Namibia Medical Care
(Registration number "005")
Consolidated and Separate Annual Financial Statements
for the year ended 31 December 2022

Contents

Statement of Responsibility and Approval by the Board of Trustees

The Board of Trustees is responsible for the preparation, integrity and fair presentation of the consolidated and separate annual financial statements of Namibia Medical Care. These financial statements presented on pages 15 - 59 have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the Medical Aid Fund Act of Namibia and include amounts based on judgments and estimates made by management.

The Board of Trustees considers that in preparing the consolidated and separate 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 consolidated and separate annual financial statements, fairly present the results of the operations for the financial year and the financial position of the group and 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 group and fund which enables the Board of Trustees to ensure that the consolidated and separate annual financial statements comply with relevant legislation.

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

The group's external auditor, Ernst & Young Namibia, is responsible for auditing the consolidated and separate annual financial statements in terms of the International Standards on Auditing and their report is presented on pages 4 to 5. Ernst & Young Namibia has 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 representation made to the independent auditor during the audit were accurate and appropriate.

Chairman

Trustee

Trustee

Friday, 23 June 2023

Statement of Corporate Governance by the Board of Trustees

Namibia Medical Care 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 in terms of the rules of the fund.

1. Board of Trustees

The Board of Trustees meets regularly and monitors the performance of the group and fund, administrators and other service providers. It addresses a range of key issues and ensures that discussion on items of policy, strategy and performance is critical, informed and constructive.

All board members have access to the advice and services of the principal officer and, where appropriate, may seek independent professional advice at the expense of the group and fund.

2. Risk management and internal controls

The Board of Trustees is accountable for risk management and internal controls. Risks are identified, regularly reviewed and appropriate resultant strategies implemented.

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

No event has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.

Chairman

Trustee

Trustee

Friday, 23 June 2023

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INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF NAMIBIA MEDICAL CARE AND ITS SUBSIDIARY

Opinion

We have audited the consolidated and separate annual financial statements of Namibia Medical Care ("the Fund") and its subsidiary ("the Group") set out on pages 15 to 59, which comprise the Statement of Financial Position as at 31 December 2022, and the Statement of Surplus and Deficit and Other Comprehensive Income, the Statement of Changes in Funds and Reserves and the Statement of Cash Flows for the year then ended, and the notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the financial position of the Group and 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 Funds Act of Namibia.

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 Group 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 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 Contents, Statement of Responsibility and Approval by the Board of Trustees, Statement of Corporate Governance by the Board of Trustees, Report of the Board of Trustees and the Supplementary Information, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate 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 on the other information that we obtained prior to the date of this auditor's report, 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 Consolidated and Separate Annual Financial Statements

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

In preparing the consolidated and separate annual financial statements, the Trustees are responsible for assessing the Group's and 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 Group and/or the Fund or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Consolidated and Separate Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate annual financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's or the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 consolidated and separate 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 Group and/or the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate annual financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young Namibia
Partner - Danica van Wyk
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Windhoek, Namibia

27 June 2023

Report of the Board of Trustees

The Board of Trustees hereby presents its annual report for the year ended 31 December 2022.

1. DESCRIPTION OF THE MEDICAL FUND

1.1 Terms of registration

The Namibia Medical Care (“NMC”) fund is a "not for profit" open medical aid fund registered in Namibia in terms of the Medical Aid Funds Act 23 of 1995. In terms of the registration, a guarantee has been issued for N$ 750,000 by First National Bank of Namibia Limited in favour of Namibia Medical Care and lodged with Namibia Financial Institutions Supervisory Authority ("NAMFISA") (refer to note 28).

1.2 Benefit options within Namibia Medical Care

The medical aid fund offers eleven benefit options to employer groups and members of the public. These are:

Traditional options:	Opal Jade Ruby Sapphire Diamond
New Generation options:	Emerald Emerald Plus Amber Amber Plus
Low Cost options:	Topaz Topaz Plus

1.3 Risk transfer arrangement

Risk transfer arrangements are entered into with Hollard Insurance Company. Refer to note 15 for more information.

Report of the Board of Trustees

2. MANAGEMENT

2.1 Board of Trustees in office during the year under review

Directors	Company	Changes
Mr P Mutota	Electricity Control Board	
Mr M Späth	IJG	
Ms B Seibes-Bock	UNAM	
Mr E Mansfeld	Medical Doctor	
Ms I Hamulungu	UNAM	
Ms S Shiimi	Development Bank of Namibia	Resigned Thursday, 1 December 2022
Ms C Kavezuva	First Capital	
Ms A Emvula	Development Bank of Namibia	
Mr C Bazuin	NamibIan Stock Exchange	
Ms B Auala	BB Boois Attorneys	
Ms Z Nambahu	Nampower	Appointed, Tuesday, 22 November 2022

There were no other changes to the board of trustees for the current year under review than mentioned above.

2.2 Principal Officer

Mrs Alison Begley (until 31 December 2022)

Business address:	Postal address:
8 Newton Street	P.O. Box 24792
Windhoek	Windhoek
Namibia	Namibia

2.3 Registered office address and postal address

Business address:	Postal address:
8 Newton Street	P.O. Box 24792
Windhoek	Windhoek
Namibia	Namibia

2.4 Medical scheme administrators during the year

Methealth Namibia Administrators (Pty) Ltd

Business address:	Postal address:
Methealth Office Park	P.O. Box 6559
Maerua Park	Windhoek
Windhoek	Namibia
Namibia	

Report of the Board of Trustees

2.5 Investment managers during the year

Business address:	***Postal address:***
Namibia Asset Management Ltd Unit 5, Tenbergen Village Cnr. Julius Nyerere Street & Robert Mugabe Avenue Windhoek Namibia	P.O. Box 23329 Windhoek Namibia
Sanlam Investment Management Namibia 49 Rehobother Road Ausspannplatz Windhoek Namibia	P.O. Box 23081 Windhoek Namibia
Old Mutual Corporate Old Mutual Tower 223 Independence Avenue Windhoek Namibia	P.O. Box 165 Windhoek Namibia
M&G Investments Unit Trusts (Namibia) Ltd 6 Feld Street Windhoek Namibia	P.O. Box 25743 Windhoek Namibia
Capricorn Asset Management 4th Floor Capricorn House 119 Independence Avenue Windhoek Namibia	P.O. Box 284 Windhoek Namibia

2.6 Actuaries and Investment Advisors during the year

i3 Actuaries & Consultants

Business address:	**Postal address:**
Unit 7, The Village Liliencron street Windhoek Namibia	P.O. Box 80560 Windhoek Namibia

2.7 Auditors during the year

Ernst & Young Namibia

Business address:	**Postal address:**
C/o Otto Nitzsche and Maritz Streets Windhoek Namibia	P.O. Box 1857 Windhoek Namibia

3. INVESTMENT STRATEGY OF THE MEDICAL FUND

The fund's investment objectives are to maximise the return on its investments on a long-term basis at acceptable risk. The investment strategy takes into consideration any constraints imposed by legislation or the Board of Trustees.

The Board of Trustees reviews the investment performance on a regular basis at Trustee, Advisory and Investment committee meetings with the assistance of i3 Actuaries and Consultants.

Report of the Board of Trustees

4. MANAGEMENT OF 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 risk. The risk relates to the health of fund members. As such the fund is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

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 and the monitoring of emerging issues.

The fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analysis, scenarios analysis 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 are 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 with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the fund's cash flow. Refer to note 30 of these financial statements for more information on insurance risk management.

