

NAPOTEL MEDICAL AID FUND
(Registration number 0012)
Annual Financial Statements
for the year ended 31 December 2022

Napotel Medical Aid Fund

(Registration number 0012)

Annual Financial Statements for the year ended 31 December 2022

General Information

Country of incorporation and domicile	Namibia
Type of fund	The Fund is a closed Fund, which offers cover against the cost of medical services to the employees of Namibia Post Limited, Telecom Namibia Limited and/or Namibia Post and Telecommunications Holdings Limited, and/or such of its subsidiary and associate companies
Trustees	Mr. E Molatudi (Chairperson) Mr. J Mouton (Vice-chairperson) Mr. H Witbooi Ms. C Karokohe Ms. S Kisting Ms. S Egeler Mr. O Heitha Ms. B Hilzebecher Ms. B van Eck Mr. G Capelao
Principal officer and address	Ms. G Baisako Head Quarters Namibia Post and Telecom Holdings Independence Avenue Windhoek
Administrator and address	Prosperity Health Namibia Head Office C/O Feld and Thorer Street Windhoek Namibia
Actuaries	NMG Consultants and Actuaries (Pty) Ltd
Bankers	Standard Bank Namibia Limited
Fund registration number	0012
Investment managers	Capricorn Asset Management (Pty) Ltd Sanlam Investment Management Namibia (Pty) Ltd
Auditors	Ernst & Young Namibia

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Statement of Corporate Governance by the Board of Trustees

The Board of Trustees is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The trustees are proposed and elected by the members of the Fund and participating employers in terms of the rules of the Fund.

Board of Trustees

The trustees meet regularly and monitor the performance of the Fund, administrators, health professionals and other service providers. They address a range of key issues and ensure that discussion on items of policy, strategy and performance is critical, informed and constructive.

All 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 trustees are accountable for Risk Management and Internal Controls. Risks are identified, regularly reviewed, and appropriate resultant strategies implemented.

Risks are reviewed and dealt with at the Finance Committee and Board of Trustees level. Risks are addressed, based on impact to the fund and specific strategies or processes are set in place to deal with these risks.

As considered appropriate and to protect the long term sustainability of the Fund and volatility of claims the trustees do enter into risk transfer arrangements to secure this.

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 established 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 trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.

The annual financial statements were approved by The Board of Trustees and are signed on its behalf by:

Approval of annual financial statements

E Molatudi

Chairperson

S Baisako

Principal Officer

J Moutou

Trustee

C Karakake

Trustee

May 31 2023

Date

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Statement of Responsibility by the Board of Trustees

The Board of Trustees is responsible for the preparation, integrity and fair presentation of the annual financial statements of Napotel Medical Aid Fund. The annual financial statements presented on pages 11 to 39 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Aid Fund Act 23 of 1995 and include amounts based on judgments and estimates made by management.

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

The Board of Trustees is satisfied that the information contained in the annual financial statements fairly present the results of the operations for the year and the financial position of the Fund at year end.

The Board of Trustees is responsible for ensuring that accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Fund which enables the Board of Trustees to ensure that the annual financial statements comply with the relevant legislation.

The Fund operates in a controlled environment which was reviewed through a risk management plan. The internal control procedures are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the Fund are controlled.

The going concern basis has been adopted in preparing the annual 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 forecasts and available cash resources. These annual financial statements support the viability of the Fund.

The Fund's external auditor, Ernst & Young Namibia, is responsible for auditing the annual financial statements in terms of the International Standards on Auditing and their report is presented on pages 5 to 6. Ernst & Young Namibia have unrestricted access to all the financial records and related data, including minutes of all meetings of members, the Board of Trustees and all committees of the Board. The Board of Trustees believes that all representations made to the independent auditors during the audit were accurate and appropriate.

The annual financial statements were approved by The Board of Trustees and are signed on its behalf by:

Approval of annual financial statements

E. Melatudi

Chairperson

J. Moutou

Trustee

S. Baisako

Principal Officer

C. Karakohe

Trustee

May 31 2023

Date

Independent Auditor's Report

Opinion

We have audited the annual financial statements of Napotel Medical Aid Fund set out on pages 11 to 42 which comprise the Statement of Financial Position as at 31 December 2022, and the Statement of Surplus or Deficit and Other Comprehensive Income, Statement of Changes in Funds and Reserves and Statement of Cash Flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Napotel Medical Aid Fund as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Aid Fund Act 23 of 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and other independence requirements applicable to performing audits of annual financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Trustees are responsible for the other information. The other information comprises the General Information on page 1, the Statement of Corporate Governance by the Board of Trustees on page 3, as well as the Report of the Board of Trustees on pages 7 to 10. The other information does not include the annual financial statements and our auditor's report thereon. Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the trustees for the Annual Financial Statements

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

In preparing the annual 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.

Independent Auditor's Report

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual 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 trustee's 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 annual 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 annual financial statements, including the disclosures, and whether the annual 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.

Ernst & Young Namibia
Danica van Wyk
Registered Accountants and Auditors

Windhoek

Date: _____

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Report of the Board of Trustees

The board of trustees hereby submit their annual report on the annual financial statements of Napotel Medical Aid Fund for the year ended 31 December 2022.

1. Terms of registration

Napotel Medical Aid Fund is a not for profit closed medical aid fund registered in Namibia in terms of the Medical Aid Funds Act 23 of 1995.

