NAPOTEL MEDICAL AID FUND
(Registration number 0012)
Annual Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2018

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 and Telecom Holdings Limited and its subsidiaries (Namibia Post and Telecom Namibia Limited)
Trustees	Ms. D Nashandi-Endjambi (Chairperson) Mr. E Molatudi (Vice-Chairperson) Ms. S Bergh Ms. S Gawaseb Ms. AV Mbuende Ms. A McKay Ms. C Karokohe Mr. J Mouton Dr. B Van der Merwe Mr. H Witbooi Mr. L Mungunda 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
Postal address	P.O. Box 22927 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.

Approval of annual financial statements

Chairperson

Principal Officer

Trustee

Trustee

29/05/2019

Date

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 7 to 38 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, 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 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.

Approval of financial statements

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Chairperson

Principal Officer

Trustee

Trustee

29/05/2019

Date

Independent Auditor's Report

Opinion

We have audited the annual financial statements of Napotel Medical Aid Fund set out on pages 11 - 38 which comprise the Statement of Financial Position as at 31 December 2018, 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 financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Napotel Medical Aid Fund as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Aid Fund Act 23 of 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (IASs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Namibia. 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 Report of the Board of Trustees on page 7 - 10, which we obtained prior to the date of this report. 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 Financial Statements

The trustees are responsible for the preparation and fair presentation of the annual financial statements in accordance with IFRS and the requirements of the Medical Aid Fund 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.

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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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.

Ernst & Young
Partner
Chartered Accountant (Namibia)

Windhoek

30 June 2019

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 2018.

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 & Telecom Holdings Limited, Namibia Post Limited and Telecom Namibia Limited 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$1 136 342 (2017: N$5 909 232).

Membership

As at 31 December 2018, the membership of the Fund was 1 891 (2017: 1 871) and the total beneficiaries of the Fund were 4 742 (2017: 4 766).

Benefit options

The Fund offers one product option to the employees of Namibia Post & Telecom Holdings Limited, Telecom Namibia Limited and Namibia Post Limited.

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
Ms. D Nashandi-Endjambi (Chairperson)	Namibian	01 March 2006
Mr. E Molatudi (Vice-Chairperson)	Namibian	01 May 2013
Ms. S Bergh	Namibian	01 July 2015
Ms. S Gawaseb	Namibian	01 September 2004
Ms. AV Mbuende	Namibian	01 October 2007
Ms. A McKay	Namibian	01 January 2015
Mr. G Capelao	Namibian	26 February 2018
Mr. J Mouton	Namibian	01 July 2015
Dr. B Van der Merwe	Namibian	13 February 2015
Mr. H Witbooi	Namibian	01 October 2006
Mr. L Mungunda	Namibian	01 September 2012
Ms. C Karokohe	Namibian	01 September 2016

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 (2017: N$750 000) to the Fund in favour of NAMFISA and it is secured by an underlying investment.

Report of the Board of Trustees

5. Events after statement of annual financial position date

No matter which is material to the financial affairs of the fund has occurred between 31 December 2018 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 in Namibia Post Limited Savings Bank, one of the participating employers under normal commercial terms.

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

10. Operational statistics of the fund

	2018 N$	2017 N$
Non-healthcare costs	4 847 703	4 174 837
Health management costs	1 154 709	1 061 424
Non-healthcare costs as a % of contributions	5%	5%
Return on investment as a percentage of investments at year end	4%	6%

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.

Report of the Board of Trustees

Reserve ratio

	2018 N$	2017 N$
Total members' fund per statement of financial position	68 311 716	67 175 374
Net contributions	98 414 892	90 691 319
Reserve level	69%	74%

Solvency ratio

	2018 N$	2017 N$
Total assets	77 823 424	72 598 855
Total liabilities	9 511 708	5 423 481
Solvency ratio	8.18 times	13.4 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.

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. D Nashandih-Endjambi (Chairperson)	9	9
Mr. E Molatudi (Vice-Chairperson)	9	8
Ms. S Gawaseb	9	9
Ms. AV Mbuende	9	8
Mr. H Witbooi	9	9
Ms. A McKay	9	2
Mr. L Mungunda	9	9
Mr. B Van Der Merwe	9	4
Ms. S Bergh	9	8
Mr. J Mouton	9	7
Ms. C Karokohe	9	6
Mr. G Capelao	9	9

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.