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

5.1 Operational statistics per benefit option

	NMC Jade	NMC Opal	NMC Amber	NMC Amber Plus	NMC Ruby	NMC Sapphire	NMC Diamond	NMC Emerald	NMC Emerald Plus	NMC Topaz	NMC Topaz plus	Total
	2022											
Average number of principal members during the period	3,316	1,094	1,146	131	11,354	9,829	233	896	347	719	1,680	30,745
Number of principal members at 31 Dec	3,413	1,080	1,146	141	11,322	10,158	228	889	373	787	1,843	31,380
Average number of beneficiaries during the period	5,880	1,998	2,708	300	25,528	25,259	539	1,846	682	999	2,805	68,544
Total number of beneficiaries at 31 Dec	6,100	1,973	2,699	317	25,724	26,215	529	1,843	719	1,072	3,066	70,257
Dependent ratio at 31 Dec	1:0.79	1:0.83	1:1.36	1:1.25	1:1.27	1:1.58	1:1.32	1:1.07	1:0.93	1:0.36	1:0.66	1:1.24
Net contribution per average beneficiary per month	1,511	1,265	1,416	1,888	1,934	2,626	5,180	1,018	1,329	277	467	18,911
Relevant healthcare expenditure per average beneficiary per month	1,579	908	1,532	1,246	1,746	2,764	5,462	1,026	1,566	106	268	18,203
Non-healthcare expenditure per average beneficiary per month	229	321	203	155	212	183	225	234	189	215	179	2,345
Non-healthcare expenditure as a percentage of net contribution	15%	25%	14%	8%	11%	7%	4%	23%	14%	78%	38%	12%
Average age	35.16	44.09	53.19	47.54	41.75	46.14	46.14	45.12	40.53	37.91	36.61	42.51
Pensioner ratio at 31 Dec	1:0.02	1:0.05	1:0.21	1:0.05	1:0.05	1:0.09	1:0.33	1:0.1	1:0.06	1:0.008	1:0.01	1:0.06
Average accumulated fund per principal member at year-end	14,063	14,063	14,063	14,063	14,063	14,063	14,063	14,063	14,063	14,063	14,063	14,063

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

5.1 Operational statistics per benefit option

	NMC Jade	NMC Opal	NMC Amber	NMC Amber Plus	NMC Ruby	NMC Sapphire	NMC Diamond	NMC Emerald	NMC Emerald Plus	NMC Topaz	NMC Topaz plus	Total
	2021											
Average number of principal members during the period	2,657	1,468	1,173	85	11,424	9,773	267	921	241	667	1,205	29,881
Number of principal members at 31 Dec	2,763	1,437	1,170	99	11,457	9,677	254	932	315	704	1,308	30,116
Average number of beneficiaries during the period	4,775	2,575	2,814	195	25,654	25,169	636	1,894	470	961	2,056	67,199
Total number of beneficiaries at 31 Dec	4,971	2,552	2,793	224	25,764	24,993	598	1,910	618	1,006	2,217	67,646
Dependent ratio at 31 Dec	1:0.8	1:0.78	1:1.39	1:1.26	1:1.25	1:1.58	1:1.35	1:1.05	1:0.96	1:0.43	1:0.69	1:1.25
Net contribution per average beneficiary per month	1,447	1,293	1,346	1,864	1,840	2,496	4,750	993	1,320	387	631	18,367
Relevant healthcare expenditure per average beneficiary per month	1,560	1,002	1,341	1,475	1,630	2,615	5,040	1,138	1,149	116	266	17,332
Non-healthcare expenditure per average beneficiary per month	221	226	165	173	177	154	167	193	204	170	144	1,995
Non-healthcare expenditure as a percentage of net contribution	15%	18%	12%	9%	10%	6%	4%	19%	15%	44%	23%	11%
Average age	34.48	42.32	52.04	48.59	41.22	45.79	45.79	43.98	40.33	37.29	37.48	42.56
Pensioner ratio at 31 Dec	1:0.02	1:0.04	1:0.2	1:0.05	1:0.04	1:0.09	1:0.29	1:0.08	1:0.05	1:0.006	1:0.01	1:0.06
Average accumulated fund per principal member at year-end	18,011	18,011	18,011	18,011	18,011	18,011	18,011	18,011	18,011	18,011	18,011	18,011

Report of the Board of Trustees

5.2 Operational statistics for the fund

GROUP & FUND	2022	2021
Average accumulated funds per member (N$'000)	14.06	18.01
Breakdown of total amount paid to administrator:		
- Administration fees (N$'000)	116,457	110,840
- Managed care: management services (N$'000)	8,907	8,481
Investment income as percentage of investments at year-end	6.76 %	7.17 %
Realised gains / (losses) as percentage of investments at year-end	0.75 %	2.65 %
Unrealised gains/(losses) as percentage of investments at year-end	(2.03) %	2.16 %

5.3 Results of operations

The results of the medical fund and its subsidiary are set out in the consolidated and separate annual financial statements, and the trustees believe that no further clarification is required.

5.4 Solvency ratios

GROUP	2022	2021
Accumulated funds per statement of financial position (N$'000)	441,474	541,785
Net contribution per statement of surplus or deficit and other comprehensive income (N$'000)	1,663,972	1,579,180
Group solvency ratio (reserve level) (based on the funds members)	**26.53%**	**34.31 %**

FUND	2022	2021
Accumulated funds per statement of financial position (N$'000)	441,283	542,419
Net contribution per statement of surplus or deficit and other comprehensive income (N$'000)	1,663,972	1,579,180
Group solvency ratio (reserve level) (based on the funds members)	**26.52%**	**34.35 %**

GROUP	2022	2021
Total assets (N$'000)	611,874	692,916
Total liabilities (N$'000)	170,400	151,131
	3.59	**4.58**

FUND	2022	2021
Total assets (N$'000)	611,154	693,057
Total liabilities (N$'000)	169,871	150,638
	3.60	**4.60**

5.5 Reserve accounts

Movements in the reserves are set out in the statement of changes in funds and reserves. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the medical fund.

5.6 Outstanding claims

The basis of calculation of the outstanding claims provision is discussed in note 12 and this is consistent with the prior year. Movements on the outstanding claims provision are set out in note 12 to the consolidated and separate annual financial statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the medical aid fund.

6. ACTUARIAL SERVICES

The fund's actuaries were consulted in 2021 in the determination of the contribution and benefit levels for the 2022 year-end.

Report of the Board of Trustees

7. GUARANTEES RECEIVED BY THE FUND FROM A THIRD PARTY

In terms of section 4 of the Medical Aid Fund Act, First National Bank of Namibia Limited has provided a guarantee of N$750,000 (2021: N$750,000) to the fund.

8. COVID-19 AND GLOBAL ECONOMIC SITUATION IMPACT

COVID-19 had a tremendous impact on the global health industry and global economy since the beginning of 2020. This includes the disruptions in supply chain, reduction in tourism activities, retrenchments and the spreading of uncertainty across the economy. Namibia was especially impacted by the third wave of COVID-19 with high death rates, high hospitalisation rates and a large number of infections between May and August 2021. All the outbreaks since then were less severe and all restrictions were lifted in 2022 and business continued as normal.

For Namibia Medical Care, the claims experience for the 2021 financial year has been volatile and higher than anticipated due to the impact of the third wave of COVID-19. During 2022 the fund still experienced a high volume of claims of some relating to the effects of long Covid as well as the postponement of many elective procedures which were only performed and claimed during 2022. This caused a significant increase in the claims paid out to members. However the fund was able to grow and had an increase in member numbers during 2022, despite the economic hardship experienced in 2022 caused by the delayed effect on the world economy by Covid.

Forecasting into 2023 we expect that the impact of Covid-19 will be milder and that the economy will stabilize toward the end of 2023.

The claims experienced for the first four months of the 2023 financial year, is in line with 2022 but given the very short period, this should not be seen as indicative of the expected claims for the full year. Namibia Medical Care is expected to maintain a healthy level of reserves at the end of 2023 which are expected to remain significantly in excess of the minimum regulatory reserve levels of 25%. The economy is is recovering after the last Covid regulations were lifted and the effect of Covid on the debtors and the expected credit losses will be insignificant in the maintenance of the solvency level.

The fund is reliant on more than one investment manager to manage the risk of the markets and even though 2022 was a poor performing year for the investment markets, the fund managed to retain their solvency levels. Due to the high claims experience since 2021 up to 2023 the fund is very reliant on the investment income and the performance of the markets and it directly influence the solvency levels of the fund. More than one financial year of poor investment returns will have a negative impact on the fund's sustainability.

The fund will be a going concern for 2023 and the trustees are actively planning the benefits and fee structures in order to sustain the fund in the long term.

9. EVENTS AFTER REPORTING DATE

The Board of Trustees are not aware of any material event which occurred after the reporting date and up to the date of this report.

10. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL FUND

The medical fund does not hold investments in or provide loans to participating employers of medical fund members.

11. RELATED PARTY TRANSACTIONS

Refer to related party disclosure in note 29 to the consolidated and separate annual financial statements.

12. INVESTMENT IN SUBSIDIARY COMPANY

The fund owns 100% of the share capital in NMC House (Pty) Ltd since 17 November 2015 as part of their investment strategy.

The group does not have any other subsidiaries or interest in any joint venture, joint arrangement or structured entities.