2. Description of the medical aid fund

Main business and operations

The Fund is a closed fund, which offers cover against the cost of medical services to the employees of Namibia Post Limited, Telecom Namibia Limited and/or Namibia Post and Telecommunications Holdings Limited, and/or such of its subsidiary and associate companies. The companies operate principally in Namibia.

The operating results and state of affairs of the Fund are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net Surplus of the Fund was N\$9 951 098 (2021: N\$5 353 710).

Membership

As at 31 December 2022, the membership of the Fund was 1 684 (2021: 1 796) and the total beneficiaries of the Fund were 4 108 (2021: 4 425).

Benefit options

The Fund is a closed fund, which offers cover against the cost of medical services to the employees of Namibia Post Limited, Telecom Holdings Limited and Telecommunications Holdings Limited, and such of its subsidiary and associate companies.

Risk transfer arrangements

Risk transfer arrangements are entered into with Prosperity Lifecare Insurance Limited. Refer to note 17 for more information.

3. Management

The trustees in office during the year under review are as follows:

Trustee	Nationality	Date appointed/elected	Date resigned
Mr. E Molatudi (Chairperson)	Namibian	01 May 2013	
Mr. J Mouton (Vice-chairperson)	Namibian	01 July 2015	
Ms. AV Mbuende	Namibian	01 October 2007	01 October 2022
Mr. H Witbooi	Namibian	13 February 2015	
Ms. C Karokohe	Namibian	01 August 2016	
Ms. S Kisting	Namibian	28 May 2020	
Ms. S Egelser	Namibian	08 April 2021	
Mr. A Nakantimba	Namibian	14 June 2021	06 May 2022
Mr. O Heitha	Namibian	10 November 2021	
Ms. B Hilzebecher	Namibian	27 May 2019	
Ms. B van Eck	Namibian	24 November 2021	
Mr. G Capelao	Namibian	26 February 2018	

The Principal Officer during the year under review was Ms. G Baisako.

4. Guarantee received by the fund from a third party

In terms of Section 4 of the Medical Aid Fund Act, Bank Windhoek Limited has provided a guarantee of N\$750 000 (2021: N\$750 000) to the Fund in favour of NAMFISA.

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Report of the Board of Trustees

5. Events after the reporting period

No matter which is material to the financial affairs of the Fund has occurred between 31 December 2022 and date of approval of the annual financial statements.

6. Investments in and loans to participating employers of members of the fund and other related parties

The Fund does not hold investments in or provide loans to participating employers of the Fund, the Administrator or its subsidiaries, except for an investment that is held under normal commercial terms, in Namibia Post Limited Savings Bank, one of the participating employers.

7. Related parties transactions

Refer to related party disclosure in note 16 to the annual financial statements.

8. Investment managers during the year

The Fund utilised the following investment managers during the current period:

Sanlam Investment Management Namibia (Pty) Ltd

4th Floor Sanlam Centre
154 Independence Avenue
Windhoek
Namibia

P.O. Box 23081
Windhoek
Namibia

Capricorn Asset Management (Pty) Ltd

119 Independence Avenue
Windhoek
Namibia

P.O. Box 284
Windhoek
Namibia

9. Actuaries during the year

The Fund appointed NMG Consultants and Actuaries (Pty) Ltd for the financial year end to provide actuarial services and asset consultation.

17 Nachtigal Street
Windhoek
Namibia

P.O. Box 13393
Windhoek
Namibia

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Report of the Board of Trustees

10. Operational statistics of the fund

	2022 N\$	2021 N\$
Non-healthcare costs	5 967 987	4 967 321
Health management costs	1 773 554	1 742 015
Non-healthcare costs as a % of contributions	5%	4%
Return on investment as a percentage of investments at year end	4%	5%

11. Results of operations

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

Reserve ratio

	2022 N\$	2021 N\$
Total members' fund per statement of financial position	102 631 475	92 680 377
Net contributions	121 489 945	117 165 111
Reserve level	86%	79%

Solvency ratio

	2022 N\$	2021 N\$
Total assets	110 685 350	100 536 944
Total liabilities	8 053 875	7 856 567
Solvency ratio	16.89 times	12.80 times

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.

Outstanding claims

The basis of calculation of the outstanding claims provision is discussed in note 9 and this is consistent with the prior year. Movements on the outstanding claims provision are set out in note 9 to the annual financial statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Fund.

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Report of the Board of Trustees

12. Board of trustees meeting attendance

The following schedule sets out Board of Trustees meeting attendance.

Trustee	Total meetings for the year	Number of meetings attended
Ms. E Molutatudi (Chairperson)	8	7
Mr. J Mouton (Vice-Chairperson)	8	8
Ms. S Egelser	8	8
Ms. AV Mbuende	6	6
Mr. H Witbooi	8	7
Mr. A Nakantimba	2	2
Ms. C Karokohe	8	8
Ms. B Hilzebecher	8	8
Ms. S Kisting	8	5
Ms. B Van Eck	8	8
Mr. O Heitha	8	8

13. Record keeping and attendance of meetings

All meetings are duly 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 power and decision making vest solely in the Board of Trustees.

14. Finance committee

A finance committee was established in accordance with the guidelines on good corporate governance. The committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The members, including the Chairperson, are not officers of the Fund or its third party administrator. The committee met on a quarterly basis and these meetings were duly minuted and attendance registers were kept. The Principal Officer and Administrator participate in all discussions at the meetings held by the Fund, but the ultimate power of decision making vest solely in the finance committee.

The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the Fund's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the committee on critical findings arising from audit activities.