Report of 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. E Molatudi (Chairperson)
- Ms. Karokohe
- Mr. J Mouton
- Dr. B van der Merwe

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 nine 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:

- Ms. A McKay (Chairperson)
- Mr. L Mugunda
- Ms. AV Mbuende
- Mr. H Witbooi
- Ms. S Bergh

Statement of Financial Position as at 31 December 2018

	Note(s)	2018 N$	2017 N$
Assets			
Non-Current Assets			
Computer equipment	4	166 266	-
Current Assets			
Financial assets measured at fair value	5	53 483 806	51 608 746
Financial assets held at amortised cost	6	6 885 018	6 379 440
Trade and other receivables	7	4 279 441	7 221 855
Cash and cash equivalents	8	13 008 893	7 388 814
		77 657 158	72 598 855
Total Assets		77 823 424	72 598 855
Equity and Liabilities			
Equity			
Accumulated funds		68 311 716	67 175 374
Liabilities			
Current Liabilities			
Outstanding claims provision	9	9 315 831	5 291 570
Trade and other payables	10	195 877	131 911
		9 511 708	5 423 481
Total Equity and Liabilities		77 823 424	72 598 855

Statement of Surplus or Deficit and Other Comprehensive Income

	Note(s)	2018 N$	2017 N$
Net contribution income	11	98 414 892	90 691 319
Relevant healthcare expenditure			
Net claims incurred	12	(95 381 325)	(86 125 314)
Gross healthcare result		3 033 567	4 566 005
Health management costs	12	(1 154 709)	(1 061 424)
Non-healthcare costs	18	(4 847 703)	(4 174 837)
Operating healthcare result		(2 968 845)	(670 256)
Dividends received	15	442 017	696 856
Employer refund of HIV / AIDS costs	19	1 227 518	1 246 497
Fair value gain on financial assets measured at fair value	5	(847 005)	2 109 887
MVA funds	19	-	49 135
Interest received	15	3 682 267	3 053 153
		1 535 952	6 485 272
Other expenditure			
Asset management fees	13	(399 610)	(576 040)
Total surplus for the year		1 136 342	5 909 232

Statement of Changes in Funds and Reserves

	Accumulated funds N$	Total equity N$
Balance at 01 January 2017	61 266 142	61 266 142
Total surplus for the year	5 909 232	5 909 232
Balance at 01 January 2018	67 175 374	67 175 374
Total surplus for the year	1 136 342	1 136 342
Balance at 31 December 2018	68 311 716	68 311 716

Statement of Cash Flows

	Note(s)	2018 N$	2017 N$ Restated
Cash flows from operating activities			
Cash generated from operations	14	5 304 427	590 761
Interest received	15	497 032	366 222
Net cash from operating activities		5 801 459	956 983
Cash flows from investing activities			
Purchase of computer equipment	4	(181 379)	-
Increase in assets measured at fair value	5	(3 121 675)	(2 915 335)
Increase in assets measured at amortised cost	6	(505 578)	(468 452)
Interest received	15	3 185 235	2 686 931
Dividends received	5&15	442 017	696 856
Net cash from investing activities		(181 380)	-
Total cash movement for the year		5 620 079	956 983
Cash and cash equivalents at the beginning of the year		7 388 814	6 431 831
Cash and cash equivalents at the end of the year	8	13 008 893	7 388 814

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

The following standards have been issued or revised and will become effective in future financial years:

Standard	Title	Effective date
IFRS 9	Financial Instruments	1 January 2018

IFRS 9 (2009) retains but simplifies the mixed measurement model for financial assets and establishes two primary measurement categories: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset. The impact of this new standard has been assessed by management.

Financial Instruments in Napotel include financial assets, being the investment held with Sanlam Investment Management and Namibia Post Investment. The 3 aspects of IFRS 9 are:

Recognition and Measurement - Currently the investments with Sanlam are measured at fair value - this is a segregated fund for Napotel and we believe the fair value measurement is the correct approach. The investment held with Nampost is measured at amortized cost with it having a fixed term therefore amortized cost is the best approach.

Impairment - No Impairment is expected due to the fact that the Investment is held with a credible financial institution, being Sanlam Investment Managers. Thus no credit losses are expected. This is also applicable for the investment held with Namibia Post.

Hedge Accounting - This is not applicable in the case of Napotel as there are no hedging instruments.