Report of the Board of Trustees

13. BOARD OF TRUSTEES AND SUB-COMMITTEE MEETING ATTENDANCE

The following schedule sets out Board of Trustees and sub-committee meeting attendance.

The trustees remuneration is disclosed in note 29 to the consolidated and separate annual financial statements.

Trustee / Board and Sub-committee member	Board meetings		Audit committee		Other meetings	
	A	**B**	**A**	**B**	**A**	**B**
P Mutota (Chairman)	7	6	3	3	3	0
B Seibes-Bock	7	7	0	0	2	2
E Mansfeld	7	7	0	0	1	0
M Späth	7	7	3	3	3	3
A Emvula	7	7	0	0	3	3
S Shiimi	7	7	0	0	3	3
C Kavezuva	7	7	0	0	2	2
I Hamulungu	7	6	3	3	2	2
C Bazuin	7	6	3	3	3	3
B Auala	7	4	0	0	2	2
Z Nambahu	0	0	0	0	0	0

A - Total possible number of meetings could have attended.
B - Actual number of meetings attended.
Other meetings include: Investment and student financial assistance sub-committee meetings.

14. AUDIT COMMITTEE

An audit 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 committee consists of four members, all of which are members of the Board of Trustees. All the members, including the chairperson, are not officers of the medical fund or its third party administrator. The committee met on three occasions during the course of the year.

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

The committee in office for the year under review:

Trustee	Position	Company
Mr M Späth	Chairman	IJG
Mr P Mutota		Electricity Control Board
Mr T Bazuin		Namibia Stock Exchange
Ms I Hamulungu		UNAM

There were no changes to the committee during the current financial year under review.

Statement of Financial Position as at 31 December 2022

		Group		Fund	
	Note(s)	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000
Assets					
Non-Current Assets					
Property, plant and equipment	4	3,519	3,542	3,519	3,542
Investment property	5	6,115	5,450	-	-
Investments in subsidiaries	6	-	-	7,450	7,450
		9,634	**8,992**	**10,969**	**10,992**
Current Assets					
Trade and other receivables	7	7,324	8,825	7,284	8,821
Investments at fair value	8	559,471	629,945	559,471	629,945
Current tax receivable	26	119	112	-	-
Cash and cash equivalents	9	35,352	45,042	33,426	43,299
		602,266	**683,924**	**600,181**	**682,065**
Total Assets		**611,900**	**692,916**	**611,150**	**693,057**
Equity and Liabilities					
Equity					
Retained income		441,501	541,785	441,280	542,419
Liabilities					
Non-Current Liabilities					
Deferred tax	10	477	445	-	-
Current Liabilities					
Trade and other payables	11	40,722	35,886	40,670	35,838
Outstanding claims provision	12	129,200	114,800	129,200	114,800
		169,922	**150,686**	**169,870**	**150,638**
Total Liabilities		**170,399**	**151,131**	**169,870**	**150,638**
Total Equity and Liabilities		**611,900**	**692,916**	**611,150**	**693,057**

Statement of Surplus and Deficit and Other Comprehensive Income

		Group		Fund	
	Note(s)	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000
Net contribution income	13	1,663,972	1,579,180	1,663,972	1,579,180
Net claims incurred	14&15	(1,641,367)	(1,539,499)	(1,641,367)	(1,539,499)
Claims incurred	14	(1,639,590)	(1,536,460)	(1,639,590)	(1,536,460)
Risk transfer arrangement fees	15	(1,777)	(3,039)	(1,777)	(3,039)
Gross Healthcare result		**22,605**	**39,681**	**22,605**	**39,681**
Managed care: Management services	16	(8,907)	(8,481)	(8,907)	(8,481)
Movement in credit loss allowances	7	(3,954)	(7,619)	(3,954)	(7,619)
Other operating expenses	17	(138,982)	(132,332)	(138,750)	(132,184)
Net healthcare result		**(129,238)**	**(108,751)**	**(129,006)**	**(108,603)**
Investment income	18	37,683	45,184	37,683	45,184
Rental income	19	621	589	-	-
Asset management fee	20	(3,004)	(4,258)	(3,004)	(4,258)
Fair value adjustment - Investment property	5	586	-	-	-
Other operating income	21	1,014	750	1,014	750
Net realised gain on financial assets	22	5,630	16,711	5,630	16,711
Unrealised gains/(losses) on financial assets	23	(13,456)	13,580	(13,456)	13,580
Deficit before taxation		**(100,164)**	**(36,195)**	**(101,139)**	**(36,636)**
Taxation	24	(120)	(141)	-	-
Total comprehensive deficit		**(100,284)**	**(36,336)**	**(101,139)**	**(36,636)**

Statement of Changes in Funds and Reserves

	Retained income N$ '000	Total equity N$ '000
Group		
Balance at 1 January 2021	**578,121**	**578,121**
Total comprehensive deficit	**(36,336)**	**(36,336)**
Balance at 1 January 2022	**541,785**	**541,785**
Total comprehensive deficit	**(100,284)**	**(100,284)**
Balance at 31 December 2022	**441,501**	**441,501**
Fund		
Balance at 1 January 2021	**579,055**	**579,055**
Total comprehensive deficit	**(36,636)**	**(36,636)**
Balance at 1 January 2022	**542,419**	**542,419**
Total comprehensive deficit	**(101,139)**	**(101,139)**
Balance at 31 December 2022	**441,280**	**441,280**

Statement of Cash Flows

		Group		Fund	
	Note(s)	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000
Cash flows from operating activities					
Cash used in operations	25	(106,774)	(113,321)	(107,131)	(113,767)
Interest income	18	2,127	1,999	2,127	1,999
Dividends received	18	-	-	-	-
Tax paid	26	(95)	(123)	-	-
Net cash from operating activities		**(104,742)**	**(111,445)**	**(105,004)**	**(111,768)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(69)	(57)	(69)	(57)
Additions to investment property	5	(79)	-	-	-
Purchases of investments at fair value	8	(122,000)	(147,548)	(122,000)	(147,548)
Proceeds from sales of investments at fair value	8	217,200	195,747	217,200	195,747
Net cash from investing activities		**95,052**	**48,142**	**95,131**	**48,142**
Total cash movement for the year		**(9,690)**	**(63,303)**	**(9,873)**	**(63,626)**
Cash and cash equivalents at the beginning of the year		45,042	108,345	43,299	106,925
Cash and cash equivalents at the end of the year	9	**35,352**	**45,042**	**33,426**	**43,299**

Accounting Policies

1. Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below. These policies comply with IFRS and have been consistently applied for all years presented, except for the standards adopted that became effective during the current year (refer to note 2).

1.1 Basis of preparation

The preparation of the consolidated and separate annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and separate annual financial statements are disclosed in policy 1.12.

The consolidated and separate annual financial statements are presented in Namibian Dollars. These financial statements are rounded to the nearest thousand.

1.2 Consolidation

Basis of consolidation

The group annual financial statements comprise the consolidated annual financial statements of the fund and its subsidiary as at 31 December 2022.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date when such control ceases. The annual financial statements of the subsidiary are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intra group transactions and dividends are eliminated in full.

Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the investor controls an investee if and only if the investor has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect returns.

When necessary, adjustments are made when necessary to the consolidated and separate annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in surplus or deficit; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to surplus or deficit or retained earnings, as appropriate.

Investments in subsidiaries in the separate financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Accounting Policies

1.3 Investment property (continued)

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of surplus or deficit and other comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view of sale.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.4 Property, plant and equipment

Property, plant and equipment are reflected at historical cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance's are charged to surplus or deficit during the financial period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, after taking into consideration the asset's residual value, over their estimated useful lives, as followed:

Item	Average useful life
Buildings	50 years
Motor vehicles and office equipment	3 - 8 years
Leasehold improvements	5 years

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than it's estimated 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.

Accounting Policies

1.5 Financial instruments

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

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

Financial assets which are equity instruments:
- Mandatorily at fair value through surplus or deficit; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through surplus or deficit. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through surplus or deficit. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through surplus or deficit. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through surplus or deficit. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through surplus or deficit).

Note 30 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

Accounting Policies

1.5 Financial instruments (continued)

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 7).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Impairment

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 7.

An impairment gain or loss is recognised in surplus or deficit with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in surplus or deficit as a movement in credit loss allowance (note 7) and is disclosed separately on the statement of surplus or deficit.