The committee currently comprises of:

- Mr. J Mouton (Chairperson)
- Ms. C Karokohe
- Mr. H Witbooi
- Ms. S Kisting

15. Ex-gratia committee

An ex-gratia committee was established in accordance with the guidelines on good corporate governance. The committee is mandated by the Board of Trustees by means of written terms of reference as to its authority. The members, including the Chairperson, are not officers of the Fund or its third party administrator. The committee met on six occasions and these meetings were duly minuted and attendance registers were kept. The Principal Officer and Administrator attend all meetings.

The committee currently comprises of:

- Mr. H Witbooi (Chairperson)
- Ms. S Egelser
- Ms. B Hilzebecher

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Statement of Financial Position as at 31 December 2022

	Note(s)	2022 N\$	2021 N\$
Assets			
Non-Current Assets			
Property, plant and equipment	4	90 319	160 855
Current Assets			
Financial assets measured at fair value	5	66 196 783	64 279 842
Financial assets measured at amortised cost	6	10 589 017	10 176 782
Trade and other receivables	7	5 477 062	5 762 819
Cash and cash equivalents	8	28 332 169	20 156 646
		110 595 031	100 376 089
Total Assets		110 685 350	100 536 944
Equity and Liabilities			
Equity			
Accumulated fund		102 631 475	92 680 377
Liabilities			
Current Liabilities			
Outstanding claims provision	9	7 200 804	7 359 872
Trade and other payables	10	334 239	201 116
Low claim bonus wallet	18	518 832	295 579
		8 053 875	7 856 567
Total Equity and Liabilities		110 685 350	100 536 944

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Statement of Surplus or Deficit and Other Comprehensive Income

	Note(s)	2022 N\$	2021 N\$
Net contribution income	11	121 489 945	117 165 111
Relevant healthcare expenditure			
Net claims incurred	12	(107 589 745)	(112 210 088)
Gross healthcare result		13 900 200	4 955 023
Health management costs	12	(1 868 473)	(1 742 015)
Non-healthcare costs	21	(5 873 068)	(4 967 321)
Operating healthcare result		6 158 659	(1 754 313)
Dividends received	15	740 958	483 842
Employer refund of HIV / AIDS costs	22	893 037	1 034 690
Fair value (loss)/gain on financial assets measured at fair value	5	(1 468 268)	2 788 014
MVA funds	22	22 550	12 490
Interest received	15	4 193 945	3 329 801
Asset disposal		-	917
		10 540 881	5 895 441
Other expenditure			
Asset management fees	13	(589 783)	(541 731)
Total surplus for the year		9 951 098	5 353 710

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Statement of Changes in Funds and Reserves

	Accumulated fund N\$	Total equity N\$
Balance at 01 January 2021	87 326 667	87 326 667
Total surplus for the year	5 353 710	5 353 710
Balance at 01 January 2022	92 680 377	92 680 377
Total surplus for the year	9 951 098	9 951 098
Balance at 31 December 2022	102 631 475	102 631 475

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Statement of Cash Flows

		2022	2021
Cash flows from operating activities			
Cash generated from/(used in) operations	14	7 627 847	(1 505 786)
Interest received	15	547 676	377 850
Net cash from operating activities		8 175 523	(1 127 936)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	-	(164 613)
Sale of property, plant and equipment	4	-	3 209
Increase in assets measured at fair value	5	(3 974 992)	(2 824 863)
Increase in assets measured at amortised cost	6	(412 235)	(610 930)
Capital investment	5	-	(1 900 000)
Interest received	5&15	3 646 269	2 951 951
Dividends received	5&15	740 958	483 842
Net cash from investing activities		-	(2 061 404)
Total cash movement for the year		8 175 523	(3 189 340)
Cash and cash equivalents at the beginning of the year		20 156 646	23 345 986
Cash and cash equivalents at the end of the year	8	28 332 169	20 156 646

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Accounting Policies

1. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below. These policies comply with International Financial Reporting Standards and have been consistently applied for all years presented, except for the standards adopted that became effective during the current year.

These accounting policies are consistent with the previous period. They are presented in Namibia Dollars which is the Fund's functional currency.

Basis of Preparation

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Medical Aid Fund Act 23 of 1995. The annual financial statements have been prepared under the historical cost convention, except for the fair valuation of some financial assets.

Changes in accounting policies and disclosures

Standard, Interpretation and amendment to published standard that is effective:

The following standard and amendment became effective in the current year:

- The Conceptual Framework for Financial Reporting (effective 1 January 2022);

Standard, Interpretation and amendment to published standard that are not yet effective

The standard and interpretations that is issued, but not yet effective as at 31 December 2022 are disclosed below. The Fund intends to adopt this standard, when it becomes effective.

Standard	Title	Effective Date
IFRS 17	Insurance Contracts	1 January 2023

IFRS 17: Insurance Contracts

IFRS 17 replaces IFRS 4 and is effective from 1 January 2023. Napotel will restate comparative information for 2022 applying the transitional provisions to IFRS 17. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard aims to increase comparability and transparency of profitability across entities where insurance contracts are issued and held. The standard introduces a new comprehensive model (general measurement model) for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach (premium allocation approach) and modified approach (variable-fee approach) for contracts with discretionary participation features. Napotel will apply the simplified approach (premium allocation approach).

