cash and cash equivalents at beginning of the year		1,938,874	5,038,026
Cash and cash equivalents at end of the year	6	823,418	1,938,874

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Financial Statements for the year ended 31 December 2022

Accounting Policies

1. General information

Heritage Health Medical Aid Fund ('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.

The fund is incorporated as a fund and domiciled in Namibia. The address of its registered office is 49 Feld Street, Unit 1, Ausspannplatz, Windhoek.

2. Basis of preparation and material accounting policy information

The financial statements of Heritage Health Medical Aid Fund have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the Medical Aid Funds Act 23 of 1995. The financial statements have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

International Financial Reporting Standards

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

Title of standard	Effective date	Executive summary
Annual improvements cycle 2018 - 2020	Annual periods beginning on or after 1 January 2022	These amendments include minor changes to: <ul style="list-style-type: none">• IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent.• 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.• 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.
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	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).

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Financial Statements for the year ended 31 December 2022

Accounting Policies

Basis of preparation and material accounting policy information continued...

Standards and interpretations issued but not yet effective

Title of standard	Effective date	Executive summary	Impact
Amendments to IFRS 17 'Insurance Contracts'	Annual periods beginning on or after 1 January 2023	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.	Management is currently assessing the impact.

2.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification and recognition

Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Financial assets classification

The fund classifies financial assets into the following categories:

- Financial assets subsequently measured at fair value through profit or loss
- Financial assets subsequently measured at amortised cost

Financial liabilities classification

The fund classifies financial liabilities into the following categories:

- Financial liabilities subsequently measured at amortised cost

Note 4 "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.

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Financial Statements for the year ended 31 December 2022

Accounting Policies

Basis of preparation and material accounting policy information continued...

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.

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.

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.

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

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.

Heritage Health Medical Aid Fund

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Accounting Policies

Basis of preparation and material accounting policy information continued...

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.

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 4).

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.

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 recorded at fair value and subsequently carried at amortised cost.

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Accounting Policies

Basis of preparation and material accounting policy information continued...

Trade and other payables

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

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.

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 4 for details of risk exposure and management thereof.

2.2 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.

2.3 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.

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Accounting Policies

Basis of preparation and material accounting policy information continued...

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.

2.4 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.

2.5 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.

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.

2.6 Outstanding Risk Claims

2.7 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.

2.8 Relevant healthcare expenditure

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

Heritage Health Medical Aid Fund

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Financial Statements for the year ended 31 December 2022

Accounting Policies

Basis of preparation and material accounting policy information continued...

2.9 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).

2.10 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.

2.11 Investment 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.

2.12 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

Heritage Health Medical Aid Fund

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Accounting Policies

Basis of preparation and material accounting policy information continued...

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.

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.

2.13 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

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 Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal relating results.

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Financial Statements for the year ended 31 December 2022

Accounting Policies

Critical accounting estimates and judgements continued...

(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.

4. Financial Risk Management

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.

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.

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.

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Accounting Policies

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.

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.

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:

	2022 N\$	2021 N\$
Cash and cash equivalents	823,418	1,938,874
	<u>823,418</u>	<u>1,938,874</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.

	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
Contribution receivable	1,009,805	-	359,700	-
Current	<u>1,009,805</u>	<u>-</u>	<u>359,700</u>	<u>-</u>

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Financial Statements for the year ended 31 December 2022

Accounting Policies

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.

	Credit rating	2022 N\$	2021 N\$
First National Bank Limited	BB	823,418	1,938,874
		<u>823,418</u>	<u>1,938,874</u>

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-to-day operations.

	Less than 1 year N\$	Between 1 and 2 years N\$	Between 2 and 5 years N\$	Total N\$
2022				
Assets				
Trade and other receivables	1,555,167			1,555,167
Cash and cash equivalents	823,418			823,418
	<u>2,378,585</u>			<u>2,378,585</u>
Trade and other payables	(10,752,362)			(10,752,362)
Outstanding risk claims provision	(2,197,762)			(2,197,762)
	<u>(12,950,124)</u>			<u>(12,950,124)</u>
Net position	<u>(10,571,539)</u>	-	-	<u>(10,571,539)</u>

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Accounting Policies

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	N\$	N\$	N\$	N\$
2021				
Assets				
Trade and other receivables	809,304			809,304
Cash and cash equivalents	1,938,874			1,938,874
	<u>2,748,178</u>			<u>2,748,178</u>
Trade and other payables	(10,410,820)			(10,410,820)
Outstanding risk claims provision	(5,480,806)			(5,480,806)
	<u>(15,891,626)</u>			<u>(15,891,626)</u>
Net position	<u>(13,143,448)</u>	-	-	<u>(13,143,448)</u>

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.