Write off policy

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

Accounting Policies

1.5 Financial instruments (continued)

Investments in equity instruments

Classification

Investments in equity instruments are classified as mandatorily at fair value through surplus or deficit. The Fund invests in liquid and short-term assets which can be withdrawn anytime and be fully terminated within 30 days, to manage its claims and expenses as part of its normal operating activities. The strategy is not to keep investments long-term and thus the investments meet the definition of 'as held for trading' and are classified as current assets.

As an exception to this classification, the group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income. The group did not elect to recognize any investments at fair value through other comprehensive income.

Recognition and measurement

Investments in equity instruments are recognised when the group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in surplus or deficit.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in surplus or deficit or in other comprehensive income. Details of the valuation policies and processes are presented in note 3.

Dividends received on equity investments are recognised in surplus or deficit when the group's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 18).

Investments denominated in foreign currencies

When an investment in an equity instrument is denominated in a foreign currency, the fair value of the investment is determined in the foreign currency. The fair value is then translated to the Namibian Dollar equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in surplus or deficit and other comprehensive income as part of the fair value adjustment for investments which are classified as at fair value through surplus or deficit.

Impairment

Investments in equity instruments are not subject to impairment provisions.

Accounting Policies

1.5 Financial instruments (continued)

Investments in debt instruments at fair value through surplus or deficit

Classification

Certain investments in debt instruments are classified as mandatorily at fair value through surplus or deficit. These investments do not qualify for classification at amortised cost or at fair value through other comprehensive income because either the contractual terms of these instruments do not give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, or the objectives of the group business model are met by selling the instruments rather than holding them to collect the contractual cash flows.

The Fund invests in liquid and short-term assets which can be withdrawn anytime and be fully terminated within 30 days, to manage its claims and expenses as part of its normal operating activities. The strategy is not to keep investments long-term and thus the investments meet the definition of 'as held for trading' and are classified as current assets.

The group hold investments in debentures and corporate bonds which are mandatorily at fair value through surplus or deficit.

Recognition and measurement

Investments in debt instruments at fair value through surplus or deficit are recognised when the group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in surplus or deficit.

Interest received on debt instruments at fair value through surplus or deficit are included in investment income (note 18).

Investments denominated in foreign currencies

When an investment in a debt instrument at fair value through surplus or deficit is denominated in a foreign currency, the fair value of the investment is determined in the foreign currency. The fair value is then translated to the Namibian Dollar equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised as part of the fair value adjustment in surplus or deficit.

Impairment

Investments in debt instruments at fair value through surplus or deficit are not subject to impairment provisions.

Borrowings and loans from related parties

Classification

Loans from group companies and borrowings are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

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

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

Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 30 for details of risk exposure and management thereof.

Accounting Policies

1.5 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 11), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 30 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Cash and cash equivalents are subsequently measured at amortised cost using the effective interest method.

Derecognition

Financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The group derecognises financial liabilities when, and only when, the group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

Reclassification

Financial assets

The group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

Accounting Policies

1.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated and separate statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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

Deferred tax assets and liabilities

A deferred tax liability is provided, for all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred income tax asset and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of surplus or deficit and other comprehensive income.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

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

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

1.8 Leases

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Accounting Policies

1.8 Leases (continued)

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.9 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal and value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. In determining the fair value less cost of disposal, recent market transactions are taken into account, if available. If no such transactions are identified, an appropriate valuation model is used.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffer an impairment are reviewed for possible reversals of impairment, each reporting date.

Accounting Policies

1.10 Risk transfer arrangements

Risk transfer premiums are recognised as an expense when incurred.

Risk transfer premiums and any claims submitted below the excess amount of the policy is recognized in the statement of surplus or deficit and other comprehensive income.

Any claims exceeding the excess amount is directly paid by the reinsurer to the member and no amount is receivable from or payable to the reinsurers.

1.11 Outstanding claims provisions

Claims outstanding at year end comprise provisions for the group's and fund's estimated cost of settling all claims incurred but not yet reported or reported but not yet processed at the reporting 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 estimation for expected claims relating to the financial year that will be paid out after the four month period. This estimate is based on the ratio of claims after the four months to the claim 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 group has no further liability to the administrator at year end.

Estimated co-payments and payments from the backup benefit are deducted in calculating the outstanding claims provisions. The group does not discount its provisions for outstanding claims, since the effect of time value of money is not considered material, as claims must be settled within four months of the medical event.

Accounting Policies

1.12 Critical accounting estimates and judgments

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

In the process of applying the group's accounting policies, management has made the following estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

a) Outstanding claims provision

There are some sources of estimation uncertainty that have to be considered in the estimate of the liability arising from claims made under insurance contracts. Initial estimates are made by management in relation to the best calculations on reported claims and derived as the claims process develops. All estimates are revised and adjusted at year-end by management.

b) Impairment of financial assets

The group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires judgment in determining the credit risk of the financial asset.

c) Fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group and fund uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

d) Fair value of investment property

The fair value of the investment property is determined by using the observable market data as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Information about the specific techniques and inputs of the various assets and liabilities is disclosed in note 5.

1.13 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 the backup benefit. 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.

1.14 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred and risk transfer arrangement fees.

1.15 Claims

Gross claims incurred comprise of the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the group and fund is responsible, whether or not reported at year end. Net claims incurred represents claims incurred net of discounts received, recoveries from members for co-payments and the backup benefit account 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 and savings plan accounts;
- Movement in the provision for outstanding claims;
- Claims settled in terms of risk transfer arrangements; and
- Ex-gratia claims.

Accounting Policies

1.16 Managed care: management services cost

These 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, cost and quality of healthcare services to the group.

1.17 Healthcare insurance contracts

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

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

1.18 Investment and rental income

Investment income mainly comprise of dividends, interest and rent income.

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

Interest income:
Interest income is recognised using the effective interest rate method. When a loan or receivable is impaired, the group and fund reduces the carrying amount to its receivable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues to unwind the discount as interest income. Interest income from impaired loans and receivables is recognised using the effective interest rate.

Rental income:
Rental income received under operating leases is charged to the surplus or deficit on a straight-line basis over the lease period of the lease. Lease incentives received are recognised in the surplus or deficit as an integral part of total lease expense.

Other investment income:
Income from collection investments schemes and insurance policies are recognised when the entitlement to revenue is established and it can be measured reliably.

1.19 Liabilities and related assets under liability adequacy test

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows, including related cash flows such as claim handling cost, and comparing this amount to the carrying value of the liability net of any related assets. Where the shortfall is identified, an additional provision is made and the group and fund recognises the deficiency in the surplus or deficit for the year.

1.20 Allocation of income and expenditure to benefit options

All income and expenses are allocated to benefit options based on the number of members, except where a specific benefit option has generated an income or expense, in which case that income or expense is allocated to that benefit option only.

N$ '000

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	1 January 2022	The impact of the amendments is not material.
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	1 January 2022	The impact of the amendments is not material.
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	The impact of the amendments is not material.
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	The impact of the amendments is not material.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group’s accounting periods beginning on or after 1 January 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS16 - Lease liability in a sale and leaseback	1 January 2024	Unlikely there will be a material impact.
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	1 January 2023	Unlikely there will be a material impact.
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	1 January 2023	Unlikely there will be a material impact.
• Definition of accounting estimates: Amendments to IAS 8	1 January 2023	Unlikely there will be a material impact.
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	1 January 2024	Unlikely there will be a material impact.
• IFRS 17 Insurance Contracts	1 January 2023	Impact is currently being assessed, refer to next page for the detailed assessment.

Notes to the Consolidated And Separate Annual Financial Statements

2. New Standards and Interpretations (continued)

IFRS 17 Insurance Contracts expected impact:

Namibia Medical Care ("NMC") will be required to calculate opening balances on the IFRS 17 basis on 1 January 2023 to allow for the implementation for the year ending 31 December 2023. Comparative numbers for the year ended 31 December 2022 will also be need to be calculated, with the opening balances on 1 January 2022 (Transition Date) to be restated in accordance with IFRS 17.

The IFRS 17 implementation project and initial impact analysis was performed and the summary of the results is listed below:

The group expects to adopt the standard for the first time in the 2023 consolidated and separate annual financial statements. The fund will be required to calculate opening balances on 1 January 2022 and comparative numbers for the 2022 financial year. The full implementation will be on 1 January 2023 and the first set of IFRS 17 compliant financial statements will be produced for the year ending 31 December 2023.