The implementation of IFRS 17 will have financial and operation implications for Napotel, including the following areas:

1. Liability measurements
2. Data requirements
3. Operations and the underlying systems
4. Internal and external financing reporting

Initial application impact

The standard will be fully implemented for the financial year ending 31 December 2023. Napotel will however continue to focus on the following areas as part of the implementation of IFRS 17:

1. Refining the model applied
2. Finalizing the reporting and disclosure framework applicable
3. Observing and applying local and international industry trends in terms of best practices for IFRS 17 adoption

The estimates are based on accounting policies, assumption, judgements and estimation techniques which will be reviewed and assessed regularly during the year in preparation for the financial statements for the year ending 31 December 2023.

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Accounting Policies

1.1 Property, plant and equipment

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

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Fund, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Fund. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

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Accounting Policies

1.2 Financial instruments

Classification

Financial assets

The Fund classifies its financial assets as subsequently measured at either amortised cost or fair value on the basis of both: the entity's business model for managing financial assets; and the contractual cash flow characteristics of the financial asset. Financial assets are measured at amortised cost if both of the following conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding. If a measurement or recognition inconsistency is eliminated or significantly reduced by designating a financial asset as measured at fair value, the Fund has the discretion to elect this option at the financial asset's initial recognition. Classification is not based on an instrument-by-instrument approach, but is determined at a higher level of aggregation.

This classification is determined at initial recognition of a financial asset. At this point, the Fund may make an irrevocable election to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument that is not held for trading.

Trade and other receivables are classified as financial assets at amortised cost. Refer to notes 1.2 and 7.

Financial liabilities

The Fund classifies its financial liabilities as at fair value or as financial liabilities at amortised cost. The Fund has the option to classify the financial liability as at fair value if it is held for trading or if the prerequisites in IAS 39.9 (b) are met and it is designated upon initial recognition as at fair value.

Trade and other payables are classified as financial liabilities at amortised cost. Refer to note 10.

Low Claims bonus wallet

If a member's total day-to-day claims excluding chronic medication, are less than the threshold limits, the difference between the total day-to-day claims and the threshold limit will be allocated to the member as a Benefit Wallet. This benefit wallet amount can be used to pay for any medical services.

At the end of April the difference between the threshold limit and the member's total day-to-day claims as specified above, will be transferred to the member's Benefit Wallet Account.

The accumulated amount in the Benefit Wallet will be available during the time the member remains a fully paid-up member of the Fund. On resignation of membership, the amount in the Benefit Wallet will revert back to the reserves of the Fund.

The Benefit Wallet Account may be used to fund additional medical services or expenses normally excluded in terms of the Rules of the Fund, but meeting the provisions and definition of medical services as defined in the Medical Aid Fund Act.

Principal Members who are transferred from one employer to any other employer within the Napotel Medical Aid Fund Participating Employer Group, provided further that the member remains registered as a Principal Member or dependant on the Fund, the Benefit Wallet will remain vested on the member.

Upon the death of the principal member, any accumulated amount in the Benefit Wallet Account due to the member shall be transferred to his/her dependants should they continue membership in the Fund. Where the dependants of such deceased member decide to resign from the Fund, such positive balance shall be transferred to the reserves of the Fund.

Low claim bonus wallet are classified as financial liabilities at amortised cost. Refer to note 10.

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Accounting Policies

1.2 Financial instruments (continued)

Recognition and measurement

Financial assets

Initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of a financial asset not at fair value, transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value are initially recognised at fair value and transaction costs are expensed in the statement of surplus/deficit.

Financial liabilities

Initial measurement

Financial liabilities are initially recognised at fair value plus, in the case of financial liabilities not at fair value, transaction costs that are directly attributable to the acquisition of the liability. Financial liabilities carried at fair value are initially recognised at fair value and transaction costs are expensed in the statement of surplus/deficit.

Subsequent measurement

Financial assets

Financial assets at fair value are subsequently carried at fair value. Financial assets at amortised cost are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of a financial asset that is measured at fair value and is not part of a hedging relationship shall be recognised in the statement of surplus/deficit within 'realised gains/(losses) on the financial assets' or 'unrealised gains/(losses) on financial assets' in the period in which they arise, unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

Gains and losses on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in the statement of surplus/deficit when the financial asset is derecognised, impaired or reclassified, and through the amortisation process.

Dividend income from financial assets at fair value and financial assets at amortised cost is recognised in the statement of surplus/deficit as part of investment income when the Fund's right to receive payments is established. Interest on financial assets at fair value and financial assets at amortised cost calculated using the effective interest method is recognised in the statement of surplus/deficit as part of investment income.

Financial liabilities

Financial liabilities at amortised cost are carried at amortised cost using the effective interest method. Financial liabilities at fair value are subsequently carried at fair value, unless the exceptions in IAS 39 paragraph 47 apply.

Gains or losses on a financial liability that is measured at amortised cost and is not part of a hedging relationship shall be recognised in the statement of surplus/deficit when the financial liability is derecognised, impaired or reclassified, and through the amortisation process.

Realised and unrealised gains or losses arising from changes in the fair value of a financial liability that is measured at fair value and is not part of a hedging relationship shall be recognised in the statement of surplus/deficit within 'realised gains/(losses) on the financial liabilities' or 'unrealised gains/(losses) on the financial liabilities' in the period in which they arise.

- the Fund has an obligation at the reporting date as a result of a past event;
- it is probable that the Fund will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

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Accounting Policies

1.2 Financial instruments (continued)

Derecognition

Financial assets

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities

Financial liabilities are derecognised when they are extinguished – the obligation specified in the contract is discharged or cancelled or expires.