Standard	Title	Effective date
IFRS 15	Revenue from Contracts with Customers	1 January 2018

IFRS 15 is more prescriptive than current IFRS and provides more application guidance. The disclosure requirements are also more extensive. The standard is not expected to have a material impact on the Fund as it does not have revenue contracts, but rather consists of members that are bound by the scheme rules and board approved contribution tables. Furthermore the Fund is excluded from applying IFRS 15 as per IFRS 4 and since the fund applies IFRS 4, IFRS 15 is not applicable.

Accounting Policies

Changes in accounting policies and disclosues (continued)

Standard	Title	Effective date
IFRS 4	Insurance contracts	1 January 2018

IFRS 4 regards a medical benefit plan or contract entered into with a member as an insurance contract.

IFRS 4 provides a temporary exemption, allowing insurers to apply IAS 39 rather than IFRS 9. The exemption only applies in certain circumstances and only for annual periods beginning before 1 January 2021. The exemption also introduces an "overlay approach" in specific circumstances. This approach requires the insurer to reclassify an amount between other comprehensive income and profit or loss. This results in the profit or loss for designated financial assets being the same as if the insurer had applied IAS 39 rather than IFRS 9.

Napotel does not issue any insurance contracts and IFRS 9 is therefore not applicable and will have no effect.

Standards and interpretations issued, but not yet effective

Standard	Title	Effective Date
IFRS 16	Leases	1 January 2019

Napotel does not enter into any leases agreements or contracts, and thus no effect is expected.

1.1 Computer equipment

Computer equipment are tangible assets which the company 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 computer equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Computer 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 computer equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company 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 company. 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 computer 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 computer 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.

Accounting Policies

1.1 Computer equipment (continued)

Impairment tests are performed on computer equipment when there is an indicator that they may be impaired. When the carrying amount of an item of computer 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 computer 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 computer 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.

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 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.

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.

Accounting Policies

1.2 Financial instruments (continued)

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.

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.

Accounting Policies

1.2 Financial instruments (continued)

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.

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.

Accounting Policies

1.4 Healthcare insurance contracts

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

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

1.5 Financial assets measured at fair value

Risk transfer premiums are recognised as an expenses over the indemnity period on a straight line basis, A portion os 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.

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.

Accounting Policies

1.6 Outstanding claim provisions (continued)

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.

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.

Accounting Policies

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.

Notes to the Annual Financial Statements

	2018	2017
	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;
- 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;
- 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:

Notes to the Annual Financial Statements

	2018 N$	2017 N$

2. Financial risk management (continued)

Financial assets measured at fair value	53 483 806	51 608 746
Trade and other receivables	4 279 441	7 221 855
Cash and cash equivalents	13 008 893	7 388 814
	70 772 140	66 219 415

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 2018	Impairment 2018	Gross 2017	Impairment 2017
Current	4 891 624	-	6 792 334	-
Past due 31 - 60 days	(932 761)	-	124 155	-
	3 958 863	-	6 916 489	-
Other receivables				
Current	320 578	-	305 366	-

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 90% 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 2019. No impairment provision has been raised for these debtors.

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.

	Credit rating		
Capricorn Asset Management (Pty) Ltd	(A1+)	1 234 477	1 142 776
Standard Bank Namibia Limited	(F1+)	11 774 416	6 246 038
		13 008 893	7 388 814

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.

Notes to the Annual Financial Statements

		2018 N$	2017 N$

2. Financial risk management (continued)

Financial assets at fair value	Credit rating		
Sanlam Investment Management	(AA+)	53 483 806	51 608 746

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, 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 has the ability to Fund its day-today operations.

Notes to the Annual Financial Statements

	2018 N$	2017 N$

2. Financial risk management (continued)

2018

Assets	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets	53 483 806	-	-	-	53 483 806
Trade and other receivables	4 279 441	-	-	-	4 279 441
Cash and cash equivalents	13 008 893	-	-	-	13 008 893
	70 772 140	-	-	-	70 772 140

Liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	(195 877)	-	-	-	(195 877)
Outstanding claim provision	(9 315 831)	-	-	-	(9 315 831)
	(9 511 708)	-	-	-	(9 511 708)

					Total
Net Position	61 260 432	-	-	-	61 260 432

2017

Assets	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets	51 608 746	-	-	-	51 608 746
Trade and other receivables	7 221 855	-	-	-	7 221 855
Cash and cash equivalents	7 388 814	-	-	-	7 388 814
	66 219 415	-	-	-	66 219 415

Liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	(131 911)	-	-	-	(131 911)
Outstanding claim provision	(5 291 570)	-	-	-	(5 291 570)
	(5 423 481)	-	-	-	(5 423 481)

					Total
Net Position	60 795 934	-	-	-	60 795 934

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 financial assets and financial liabilities in the financial statements approximates their fair values.