The insurance contracts will include the contracts with members where insurance risk is transferred. It will specifically exclude the liabilities in respect of the Back-Up benefit as no insurance risk is transferred once these liabilities have been created.

NMC also offers two benefits that are insured by NMC. These benefits are the premium waiver benefit and the international travel cover benefit. These two benefits will also be covered by IFRS 17, and the insurance contracts between NMC and the insurer will be measured separately as reinsurance contracts.

The contract boundary for all contributions and benefits, both from a contractual and a practical point of view, is equal to at most 12 months. Therefore, the Insurance Contracts for all members, they would be eligible for using the Premium allocation approach for measurement according to paragraph 53(3) of the Standard and NMC will elect to use the PAA for measurement.

Each of the groups of insurance products will be assessed relative to the eligibility to use the Premium Allocation Approach for measurement. The fund have classified the groups of Insurance Contracts as follow:

- All Members;
- International Travel Cover Reinsurance Contract; and
- Premium Waiver Reinsurance Contract.

Below the estimated effect of this standard is disclosed. Please note that these are estimates and that the actual amount disclosed in the next financial year might be different from the exact amounts listed below.

Statement of Surplus and Deficit and Other Comprehensive Income for the year 31 December 2022 (Group and Fund)

Estimated net movement due to change in:	**N$'000**
Estimated increase in Incurred claims	41,250

Statement of Changes in Equity for the year ended 31 December 2022 (Group and Fund)

Estimated decrease in reserves	(41,250)

Statement of Financial Position for the year ended 31 December 2022 (Group and Fund)

Estimated cumulative increase / (decrease) in the liability for incurred claims	-
Estimated cumulative increase / (decrease) in the liability for remaining coverage	41,250
Estimated cumulative increase (decrease) in reserves	(41,250)
	-

The impact on the equity at transition will be an increase of approcximately 25% in the liabilities due to the establishment of an additional liability for remaining coverage at 1 January 2022 based on the cashflow projections made at the start of 2022. The solvency ratio is expected to reduce by approximately 2.5 percentage points.

Notes to the Consolidated And Separate Annual Financial Statements

2. New Standards and Interpretations (continued)

While the group intends rolling forward in full from transition to initial application, the impact on equity for the 2022 financial year is currently being assessed. The following areas will continue to receive attention as the implementation of IFRS 17 progresses during the 2023 financial reporting period:

- Further refining certain models;
- Finalising the reporting and disclosure framework; and
- Observing local and international industry trends with respect to IFRS 17 adoption.

The estimates are based on accounting policies, assumptions, 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.

3. Fair value information

Valuation techniques and assumptions are applied for the purpose of measuring fair value measurements recognised in the statement of financial position (fair value hierarchy).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
The principal or most advantageous market must be accessible by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Notes to the Consolidated And Separate Annual Financial Statements

3. Fair value information (continued)

Levels of fair value measurements

Level 1

Recurring fair value measurements

		Group		Fund	
		2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000
Assets	Note(s)				
Financial assets mandatorily at fair value through profit or loss	8				
Investments at fair value (listed equity, property, smoothed bonus funds, commodities and other securities)		270,291	324,175	270,291	324,175
Total		**270,291**	**324,175**	**270,291**	**324,175**

The significant inputs for the items in level 1 is quoted market prices in active markets.

Level 2

Recurring fair value measurements

Assets	Note(s)				
Financial assets mandatorily at fair value through profit or loss	8				
Investments at fair value (bonds, money market investments, unlisted equity and other securities)		289,180	305,770	289,180	305,770
Total		**289,180**	**305,770**	**289,180**	**305,770**

The valuation technique for the items in level 2 is based on discounted future estimated cashflows. Investments in money market funds are valued according to the price per unit quoted by the money market funds based on underlying investments. Bonds are valued at discounted future estimated cashflows based on the quoted interest rate. Cash and cash equivalents' fair value is equal to the carrying value thereof.

Level 3

Recurring fair value measurements

Assets	Note(s)				
Investment property	5				
Investment property		6,115	5,450	-	-
Total		**6,115**	**5,450**	**-**	**-**

Refer to note 5 for the detail of the valuation technique and inputs applied.

There were no transfers between level 1 and level 2 fair value measurements during the period, and no transfers into or out of level 3 fair value measurements for the financial years ended 31 December 2022 or 2021.

Notes to the Consolidated And Separate Annual Financial Statements

4. Property, plant and equipment

Group and Fund	2022			2021		
	Cost N$'000	Accumulated depreciation N$ '000	Carrying value N$'000	Cost N$'000	Accumulated depreciation N$'000	Carrying value N$'000
Land *	1,680	-	1,680	1,680	-	1,680
Buildings *	2,433	(694)	1,739	2,434	(645)	1,789
Motor vehicles **	169	(169)	-	169	(158)	11
Office equipment **	495	(411)	84	444	(382)	62
Leasehold improvements	20	(4)	16	3	(3)	-
Total	**4,797**	**(1,278)**	**3,519**	**4,730**	**(1,188)**	**3,542**

Reconciliation of property, plant and equipment - Group and Fund - 2022

	Opening balance N$'000	Additions N$'000	Depreciation N$'000	Closing balance N$'000
Land *	1,680	-	-	1,680
Buildings *	1,789	-	(50)	1,739
Motor vehicles **	11	-	(11)	-
Office equipment **	62	52	(30)	84
Leasehold improvements	-	17	(1)	16
	3,542	**69**	**(92)**	**3,519**

Reconciliation of property, plant and equipment - Group and Fund - 2021

	Opening balance N$'000	Additions N$'000	Depreciation N$'000	Closing balance N$'000
Land *	1,680	-	-	1,680
Buildings *	1,838	-	(49)	1,789
Motor vehicles **	45	-	(34)	11
Office equipment **	31	57	(26)	62
	3,594	**57**	**(109)**	**3,542**

* The value of the land and buildings was split and disclosed separately in the current year. The prior year financial statements balance was a combined balance of the two.
** The balance of vehicles and equipment was split and disclosed separately in the current year. The prior year financial statement balancce was a combined balance of the two.

5. Investment property

Group	2022			2021		
	Cost / Valuation N$'000	Accumulated depreciation N$'000	Carrying value N$'000	Cost / Valuation N$'000	Accumulated depreciation N$'000	Carrying value N$'000
Investment property	6,115	-	6,115	5,450	-	5,450

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

5. Investment property (continued)

Reconciliation of investment property - Group

	Investment property (N$'000)
Cost / Fair value	
At 1 January 2021	5,450
At 31 December 2021	**5,450**
Building improvements (existing building)	79
Fair value adjustments	586
At 31 December 2022	**6,115**
Carrying amount	
Cost / Fair value	5,450
At 31 December 2021	**5,450**
Cost / Fair value	6,115
At 31 December 2022	**6,115**

Details of property

Erf 1791, 8 Newton Street, Windhoek, Sectional Title No. 39/2007(1).

	Group 2022	Group 2021	Fund 2022	Fund 2021
- Cost price: 2007	1,847	1,847	-	-
- Valuations since acquisition	4,189	3,603	-	-
- Building improvements (existing building)	79	-	-	-
	6,115	**5,450**	**-**	**-**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

5. Investment property (continued)

Details of valuation

The valuation was performed by Pierewiet Wilders Valuations on 30 November 2022. He is an independent valuator who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The next valuation is due to be performed for the year ended 31 December 2023.

The valuator assessed the current property market and considered if there were any indicators that will impact the value of the property significantly since the last valuation was performed earlier during the financial year. No indicators were identified and the valuator and trustees consider the fair value of the property to be accurate.

The valuation was performed using the income capitalisation method.