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortised cost

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced and the amount of the loss is recognised in the statement of surplus/deficit. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

Receivables with a short duration are not discounted.

Reversals of impairment losses

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 surplus/deficit, unless the investment is an equity instrument and the entity has 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.

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.

Napotel Medical Aid Fund

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Accounting Policies

1.2 Financial instruments (continued)

Trade and other receivables

Contributions outstanding 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.

Trade and other payables

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

1.3 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.

1.4 Health care 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.

1.5 Risk transfer

Risk transfer premiums are recognised as an expenses 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 contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Claim recoveries relating to risk transfer arrangements are calculated on the basis of the underlying contracts, utilising detail expense reports provided by the insurer.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding claims provisions and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provisions, claims reported not yet paid, and settled claims associated with the risk transfer arrangement.

Amounts recoverable under risk transfer arrangements are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Fund may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Fund will receive under the risk transfer arrangement.

1.6 Outstanding claim provisions

Provisions are recognised when: the Fund has a present legal or constructive obligation as a result 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 number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. 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.

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Accounting Policies

1.6 Outstanding claim provisions (continued)

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.

Outstanding claims provision

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.

Estimated co-payments and payments from savings plan accounts are deducted in calculating the outstanding claims provision.

1.7 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.

1.8 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred and health management costs.

1.9 Claims

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

Net claims incurred comprise of:

- claims submitted and accrued for services rendered during the year, 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).

1.10 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.

1.11 Investment income

Investment income mainly comprises dividends and interest.

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 unwinding the discount as interest income. Interest income on impaired loan and receivable are recognised using the original effective interest rate.

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Accounting Policies

1.11 Investment income (continued)

Dividend income

Dividend income is recognised when the right to receive payment is established.

Other investment income

Income from collective investment schemes and insurance policies is recognised when entitlement to revenue is established and it can be measured reliably.

1.12 Significant judgements and sources of estimation uncertainty

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.

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.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions.

The Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the fund is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

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2022	2021
N\$	N\$

2. Financial risk management

2.1. Overview

The Fund's activities exposes 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 trustees have 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, trade and other receivables and financial assets at fair value through profit and loss. The Fund's credit risk is primarily attributable to its trade and other receivables.

Trade and other receivables

Trade and other receivables comprises outstanding contributions (insurance receivables) and other receivables.

The main components of insurance receivables are:

- receivables for contributions due from members; and
- 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 insurers;
- 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; and
- ageing and pursuing unpaid accounts on a monthly basis.

The Fund establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Refer to note 7 for more detail. The Fund's management does not expect any losses in excess of this provision from non-performance by these counterparties.

Investment 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:

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	2022 N\$	2021 N\$
2. Financial risk management (continued)		
Financial assets measured at fair value	66 196 783	64 279 842
Financial assets measured at amortised cost	10 589 017	10 176 782
Trade and other receivables	5 477 062	5 762 818
Cash and cash equivalents	28 332 169	20 156 646
	110 595 031	100 376 088

Trade and other receivables

The main components of insurance receivables are contribution receivables, member and service provider claims receivables. Contribution receivables are collected by means of debit orders, cash payments or electronic funds transfers.

Contributions receivable	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
Current	5 251 724	-	5 383 572	-
Past due 31 - 60 days	-	-	-	-
	5 251 724	-	5 383 572	-
Other receivables				
Current	225 338	-	379 247	-

Based on past experience, the Fund believes that no allowance is required in respect of debtors that are past due and outstanding for less than 90 days, unless they are individuals who resigned from the Fund. The Fund has not renegotiated the term of receivables and does not hold any collateral or guarantees as security.

The entire amount of trade and other receivables is unrated. Insurance receivables consist of outstanding contributions at year-end as well as the insurance debtor amount. On analysing the credit quality of contribution debtors the Fund effectively collected 100% of these amounts in January. This indicates a high credit quality relating to these debtors. The insurance debtor is also a high credit quality counterparty. Consequently no additional disclosure of the credit quality is provided. The other debtors are expected to have similar credit quality and settled their obligations in January 2023. No impairment provision has been raised for these debtors.

Financial assets at amortised cost

Financial assets at amortised cost are neither past due nor impaired and thus no impairment provision has been raised for these assets.

Financial assets at amortised cost

Namport Investment	10 589 017	10 176 782
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Cash and cash equivalents

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 were obtained from Fitch and Global Credit Rating Company. Financial assets at fair value:

	Credit rating		
Capricorn Asset Management (Pty) Ltd	(A1+)	8 448 431	7 986 985
Standard Bank Namibia Limited	(F1+)	19 883 738	12 169 661
		28 332 169	20 156 646

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2022	2021
N\$	N\$

2. Financial risk management (continued)

Financial assets at fair value

Financial assets measured at fair value are neither past due nor impaired.

The Fund limits its exposure to credit risk by investing in high-quality credit worthy counterparties. Given these high credit ratings, the trustees do not expect any counterparty to fail to meet its obligations.

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.

Financial assets at fair value

Sanlam Investment Management

Credit rating

(AA+)

66 196 783

64 279 842

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 been processed by the Fund, 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 has the ability to Fund its day-to-day operations.