2.4. Market risk

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

Currency risk

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

Notes to the Annual Financial Statements

	2018 N$	2017 N$

2. Financial risk management (continued)

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.

	2018 N$	2017 N$
Financial assets at fair value:		
100bp 1% increase in market	534 838	516 087
100bp 1% decrease in market	(534 838)	(516 087)

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

Notes to the Annual Financial Statements

	2018 N$	2017 N$

2. Financial risk management (continued)

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.

2018	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	13 008 893	-	13 008 893
Financial assets measured at fair value	53 483 806	-	53 483 806
Financial assets at amortised cost	6 885 018	-	6 885 018
	73 377 717	-	73 377 717

2017	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	7 388 814	-	7 388 814
Financial assets measured at fair value	51 608 746	-	51 608 746
Financial assets at amortised cost	6 379 440	-	6 379 440
	65 377 000	-	65 377 000

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

	2018	2017
Cash and cash equivalents	4.75%	4.75%

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 2017.

	2018	2017
Cash and cash equivalents:		
100bp 1% increase in market	130 088	73 888
100bp 1% decrease in market	(130 088)	(73 888)

	2018 N$	2017 N$

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 2018 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 8.18 times (2017: 13.4 times) and reserve level 69% (2017: 74%).

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.

Notes to the Annual Financial Statements

	2018	2017
	N$	N$

2. Financial risk management (continued)

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 studies 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.

As at 31 December 2018, the Fund recognised financial instruments based on the following fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value	53 483 806	-	-	53 483 806

	Level 1	Level 2	Level 3	Total
Financial assets at fair value - 2017	51 608 746	-	-	51 608 746

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.

Notes to the Annual Financial Statements

	2018 N$	2017 N$

4. Computer equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Office equipment	181 379	(15 113)	166 266	-	-	-

I-Pads to an amount of N$181 379 have been acquired during the 2018 financial year in order for the trustees to use during board meetings.

Depreciation rates

The depreciation methods and average useful lives of computer equipment have been assessed as follows:

		2018	2017
Office equipment	Straight line basis - years	3	-

5. Financial assets measured at fair value

Interest and dividends received from the investments in the current year amounts to N$2 679 657 and N$442 017 respectively (2017: N$2 218 479 and N$696 866).

	2018	2017
Fair value at the beginning of the year	51 608 746	47 159 564
Interest Received	2 679 657	2 218 479
Dividends received	442 017	696 856
Other incomes and expenditure	(399 610)	(576 040)
Market Movement	(847 004)	2 109 887
	53 483 806	51 608 746
Current portion	53 483 806	51 608 746

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 2018	Namibia	CMA	Offshore	Total
Equities	3 378 472	8 177 808	5 447 223	17 003 503
Government Bonds	4 265 369	5 058 921	-	9 324 290
Properties	-	713 520	932 186	1 645 706
Cash and Cash Equivalents	16 788 578	7 876 942	844 787	25 510 307
	24 432 419	21 827 191	7 224 196	53 483 806

Financial instruments 2017	Namibia	CMA	Offshore	Total
Equities	2 615 831	8 791 847	576 423	11 984 101
Government Bonds	2 261 701	3 618 563	456 719	6 336 983
Properties	2 619 188	1 075 786	5 203 397	8 898 371
Cash and Cash Equivalents	17 598 993	6 002 509	787 789	24 389 291
	25 095 713	19 488 705	7 024 328	51 608 746

Notes to the Annual Financial Statements

	2018 N$	2017 N$

6. Financial assets held at amortised costs

Balances at the beginning of the year	6 379 440	5 910 988
Interest received	505 578	468 452
	6 885 018	6 379 440
Current portion	6 885 018	6 379 440

The current portion is represented by Nampost.

Total interest received from the investments in the current year amounts to N$505 578 (2017: N$468 452). The fair value approximates the carrying amount.