Significant unobservable valuation input:	
Price per square metre office	N$ 180
Price per unit parking	N$ 450
Expenses	N$11,467
Net income	N$ 45,864
Vacancy rate	5 %
Capitalisation rate	9 %

A 10% change in the following would have the following effect on the fair value:

	Increase N$'000	**Decrease N$'000**
Price per square metre office and parking	722	(722)
Net income	569	(569)
Capitalisation	611	(611)

Amounts recognised in surplus and deficit for the year

	Group 2022	Group 2021	Fund 2022	Fund 2021
Rental income from investment property	621	589	-	-
Direct operating expenses from rental generating property	(63)	(83)	-	-
	558	**506**	**-**	**-**

6. Interests in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Company

Name of company	Held by	% holding 2022	% holding 2021	Carrying amount 2022 N$'000	Carrying amount 2021 N$'000
NMC House (Pty) Ltd	NMC	100.00 %	100.00 %	7,450	7,450

Restrictions relating to subsidiaries

There are no significant restrictions in place that relates to the subsidiary,

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

7. Trade and other receivables

	Group 2022	Group 2021	Fund 2022	Fund 2021
Financial instruments:				
Contributions outstanding	15,841	15,765	15,841	15,765
Impairment loss allowance	(8,760)	(7,482)	(8,760)	(7,482)
Trade receivables at amortised cost	7,081	8,283	7,081	8,283
Other receivables	227	520	187	516
Non-financial instruments:				
Prepayments	16	22	16	22
Total trade and other receivables	**7,324**	**8,825**	**7,284**	**8,821**

Split between non-current and current portions

	Group 2022	Group 2021	Fund 2022	Fund 2021
Current assets	7,324	8,825	7,284	8,821

Exposure to credit risk

The main components of insurance receivables are contribution receivables; member and service provider claims receivables. Contribution receivables are collected by means of debit orders or cash payments. The ageing of the components of insurance receivable at year end was:

GROUP & FUND	2022	2022	2021	2021
Expected credit loss rate:	Estimated gross carrying amount at default N$'000	Loss allowance (Lifetime expected credit loss) N$'000	Estimated gross carrying amount at default N$'000	Loss allowance (Lifetime expected credit loss) N$'000
Current	12,688	(5,366)	6,316	(125)
31 - 60 days past due	(241)	-	2,469	(213)
61 - 90 days past due	380	(380)	722	(228)
More than 90 days past due	3,014	(3,014)	6,258	(6,916)
Total	**15,841**	**(8,760)**	**15,765**	**(7,482)**

The entire amount of trade and other receivables is unrated. Insurance receivables consist of outstanding contributions at the end of the financial year.

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade receivables:

	Group 2022	Group 2021	Fund 2022	Fund 2021
Opening balance	(7,482)	(752)	(7,482)	(752)
Additional impairment made in the period	(3,954)	(7,619)	(3,954)	(7,619)
Amounts utilised during the period	2,676	889	2,676	889
Closing balance	**(8,760)**	**(7,482)**	**(8,760)**	**(7,482)**

Receivables not arising from medical insurance contracts have also been assessed for impairment, but have not been found to be impaired.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

7. Trade and other receivables (continued)

Credit loss matrix

	Current	**30 days**	**60 days**	**Over 90 days**
Default / loss rate - 2022	42.29 %	- %	100.00 %	100.00 %
Default / loss rate - 2021	1.98 %	8.62 %	31.58 %	110.52 %

Currencies of debtors				
Namibia Dollar	7,308	8,803	7,268	8,799

The fund do not have any debtor balances in currencies other than Namibia Dollar.

Fair value of trade and other receivables

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

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000
8. Investments at fair value				
Fair value at the beginning of the year	629,945	608,926	629,945	608,926
Additional investments	122,000	147,548	122,000	147,548
Dividends received	4,974	4,728	4,974	4,728
Disinvestments	(217,200)	(195,747)	(217,200)	(195,747)
Interest received	30,582	38,457	30,582	38,457
Asset management fees	(3,004)	(4,258)	(3,004)	(4,258)
Unrealised gains / (losses)	(13,456)	13,580	(13,456)	13,580
Realised gains	5,630	16,711	5,630	16,711
Fair value at the end of the year	**559,471**	**629,945**	**559,471**	**629,945**

GROUP AND FUND	Foreign N$'000	Local N$'000	Total N$'000
2022			
Cash and deposits	91,229	25,785	117,014
Listed equity	23,151	92,308	115,459
Debt instruments	112,878	59,288	172,166
Property	2,425	5,941	8,366
Smoothed bonus fund and other investments	50,878	95,588	146,466
	280,561	**278,910**	**559,471**

GROUP AND FUND	Foreign N$'000	Local N$'000	Total N$'000
2021			
Cash and deposits	17,055	114,596	131,651
Listed equity	112,850	29,464	142,314
Debt instruments	60,035	114,084	174,119
Property	9,950	3,226	13,176
Smoothed bonus fund and other investments	113,019	55,666	168,685
	312,909	**317,036**	**629,945**

Cash and deposits consist of:				
Money markets	117,014	131,651	117,014	131,651
Debt instruments consist of the following instruments:				
Bonds	172,166	174,119	172,166	174,119
Mandatorily at fair value through profit or loss:				
Financial instruments	559,471	629,945	559,471	629,945
	559,471	**629,945**	**559,471**	**629,945**
Split between non-current and current portions				
Current assets	559,471	629,945	559,471	629,945

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

8. Investments at fair value (continued)

Fair value information

The fund complies with Regulation 9, which requires that a minimum of 45% of the total asset value of the fund is invested in Namibia.

For financial assets traded in active markets (listed equity, property, smoothed balanced funds and commodities), the fair value is based on their current bid prices in an active market. The fair values of listed or quoted investments are based on the quoted market price. The fair values on investments not listed or quoted are estimated using the market price for instruments with similar characteristics or based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the investment.

A bonus fund is a vehicle whereby an investment reserve is maintained to smooth out returns over the longer term and as a result negate market volatility. This particular vehicle the Fund is invested in are further overlaid by a 80% capital protection guarantee underwritten by Old Mutual Corporate which is a division of Old Mutual Life Assurance Company (Namibia) Ltd.

Changes in fair value of financial assets are recorded, depending on whether they are realised or unrealised, in net realised gains on financial assets or net unrealised gains / (losses) on financial assets in the statement of surplus or deficit and other comprehensive income, respectively.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group 2022	Group 2021	Fund 2022	Fund 2021
Cash on hand	3	3	3	3
Short-term deposits	35,349	45,039	33,423	43,296
	35,352	**45,042**	**33,426**	**43,299**

The current, 48 hours and call account are available at request. The effective interest rate on the 48 hours account is dependent on the amount held in the bank (not fixed) and therefore changes regularly. The carrying amounts of cash and cash equivalents approximate fair values due to the short-term maturities of these assets. Also refer to contingent liabilities as per note 28.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

10. Deferred tax

Deferred tax liability

Investment property	(479)	(449)	-	-
Operating lease asset	(3)	(1)	-	-
Total deferred tax liability	**(482)**	**(450)**	**-**	**-**

Deferred tax asset

Income received in advance	5	5	-	-

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(482)	(450)	-	-
Deferred tax asset	5	5	-	-
Total net deferred tax liability	**(477)**	**(445)**	**-**	**-**

Reconciliation of deferred tax asset / (liability)

At beginning of year	(445)	(421)	-	-
Timing differences	(32)	(24)	-	-
	(477)	**(445)**	**-**	**-**

The taxation expense relates to the subsidiary, NMC House (Pty) Ltd.

The medical aid fund is exempted to pay any income tax in terms of Section 16 (1)(i)(bb) of the Income tax Act of Namibia.

11. Trade and other payables

Financial instruments:				
Trade payables	739	751	709	724
Reported claims not yet paid	3,051	2,868	3,051	2,868
Back-up benefit	1,989	1,177	1,989	1,177
Accruals	2,057	1,372	2,057	1,372
Payroll accruals	47	42	47	42
Other payables	19	74	3	58
Non-financial instruments:				
Net contributions received in advance	32,814	29,597	32,814	29,597
Value added tax	6	5	-	-
	40,722	**35,886**	**40,670**	**35,838**

Insurance and non-insurance components of trade and other payables

Total liabilities arising from insurance contracts	37,854	33,642	37,854	33,642
Total non-insurance liabilities	2,868	2,244	2,816	2,196
	40,722	**35,886**	**40,670**	**35,838**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

11. Trade and other payables (continued)

Exposure to liquidity risk

Trade payables are normally settled on 30 day terms. Other payables consist of sundry creditors and rental deposits. Net contributions received in advance are on a 30 day term.

Fair value of trade and other payables

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

12. Outstanding claims provision

Analysis of movements in outstanding claims (including claims incurred but not reported):				
Balance at beginning of the year	114,800	111,490	114,800	111,490
Movement in outstanding claims provision	14,400	3,310	14,400	3,310
Payment in respect of prior year	(112,552)	(112,232)	(112,552)	(112,232)
(Over)/under provision in prior year	(2,248)	742	(2,248)	742
Adjustment for current year	129,200	114,800	129,200	114,800
	129,200	**114,800**	**129,200**	**114,800**

Analysis of outstanding claims provision				
Estimated gross claims	129,200	114,800	129,200	114,800

Claims outstanding at year end comprise provisions for the group's and fund's estimated cost of settling all claims incurred but not yet reported or reported but not yet processed at the reporting date.