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	2022 N\$	2021 N\$			
2. Financial risk management (continued)					
2022					
Assets	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets measured at fair value	66 196 783	-	-	-	66 196 783
Financial assets measured at amortised cost	10 589 017	-	-	-	10 589 017
Trade and other receivables	5 477 062	-	-	-	5 477 062
Cash and cash equivalents	28 332 169	-	-	-	28 332 169
	110 595 031	-	-	-	110 595 031
Liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	(334 239)	-	-	-	(334 239)
Outstanding claim provision	(7 200 804)	-	-	-	(7 200 804)
Low claims bonus wallet	(518 832)	-	-	-	(518 832)
	(8 053 875)	-	-	-	(8 053 875)
					Total
Net Position	104 041 600	-	-	-	104 041 600
2021					
Assets	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets measured at fair value	64 279 842	-	-	-	64 279 842
Financial assets measured at amortised cost	10 176 782	-	-	-	10 176 782
Trade and other receivables	5 762 819	-	-	-	5 762 819
Cash and cash equivalents	20 156 646	-	-	-	20 156 646
	100 376 089	-	-	-	100 376 089
Liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	(201 116)	-	-	-	(201 116)
Outstanding claim provision	(7 359 872)	-	-	-	(7 359 872)
Low claims bonus wallet	(295 579)	-	-	-	(295 579)
	(7 856 567)	-	-	-	(7 856 567)
					Total
Net Position	92 519 522	-	-	-	92 519 522

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year approximate their fair values. The carrying amounts of annual financial assets and financial liabilities in the financial statements approximates their fair values.

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	2022	2021
	N\$	N\$

2. Financial risk management (continued)

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.

2.5. 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 no investments are denominated in foreign currency.

2.6. Price risk

The Fund is exposed to securities price risk because of financial assets held by the Fund and classified as financial assets at fair value. The Fund is exposed to commodity risk. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio. Diversification of the portfolio is done by the asset managers in accordance with the mandate set by the Fund.

The effect on surplus of changes in the market on the equity portfolio at the reporting date is shown in the sensitivity analysis below with all other variables held constant. Accumulated funds would not be affected as all financial assets are classified as financial assets at fair value.

Financial assets at fair value:

100bp 1% increase in market	661 968	642 798
100bp 1% decrease in market	(661 968)	(642 798)

The Fund's sensitivity to equity prices has increased from the prior year.

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	2022 N\$	2021 N\$
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2. Financial risk management (continued)

2.7. Interest rate risk (cash flow and fair value)

The Fund's investment policy is to hold a large portion of its investments in interest bearing instruments. The Fund's income and operating cash flows are therefore substantially influenced by the change in market interest rates. Investments in interest bearing instruments issued at variable rates expose the Fund to cash flow interest rate risk (i.e. loss of income if the rates decrease and increase in income if they increase). Investments in interest bearing instruments issued at fixed rates exposes the fund to fair value interest rate risk (i.e. movement in interest rates would have a direct effect on the fair value of the instruments).

The Fund is exposed to both interest rate risks as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate investments within the Fund's investment portfolio.

The Fund's insurance and other liabilities are settled within one year and therefore the Fund does not discount its liabilities and consequently changes in market interest rates would not affect the Fund's surplus or deficit. The same applies to trade and other receivables.

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 repricing or maturity dates.

2022	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	28 332 169	-	28 332 169
Financial assets measured at fair value	66 196 783	-	66 196 783
Financial assets at amortised cost	10 589 017	-	10 589 017
	105 117 969	-	105 117 969
2021	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	20 156 646	-	20 156 646
Financial assets measured at fair value	64 279 842	-	64 279 842
Financial assets at amortised cost	10 176 782	-	10 176 782
	94 613 270	-	94 613 270

The following table below summarises the effective interest rate for monetary financial instruments:

Cash and cash equivalents	1.93%	1.87%
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Cash flow sensitivity analysis for floating interest rate bearing instruments (cash and cash equivalents) and fair value sensitivity analysis for fixed interest rate bearing instruments.

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. The analysis is performed on the same basis for 2021.

Cash and cash equivalents:

100bp 1% increase in market	283 322	201 566
100bp 1% decrease in market	(283 322)	(201 566)

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2022 N\$	2021 N\$
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2. Financial risk management (continued)

2.5. Legal risk

Legal risk is the risk that the Fund will be exposed to contractual obligations which have not been provided for. At 31 December 2022 the Fund did not consider there to be any significant concentration of legal risk that had not been provided for.

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 in order to provide benefits for its stakeholders.

Consistent with others in the industry, the Fund monitors capital on the basis of the reserve ratio. This ratio is calculated as accumulated funds divided by gross contributions. At year-end the Fund had a solvency ratio of 16.89 times (2021: 12.80 times) and reserve level 86% (2021: 79%).

2.7. Fair value estimation

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. 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 year-end according to the terms of the Fund. Cash and cash equivalents have by definition a maturity of less than 3 months and therefore their fair value is also approximated by the carrying amount.

The members savings accounts contain a demand feature. In terms of regulations, any credit balance on a member's savings account must be taken as a cash benefit when the member terminates his or her membership of the Fund or benefit option, and enrolls in another benefit option or medical scheme without a savings account or does not enrol in another medical fund. Interest on these amounts is accrued monthly. Therefore the carrying values of the members savings accounts are deemed to be equal to their fair values, which is the amount payable on demand.

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.

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.

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	2022 N\$	2021 N\$
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2. Financial risk management (continued)

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.

As at 31 December 2022, the Fund recognised financial instruments based on the following fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value - 2022	66 196 783	-	-	66 196 783
Financial assets at fair value - 2021	64 279 842	-	-	64 279 842

2.8. Investment risk

Investment risk is the risk that the investment returns on accumulated assets will not be sufficient to cover future liabilities. Continuous monitoring takes place to ensure that appropriate assets are held where the Fund's liabilities are dependent upon the performance of the investment portfolio and that a suitable match of assets exists for all liabilities.