7. Trade and other receivables

Financial instruments:		
Contributions outstanding	3 958 863	6 916 489
Trade and other receivables	320 578	305 366
Total trade and other receivables	4 279 441	7 221 855

Categorisation of trade and other receivables

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

At amortised cost	4 279 441	7 221 855

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Current Account - Standard Bank Namibia Limited	6 708 469	4 837 048
Money Market Funds - Capricorn Asset Management	1 234 477	1 142 776
Call Account - Standard Bank Namibia Limited	5 065 947	1 408 990
	13 008 893	7 388 814

Notes to the Annual Financial Statements

	2018 N$	2017 N$

9. Outstanding claims provision

Reconciliation of outstanding claims provision - 2018

	Opening balance	Additions	Total
Outstanding claim provision	5 291 570	4 024 261	9 315 831

Reconciliation of outstanding claims provision - 2017

	Opening balance	Additions	Total
Outstanding claim provision	5 150 173	141 397	5 291 570

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

	2018	2017
Financial instruments:		
Accruals	195 877	131 911

11. Revenue

	2018	2017
Net contribution income	98 414 892	90 691 319

12. Net claims & health management costs

The net claims incurred and health management costs comprises of the following:

	2018	2017
Net claims incurred	95 381 325	86 125 314
Hospital benefit management	419 952	396 988
Pharmaceutical benefit/claims processing and management	734 757	664 436
	96 536 034	87 186 738

13. Asset management fees

	2018	2017
Financial intermediary and administration fees	399 610	576 040

Notes to the Annual Financial Statements

	2018 N$	2017 N$

14. Cash generated from operations

	2018 N$	2017 N$
Surplus for the year	1 136 342	5 909 232
Adjustments for:		
Depreciation	15 113	-
Dividend received	(442 017)	(696 856)
Interest received	(3 682 267)	(3 053 153)
Asset management fees	399 610	576 040
Fair value adjustments	847 005	(2 109 887)
Movements in provisions	4 024 261	141 397
Changes in working capital:		
Trade and other receivables	2 942 414	(100 609)
Trade and other payables	63 966	(75 403)
	5 304 427	590 761

15. Investment income

	2018 N$	2017 N$
Dividend received	442 017	696 856
Interest received - Investing	3 185 235	2 686 931
Interest received - Operating	497 032	366 222
	4 124 284	3 750 009

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.

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.

Notes to the Annual Financial Statements

	2018 N$	2017 N$

16. Related parties (continued)

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.

	2018 N$	2017 N$
Prosperity Health Namibia (Administration fees)	2 277 292	2 153 264
Prosperity Lifecare Insurance Limited (Emergency Evacuation Risk Transfer)	1 063 176	1 005 023
	3 340 468	3 158 287

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.

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.

Notes to the Annual Financial Statements

	2018 N$	2017 N$

17. Medical insurance risk management (continued)

18. Non-healthcare costs

Advertising	31 699	7 299
Auditors remuneration	243 681	199 900
Bank charges	157 875	132 274
Legal fees	-	103 529
Board meeting expenses	81 243	63 854
Trustee sitting allowance	174 441	161 410
Trustee indemnity and liability cover	39 574	39 574
Principal Officer remuneration	379 703	321 900
Actuarial and investing consulting fees	297 761	293 940
Administration fees	2 277 292	2 153 264
Rule change - Namfisa	570	220
Affiliation fees - Namaf	211 408	152 524
Affiliation fees - Namfisa	159 106	24 830
Printing and stationery	3 646	11 998
Affiliation fees - BHF	15 516	14 861
Trustee training and conference	236 154	162 192
Travelling costs	493 479	331 268
Insurance - Trustee IPads	2 594	-
Trustee Ipad Accessories	26 848	-
Depreciation	15 113	-
	4 847 703	4 174 837

19. Other income

Refund of HIV/AIDS costs	1 227 518	1 246 497
MVA refunds	-	49 135
	1 227 518	1 295 632

Notes to the Annual Financial Statements

	2018	2017
	N$	N$

20. Restatement

During the prior year asset management fees was disclosed as a separate line item in the Statement of Cash Flows, However during the current year it has not been presented as a separate cash flow item, as it is a non-cash flow item.

Comparative figures were restated to ensure that figures are comparable.
The assets measured at fair value shall thus exclude the asset management fees in both current and comparative year.

The following line items have been amended in the Statement of Cash Flows:

	Previously reported	After Restatement	Change in presentation
Asset management fees	(576 040)	-	576 040
Increase in assets measured at fair value	(2 339 295)	(2 915 335)	(576 040)