The outstanding 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 paragraphs 15 to 19 of IFRS 4, no further liability adequacy test is required.

13. Net contribution income

Revenue from contracts with customers				
Net Contribution Income	1,663,972	1,579,180	1,663,972	1,579,180

Gross contribution	1,668,676	1,582,019	1,668,676	1,582,019
less: Back-up benefit contributions	(4,704)	(2,839)	(4,704)	(2,839)
	1,663,972	**1,579,180**	**1,663,972**	**1,579,180**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

14. Net claims incurred

Current claims	1,618,066	1,525,372	1,618,066	1,525,372
Ex-gratia claims	10,776	10,026	10,776	10,026
Movement in outstanding claims provision	14,400	3,310	14,400	3,310
(Over) / Under provision in prior years	(2,248)	742	(2,248)	742
Adjustment in current year	16,648	2,568	16,648	2,568
Less: Back-up benefit claims	(3,309)	(2,054)	(3,309)	(2,054)
Discount received	(343)	(194)	(343)	(194)
	1,639,590	**1,536,460**	**1,639,590**	**1,536,460**

Ex-gratia claims are claims paid out which exceeds members benefits and back-up benefit claims are claims that are paid from the back-up benefits available for the members.

15. Net expense on risk transfer arrangements

The group operated the following reinsurance and risk transfer arrangements during the year:

Insurance arrangements

In-Hospital Medical Expenses: The fund is self-insured for 2022 and 2021.

Emergency Evacuation by Air: The fund is self-insured for 2022 and 2021.

Other risk transfer arrangements

Premium waiver: This was self-insured for 2022 and 2021. In terms of this all principal members are covered for 3 months' premium in case of death.

Travel outside the border of Namibia: In terms of this risk transfer agreement, members travelling outside the borders of Namibia, are covered for medical expenses in excess of N$ 20,000 (2021: N$ 20,000) to a limit of N$ 10,000,000 and for a maximum period of 90 days per trip by Hollard Insurance Company of Namibia Ltd. Any claims in excess of N$20,000 (2021: N$20,000) is handled directly by Hollard Insurance Company of Namibia Ltd and no amount is receivable by the Fund. Any claims less than N$20,000 (2021: N$20,000) will be paid by the Fund to the member. The group paid a fixed fee of N$ 3.15 (2021: N$ 3.15) per principal member per month for the year under review for this service.

Other risk transfer arrangements				
Expense	(1,777)	(3,039)	(1,777)	(3,039)
- Other risk transfer arrangement expenses paid	(1,070)	(1,059)	(1,070)	(1,059)
- Premium waiver claims	(707)	(1,980)	(707)	(1,980)
Total Risk transfer expense	**(1,777)**	**(3,039)**	**(1,777)**	**(3,039)**

16. Managed care: Management services

Managed care cost	(8,907)	(8,481)	(8,907)	(8,481)

The managed care cost paid to the Administrator, Methealth Namibia Administrators (Pty) Ltd, covers all managed care aspects such as HIV / AIDS Disease Management, Lifestyle Management Program, Additional Hospital Benefit (AHB) Management, Ex-gratia Management, Hospital Benefit Management (Pre-authorisation, Clinical Audit, Case Management), Medical Management (Chronic Medication, Major Illness Medication Pharmaceutical Audit), Dental Management (Dental Audit, Dental Pre-authorisation), Practice Analysis/Profiling, Employer Group Claims Profiling and Individual Member Risk Rating.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

17. Other operating expenses

Actuarial fee	1,554	1,327	1,554	1,327
Administration fee	116,457	110,840	116,457	110,840
Auditors remuneration	1,303	433	1,278	433
Bank charges	1,079	1,230	1,077	1,228
Depreciation	92	109	92	109
Entertainment	30	37	30	37
Insurance	164	124	144	104
Legal fees	141	48	141	48
Municipal expenses	171	184	108	101
Marketing	5,249	4,384	5,249	4,384
Membership fees	4,016	3,751	4,016	3,751
NAMFISA Levies	2,336	2,215	2,336	2,215
Office expenses	102	78	49	35
Postage	9	17	9	17
Printing and stationery	22	25	22	25
Professional fees	595	707	595	707
Repairs and maintenance	79	3	10	3
Salaries and wages	3,106	2,926	3,106	2,926
Smart card fees	37	657	37	657
Social responsibility	1,618	2,526	1,618	2,526
Telephone and fax	243	261	243	261
Training	-	8	-	8
Travel, accommodation and conferences	134	6	134	6
Trustee fees	445	436	445	436
	138,982	**132,332**	**138,750**	**132,184**

18. Investment income

Income from investments

Dividend income	4,974	4,728	4,974	4,728

Interest income

Interest on cash and cash equivalents	2,127	1,999	2,127	1,999
Interest from financial assets at fair value	30,582	38,457	30,582	38,457
Total interest income	**32,709**	**40,456**	**32,709**	**40,456**
Total investment income	**37,683**	**45,184**	**37,683**	**45,184**

19. Rental income

Rental income	621	589	-	-

20. Asset management fees

Asset management fees	3,004	4,258	3,004	4,258

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

21. Other operating income

Back-up Benefit Rollover income	584	68	584	68
Bad Debts Recovered	430	682	430	682
	1,014	**750**	**1,014**	**750**

22. Net realised gain on financial assets

Net realised gains / (losses) on financial assets	5,630	16,711	5,630	16,711

23. Unrealised gains/(losses) on financial assets

Fair value gains / (losses)				
Unrealised gains / (losses) on financial assets at fair value	(13,456)	13,580	(13,456)	13,580

24. Taxation

Major components of the tax expense

Current				
Local income tax - current period	88	117	-	-
Deferred				
Originating and reversing temporary differences	32	24	-	-
	120	**141**	**-**	**-**

Reconciliation of the tax expense

Reconciliation between accounting deficit and tax expense.

Accounting deficit	(100,164)	(36,195)	(101,139)	(36,636)
Tax at the applicable tax rate of 32% (2021: 32%)	(32,052)	(11,582)	(32,364)	(11,724)
Tax effect of adjustments on taxable income				
Fund deficit/(surplus) exempt from income tax	32,364	11,723	32,364	11,724
Receipts of capital nature	(4)	-	-	-
Fair value adjustment	(188)	-	-	-
	120	**141**	**-**	**-**

The taxation expense relates to the subsidiary, NMC House (Pty) Ltd.

The medical aid fund is exempted to pay any income tax in terms of Section 16 (1)(i)(bb) of the Income tax Act of Namibia.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

25. Reconciliation of net (deficit) /surplus for the year to cash generated from operations

Deficit before taxation	(100,164)	(36,195)	(101,139)	(36,636)
Adjustments for non-cash items:				
Depreciation	90	109	90	109
Net unrealised gains / (losses) on financial assets	13,456	(13,580)	13,456	(13,580)
Asset management fees	3,004	4,258	3,004	4,258
Fair value adjustment on investment property	(586)	-	-	-
Movements in provisions	14,400	3,310	14,400	3,310
Net realised (gains) on financial assets	(5,630)	(16,711)	(5,630)	(16,711)
Movement in credit loss allowances	3,954	7,619	3,954	7,619
Investment income	(37,682)	(45,184)	(37,682)	(45,184)
Changes in working capital:				
Movement in trade and other receivables	(2,425)	(8,303)	(2,415)	(8,322)
Increase /(decrease) in trade and other payables	4,809	(8,644)	4,831	(8,630)
	(106,774)	**(113,321)**	**(107,131)**	**(113,767)**

26. Tax paid

Balance at beginning of the year	112	106	-	-
Current tax recognised in profit or loss	(88)	(117)	-	-
Balance at end of the year	(119)	(112)	-	-
	(95)	**(123)**	**-**	**-**

27. Lessor disclosure

Operating leases – as lessor (income)

Minimum lease payments due				
- within one year	143	215	-	-
- in second to fifth year inclusive	-	143	-	-
	143	**358**	**-**	**-**

NMC has entered into an operating lease agreement whereby surplus office space (classified as investment property for financial statement purposes) is leased out to various third parties. All leases have a 24 month lease term. There are no restrictions placed on the group by entering into these leases.