The Fund's investment objectives are to maximise the return on its investments on a long-term basis at minimal risk, subject to any constraints imposed by legislation or the trustees. Therefore, the portfolio of financial assets is managed and its performance evaluated on a fair value basis. The Fund continues to diversify its investment portfolio by investing in short-term deposits, money market instruments, debt securities and equity.

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, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed in note 1.12.

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4. Property, plant and equipment

	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Computer equipment	275 761	(215 585)	60 176	275 761	(166 322)	109 439
Medical equipment	63 825	(33 682)	30 143	63 825	(12 409)	51 416
Total	339 586	(249 267)	90 319	339 586	(178 731)	160 855

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	109 439	-	-	(49 263)	60 176
Medical equipment	51 416	-	-	(21 273)	30 143
	160 855	-	-	(70 536)	90 319

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	78 833	100 788	(3 210)	(66 972)	109 439
Medical equipment	-	63 825	-	(12 409)	51 416
	78 833	164 613	(3 210)	(79 381)	160 855

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

		2022	2021
Computer equipment	Straight line basis - years	3	3
Medical equipment	Straight line basis - years	3	3

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	2022 N\$	2021 N\$
5. Financial assets measured at fair value		
Interest and dividends received from the investments in the current year amounts to N\$3 057 330 and N\$740 958 respectively (2021: N\$2 341 020 and N\$483 842).		
Fair value at the beginning of the year	64 279 842	59 208 697
Interest Received	3 234 035	2 341 020
Dividends received	740 958	483 842
Other incomes and expenditure	(589 783)	(541 731)
Market Movement	(1 468 268)	2 788 014
	66 196 784	64 279 842
Current portion	66 196 783	64 279 842

The current portion is represented by Sanlam Investments Management (Pty) Ltd.

The Fund complies with Regulation 9 which requires that a minimum of 35% of the total assets value of the Fund are invested within Namibia.

Financial instruments 2022	Namibia	CMA	Offshore	Total
Equities	3 364 547	10 510 615	4 001 900	17 877 062
Government Bonds	14 363 070	4 793 431	-	19 156 501
Properties	-	728 506	450 524	1 179 030
Cash and Cash Equivalents	17 742 919	10 126 244	115 027	27 984 190
	35 470 536	26 158 796	4 567 451	66 196 783
Financial instruments 2021	Namibia	CMA	Offshore	Total
Equities	2 984 473	9 331 020	5 977 213	18 292 706
Government Bonds	11 833 481	2 403 232	-	14 236 713
Properties	-	721 595	634 782	1 356 377
Cash and Cash Equivalents	20 720 210	9 398 990	274 846	30 394 046
	35 538 164	21 854 837	6 886 841	64 279 842

6. Financial assets held at amortised cost

Balances at the beginning of the year	10 176 782	7 665 852
Interest received	412 235	610 930
Capital investments	-	1 900 000
	10 589 017	10 176 782
Current portion	10 589 017	10 176 782

The current portion is represented by Nampost.

Total interest received from the investments in the current year amounts to N\$412 235 (2021: N\$610 930). The fair value approximates the carrying amount.

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	2022 N\$	2021 N\$
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7. Trade and other receivables

Financial instruments:

Contributions	5 251 724	5 383 572
Trade and other receivables	225 338	379 247
Total trade and other receivables	5 477 062	5 762 819

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	5 477 062	5 762 819
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Current Account - Standard Bank Namibia Limited	19 883 738	12 169 661
Money Market Funds - Capricorn Asset Management	8 448 431	7 986 985
	28 332 169	20 156 646

Details of total facilities:

Credit card facility - Standard Bank Namibia Limited	20 000	20 000
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9. Outstanding claims provision

Reconciliation of outstanding claims provision - 2022

	Opening balance	Utilised during the year	Total
Outstanding claims provision	7 359 872	(159 068)	7 200 804

Reconciliation of outstanding claims provision - 2021

	Opening balance	Utilised during the year	Total
Outstanding claims provision	8 507 971	(1 148 099)	7 359 872

The outstanding risk claims provision was 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.

The existing accounting policy relating to the outstanding claims provision considers current estimates of all contractual flows, therefore in terms of paragraph 15 to 19 of IFRS 4, no further liability adequacy test is required.

10. Trade and other payables

Financial instruments:

Accruals	334 239	201 116
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	2022 N\$	2021 N\$
11. Contribution income		
Net contribution income	121 489 945	117 165 111
12. Net claims & health management costs		
The net claims incurred and health management costs comprises of the following:		
Net claims incurred	107 589 745	112 210 088
Pharmacy claim processing	982 418	947 807
Hospital benefit management	333 529	334 876
HIV/Aids disease management	109 014	109 365
Chronic adherence disease management	206 938	207 794
Diabetes disease management	141 655	142 175
Refund to MoHSS	94 919	-
	109 458 218	113 952 105
13. Asset management fees		
Financial intermediary and administration fees	589 783	541 731
14. Cash generated from/(used in) operations		
Surplus for the year	9 951 098	5 353 710
Adjustments for:		
Depreciation	70 536	79 381
Dividend received	(740 958)	(483 842)
Interest received	(4 193 945)	(3 329 801)
Asset management fees	589 783	541 732
Fair value adjustments	1 468 281	(2 788 014)
Movements in provisions	(159 068)	(1 148 099)
Changes in working capital:		
Trade and other receivables	285 758	(28 120)
Trade and other payables	356 362	1 688
Low claims bonus wallet	-	295 579
	7 627 847	(1 505 786)
15. Investment income		
Dividend received	740 958	483 841
Interest received - Investing	3 646 269	2 951 951
Interest received - Operating	547 676	377 850
	4 934 903	3 813 642

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2022	2021
N\$	N\$

16. Related parties

The Fund Administrator, Prosperity Health Namibia (Pty) Ltd is considered to have an influence on the Fund 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 meetings held by the Fund but the ultimate power and decision making vests solely in the Trustees. The Administrator and Principal Officer do not have voting rights at any meeting.