	Less than 12 months	More than 12 months	Total
	N\$	N\$	N\$
2022			
Cash and cash equivalents	823,418		823,418
Percentage of cash on contribution income			2%

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Accounting Policies

	Less than	More than	Total
	12 months	12 months	
<u>2021</u>	N\$	N\$	N\$
Cash and cash equivalents	1,938,874		1,938,874
Percentage of cash on contribution income			6%

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.

	2022		2021	
	100bp Increase in market	100bp Decrease in market	100bp Increase in market	100bp Decrease in market
Cash and cash equivalents	8,234	(8,234)	19,389	(19,389)

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 2022, the Fund was exposed to a significant legal risk that has been detailed in note 2 and 11 of the Trustees Report.

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 .18 times (2021: .17 times) and current reserve level of (37%) (2021: (40%).

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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Accounting Policies

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 pre-payment, 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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5. Trade and other receivables

Trade and other receivables comprise:

Contribution receivables	1,009,805	359,770
Prepaid expenses	545,362	449,604
Total trade and other receivables	1,555,167	809,304

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.

6. Cash and cash equivalents

Cash and cash equivalents included in current assets:

Cash equivalents

Current account	35,331	525,774
Call account	785,211	825,880
Short-term deposits	2,876	587,220
	823,418	1,938,874

The effective interest rate on the current account at period-end was 0.25% (0.30%: 2021). 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 (2021: 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.

7. Outstanding risk claims provision and other provisions

7.1 Outstanding risk claims provision and other provisions comprise:

Provision for legal fees	761,722	-
Outstanding risk claims provision	1,436,040	5,480,806
	2,197,762	5,480,806

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Outstanding risk claims provision and other provisions continued...

7.2 Provision for legal fees

	Provision for legal fees	Total
Balance at 1 January 2022	-	-
Adjustment for current year	761,722	761,722
Total changes	761,722	761,722
Balance at 31 December 2022	761,722	761,722

7.3 Outstanding risk claims provision

	Outstanding risk claims	Total
Balance at 1 January 2022	5,480,806	5,480,806
Adjustment for current year	3,410,066	3,410,066
Amount paid for current year	(7,454,832)	(7,454,832)
Total changes	(4,044,766)	(4,044,766)
Balance at 31 December 2022	1,436,040	1,436,040
Balance at 1 January 2021	1,269,544	1,269,544
Adjustment for current year	5,385,182	5,385,182
Amount paid for current year	(1,173,920)	(1,173,920)
Total changes	4,211,262	4,211,262
Balance at 31 December 2021	5,480,806	5,480,806

7.4 Details of other provisions

Outstanding risk claims

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.

8. Trade and other payables

Trade and other payables comprise:

Provision for premiums payable	8,330,499	8,451,820
Accruals	144,863	25,000
NAMFISA penalties	2,277,000	1,934,000
Total trade and other payables	10,752,362	10,410,820

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

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Trade and other payables continued...

The provision for premiums payables relates to the Net differential premium increase not approved by the regulator refer to note 2 and 11 in the Report of the Board of Trustees.

9. Risk contribution income

Risk contribution income comprises:

Net contributions	33,227,183	33,047,458
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10. Net claims incurred

Net claims incurred comprise:

Current claims	23,134,904	26,403,207
Adjustment for current period	(4,044,766)	4,211,262
Total cost of sales	19,090,138	30,614,469

11. Other income

Other income comprises:

NAMAF sitting fees	-	14,381
Other income	121,322	-
Total other income	121,322	14,381

12. Managed care: Management services

Managed care: Management services comprises:

Managed Care - Administrator	1,128,357	948,850
E-Med	457,718	565,235
Jumla Disease Management	-	135,000
Mediscor Medicine Price File	99,000	-
Total administrative expenses	1,685,075	1,649,085

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13. Non-healthcare costs

Non-healthcare costs comprise:

Accommodation	2,504	-
Accounting fees	-	116,500
Actuary report fees	264,062	200,509
Administration fees	4,373,703	3,891,037
Advertising	821,914	530,543
Audit Fees	308,572	154,100
Bank charges	140,255	29,483
Consulting fees	276,620	115,312
Employee benefit expenses	-	160,000
Insurance	-	3,000
IT expenses	300,591	419,806
Legal expenses	2,015,298	1,262,934
NAMAF fees	68,045	92,099
NAMFISA Levies	44,745	51,120
Office Expenses	69,220	114,462
Penalties	721,403	900,000
Principal officer remuneration	416,502	537,916
Printing and stationery	12,329	8,092
Rent office and parking	103,500	41,943
Telephone	48,079	(3,911)
Trustee strategic meeting and training	28,600	87,700
Total other expenses	10,015,942	8,712,645

14. Investment income

Finance income comprises:

Interest received	14,559	10,935
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15. Related parties

The Fund's Administrator during the year under review is Clinico Health (Pty) Ltd. The entity is 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 had two Administrators during the previous year, namely Integrated Wellness solutions (Pty) Ltd until 31 August 2021 and Clinico Health (Pty) Ltd from 1 September 2021.

The Fund entered a contract with the Administrators and The Fund paid the administrator an amount of N\$ 5,502,060 (2021: N\$ 3,891,037).

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Related parties continued...

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 13 to the Financial Statements.

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

Fund administrator: Clinico Health (Pty) Ltd

545,362

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 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.

	2022 N\$	2021 N\$
Related party transactions		
Fund administrator: Clinico Health (Pty) Ltd	5,502,060	1,449,488
Fund administrator: Integrated Wellness solutions (Pty) Ltd	-	2,441,549

16. Risk transfer arrangements and medical insurance risk management

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 trans- actions 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.

Heritage Health Medical Aid Fund

(Registration Number MAF20)

Financial Statements for the year ended 31 December 2022

Notes to the Financial Statements

Figures in N\$

2022

2021

Risk transfer arrangements and medical insurance risk management 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 pro- visioning 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 prac- titioners 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 2022 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.

17. Cash flows from operating activities

Surplus / (deficit) for the year	2,571,909	(7,903,425)
Adjustments for:		
Finance income	(14,559)	(10,935)
Change in operating assets and liabilities:		
Adjustments for increase in trade accounts receivable	(650,105)	(359,701)
Adjustments for increase in other operating receivables	(95,758)	(449,604)
Adjustments for increase in other operating payables	341,542	1,402,316
Adjustments for provisions	(3,283,044)	4,211,262
Net cash flows used in operations	(1,130,015)	(3,110,087)

Heritage Health Medical Aid Fund

(Registration Number MAF20)

Annual Financial Statements for the year ended 31 December 2022

Detailed Income Statement

Figures in N\$	Notes	2022	2021
Risk contribution income	9		
Risk contribution income		33,227,183	33,047,458
Net claims incurred	10		
Claims incurred		(19,090,138)	(30,614,469)
Gross surplus		14,137,045	2,432,989
Other income	11		
Other income		121,322	14,381
Managed care: Management services	12		
E-Med		(457,718)	(565,235)
Jumla Disease Management		-	(135,000)
Managed Care - Administrator		(1,128,357)	(948,850)
Mediscor Medicine Price File		(99,000)	-
		(1,685,075)	(1,649,085)
Non-healthcare costs	13		
Accommodation		(2,504)	-
Accounting fees		-	(116,500)
Actuary report fees		(264,062)	(200,509)
Administration fees		(4,373,703)	(3,891,037)
Advertising		(821,914)	(530,543)
Audit Fees		(308,572)	(154,100)
Bank charges		(140,255)	(29,483)
Consulting fees		(276,620)	(115,312)
Insurance		-	(3,000)
IT expenses		(300,591)	(419,806)
Legal expenses		(2,015,298)	(1,262,934)
NAMAF fees		(68,045)	(92,099)
NAMFISA Levies		(44,745)	(51,120)
Office Expenses		(69,220)	(114,462)
Penalties		(721,403)	(900,000)
Principal officer remuneration		(416,502)	(537,916)
Printing and stationery		(12,329)	(8,092)
Rent office and parking		(103,500)	(41,943)
Salaries and wages		-	(160,000)
Telephone		(48,079)	3,911
Trustee strategic meeting and training		(28,600)	(87,700)
		(10,015,942)	(8,712,645)
Surplus / (deficit) from operating activities		2,557,350	(7,914,360)
Investment income	14		
Interest received		14,559	10,935
Surplus / (deficit) for the year		2,571,909	(7,903,425)