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 Trustees and the Principal Officer. The Principal Officer is compensated on a salary basis. Refer to note 21.

Related party balances and transactions

The following table provides the nature of transactions which have been entered into with related parties for the relevant financial year:

Transactions	Nature of transactions and terms and conditions thereof		
Contributions income	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.		
Contributions outstanding	This constitutes the contributions receivable from the related party as member of the Fund, in their individual capacity. All contributions debtors were on the same terms as applicable to other members.		
Outstanding claims provision	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.		
Prosperity Health Namibia (Administration fees)		2 463 592	2 473 836
Prosperity Lifecare Insurance Limited (Emergency Evacuation Risk Transfer)		1 157 516	1 153 801
		3 621 108	3 627 637

17. 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 advice by the actuaries of the Fund.

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.

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	2022 N\$	2021 N\$
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17. Medical insurance risk management (continued)

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.

Namibia currently does not have prescribed minimum benefits (PMB).

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.

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

Contracts vary in length and the Fund has the right to change the terms and conditions of the contract at renewal.

Risk arrangements

The Fund transfers a portion of its Emergency Evacuation risk through a risk transfer arrangement in order to control its exposure to losses and protect capital resources.

Risk in terms of risk transfer arrangements

The Fund cedes insurance risk to limit exposure to underwriting losses under Emergency Evacuation that cover individual risk, group risk or defined blocks of business, on a yearly renewable term, excess or catastrophe excess basis. These risk transfer arrangements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Fund's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage.

18. Low claims bonus wallet

Low claims bonus wallet	518 832	295 579
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19. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	7	5 477 062	5 477 062	5 477 062
Cash and cash equivalents	8	28 332 169	28 332 169	28 332 169
		33 809 231	33 809 231	33 809 231

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	7	5 762 819	5 762 819	5 762 819
Cash and cash equivalents	8	20 156 646	20 156 646	20 156 646
		25 919 465	25 919 465	25 919 465

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		2022 N\$	2021 N\$
19. Financial instruments and risk management (continued)			
Categories of financial liabilities			
2022			
	Note(s)	Amortised cost	Total Fair value
Trade and other payables	10	334 239	334 239 -
Low claims bonus wallet		518 832	518 832 -
		853 071	853 071 -
2021			
	Note(s)	Amortised cost	Total Fair value
Trade and other payables	10	201 116	201 116 -
Low claims bonus wallet		295 579	295 579 -
		496 695	496 695 -
Capital risk management			
Trade and other payables	10	334 239	201 116
Low claims bonus wallet		518 832	295 579
Total borrowings		853 071	496 695
Cash and cash equivalents	8	(28 332 169)	(20 156 646)
Net borrowings		(27 479 098)	(19 659 951)
Equity		104 131 919	92 680 377
Gearing ratio		(26)%	(21)%

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	2022 N\$	2021 N\$
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19. Financial instruments and risk management (continued)

Financial risk management

Credit risk

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

The maximum exposure to credit risk is presented in the table below:

		2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	7	5 477 062	-	5 477 062	5 762 819	-	5 762 819
Cash and cash equivalents	8	28 332 169	-	28 332 169	20 156 646	-	20 156 646
		33 809 231	-	33 809 231	25 919 465	-	25 919 465

Liquidity risk

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2022

	Carrying amount
Current liabilities	
Trade and other payables	334 239
Low claims bonus wallet	10 518 832

2021

	Carrying amount
Current liabilities	
Trade and other payables	10 201 116
Low claims bonus wallet	295 579

20. Events after the reporting period

No matter which is material to the financial affairs of the Fund has occurred between 31 December 2022 and date of approval of the annual financial statements.

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	2022 N\$	2021 N\$
21. Non-healthcare costs		
Advertising	3 678	44 148
Auditors remuneration	330 022	244 260
Bank charges	124 775	74 714
Board meeting expenses	108 386	79 710
AGM expenses	6 084	-
Trustee sitting allowance	587 965	438 286
Trustee indemnity and liability cover	44 018	41 933
Principal Officer remuneration	513 870	496 380
Actuarial and investing consulting fees	673 247	502 358
Administration fees	2 463 592	2 473 836
Rule change - Namfisa	30	70
Affiliation fees - Namaf	225 561	226 386
Affiliation fees - Namfisa	171 153	164 419
Printing and stationery	8 749	6 448
Affiliation fees - BHF	17 906	17 638
Trustee training and conference	304 510	46 885
Travelling costs	152 048	9 782
Insurance - Trustee iPads	23 875	20 687
Information sessions	16 063	-
Depreciation	70 536	79 381
Consultation fees	27 000	-
	5 873 068	4 967 321
22. Other income		
Refund of HIV/AIDS costs	893 037	1 034 690
MVA refunds	22 550	12 490
	915 587	1 047 180

23. Going concern

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