No significant risks were identified by management with regards to the commitments due.

28. Contingencies

An amount of N$ 750,000 (2021: N$ 750,000) was placed as guarantee for Namibia Financial Institution Supervisory Authority ("NAMFISA") on the First National Bank of Namibia Limited current account. NAMFISA requires this as financial guarantee from all medical aid funds upon registration of the fund, to ensure the financial stability of the fund. These funds are considered to be restricted cash and is not available for use.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

29. Related parties

Relationships

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group. Key management personnel include the Board of Trustees and Principal Officer.

Close family members include close family members of the Board of Trustees and Principal Officer.

Transactions with related parties

Key management personnel:
Details of the trustees and sub-committee members remuneration (as disclosed in note 2 in the Report of the Board of Trustees) are provided in the table below. The Board of Trustees and sub-committee members are compensated on a fee basis. All remuneration paid to key management are short-term.

Trustee fees	Fees for meeting attendance 2022 N$'000	Fees for holding of office 2022 N$'000	Total consideration 2022 N$'000	Fees for meeting attendance 2021 N$'000	Fees for holding of office 2021 N$'000	Total consideration 2021 N$'000
P Mutota	43	20	63	52	20	72
E Mansfeld	26	20	46	31	20	51
B Seibes-Bock	33	20	53	31	20	51
M Späth	55	20	75	52	20	72
A Emvula	36	-	36	17	-	17
S Shiimi	36	-	36	20	-	20
C Kavezuva	33	-	33	14	-	14
I Hamulungu	37	-	37	20	-	20
C Bazuin	43	-	43	23	-	23
B Auala	23	-	23	13	-	13
D Brinkman	-	-	-	13	-	13
CL Karamata	-	-	-	10	-	10
R Haihambo	-	-	-	17	-	17
E Mudjanima	-	-	-	23	-	23
JE Eixab	-	-	-	20	-	20
	365	**80**	**445**	**356**	**80**	**436**

Z Nambahu was only appointed at the last trustee meeting of the year and did not attend any meetings for the year.

The salary paid to the Principal Officer, A Begley, for the year is included in salaries and wages.

Claims paid to the following medical professionals who are also members of the board of trustees are as follows:

Claims paid	2022 N$'000	2021 N$'000
CL Karamata (Trustee during 2021)	-	178
E Mansfeld	1,542	1,160
	1,542	**1,338**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

29. Related parties (continued)

Parties with significant influence over the group and the fund:

Methealth Namibia Administrators (Pty) Ltd

Statement of comprehensive income	2022 N$'000	2021 N$'000
Administration fee	116,457	110,840
Managed care service fees	8,907	8,481
	125,364	**119,321**

Statement of financial position
No amounts are outstanding as at the end of the financial year.

The administration and managed care agreement is in terms of the rules of the fund and in accordance with instructions given by the trustees of the fund. The agreement is for five years, after which the fund and the administrator has the right to terminate or renew the agreement. Outstanding balances bear no interest and are due within 30 days.

The investment management contracts are in accordance with instructions given by the trustee of the fund. The agreement is automatically renewed each year unless notification of termination is received. The fund has the right to terminate the agreement on 24 hour's notice. Any outstanding balances are payable within 30 days.

Investment in subsidiary	Quantity of shares	Shareholding Percentage	2022 N$'000	2021 N$'000
Investment in NMC House (Pty) Ltd	1	100.00 %	7,450	7,450

30. Financial instruments and risk management

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the group 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 group is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The board of trustees has developed and approved a policy for the acceptance and management of insurance risk to which the group is exposed. This policy is reviewed annually and the benefit options provided to members are structured accordingly. The board of trustees also determines the policy for entering into alternative risk transfer arrangements and/or commercial reinsurance contracts.

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

The group uses several methods to assess and monitor insurance risk exposure both for individual types of risks insured and overall risk. These methods include internal risk measurement models, sensitivity analysis, scenario analysis 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.

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred and in relation to the type of risk covered / benefits provided. Namibia currently does not have prescribed minimum benefits (PMB).

Notes to the Consolidated And Separate Annual Financial Statements

30. Financial instruments and risk management (continued)

Fund	**In-hospital N$'000**	**Chronic N$'000**	**HIV Meds N$'000**	**Day-to-day N$'000**	**Total N$'000**
Age Grouping (in years)					
< 26	174,285	3,335	291	163,753	341,664
26 - 35	91,102	2,968	650	101,488	196,208
36 - 50	193,644	14,732	4,000	212,018	424,394
51 - 65	217,187	23,353	3,739	155,164	399,443
> 65	179,886	20,342	264	77,389	277,881
Total for 2022	**856,104**	**64,730**	**8,944**	**709,812**	**1,639,590**

Fund	**In-hospital N$'000**	**Chronic N$'000**	**HIV Meds N$'000**	**Day-to-day N$'000**	**Total**
Age Grouping (in years)					
< 26	134,272	3,172	373	145,577	283,394
26 - 35	81,980	2,744	608	101,863	187,195
36 - 50	196,638	14,904	4,400	210,770	426,712
51 - 65	207,521	23,379	3,572	148,604	383,076
> 65	162,189	19,748	240	73,906	256,083
Total for 2021	**782,600**	**63,947**	**9,193**	**680,720**	**1,536,460**

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

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

Day-to-day benefits cover the cost (up to 100% of the Namibian Association of Medical Aid Fund tariffs) of all out-of-hospital medical attention, such as visits to general practitioners and dentists as well as prescribed acute medicines.

HIV medicine covers the cost of medicine provided to members who are infected with HIV.

The group's strategy seeks diversity to ensure a balanced portfolio and, as such, it is believed that the variability of the outcome is reduced. The strategy specifies the benefits to be provided by each option and the preferred target market.

Risk in terms of risk transfer arrangements

All the contracts are annual in nature and the group has the right to change the terms and conditions of the contract at renewal. Management information including contribution income and claims ratios by option, target market and demographic split, is reviewed regularly.

Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

30. Financial instruments and risk management (continued)

Categories of financial instruments

Categories of financial assets

Group - 2022 (N$'000)

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Investments at fair value	8	559,471	-	559,471	559,471
Trade and other receivables	7	-	7,308	7,308	7,308
Cash and cash equivalents	9	-	35,352	35,352	35,352
		559,471	**42,660**	**602,131**	**602,131**

Group - 2021 (N$'000)

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Investments at fair value	8	629,945	-	629,945	629,945
Trade and other receivables	7	-	8,803	8,803	8,803
Cash and cash equivalents	9	-	45,042	45,042	45,042
		629,945	**53,845**	**683,790**	**683,790**

Fund - 2022 (N$'000)

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Investments at fair value	8	559,471	-	559,471	559,471
Trade and other receivables	7	-	7,268	7,268	7,268
Cash and cash equivalents	9	-	33,426	33,426	33,426
		559,471	**40,694**	**600,165**	**600,165**

Fund - 2021 (N$'000)

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Investments at fair value	8	629,945	-	629,945	629,945
Trade and other receivables	7	-	8,799	8,799	8,799
Cash and cash equivalents	9	-	43,299	43,299	43,299
		629,945	**52,098**	**682,043**	**682,043**

Notes to the Consolidated And Separate Annual Financial Statements

		Group		Fund	
		2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

30. Financial instruments and risk management (continued)

Categories of financial liabilities

Group - 2022 (N$'000)

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	11	7,902	7,902	7,902

Group - 2021 (N$'000)

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	11	6,284	6,284	6,284

Fund - 2022 (N$'000)

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	11	7,856	7,856	7,856

Fund - 2021 (N$'000)

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	11	6,241	6,241	6,241

Capital risk management

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

Consistent with others in the industry, the group monitors capital on the basis of the solvency ratio. The solvency ratio is calculated as accumulated funds divided by net contributions. At year-end the group had a solvency ratio (reserve level) of 26.53% (2021: 34.31%) and the fund had a solvency ratio (reserve level) of 26.52% (2021: 34.31%).

	Note(s)	Group 2022	Group 2021	Fund 2022	Fund 2021
Trade and other payables	11	40,722	35,886	40,670	35,838
Outstanding claims provision	12	129,200	114,800	129,200	114,800
Total borrowings		**169,922**	**150,686**	**169,870**	**150,638**
Cash and cash equivalents	9	(35,352)	(45,042)	(33,426)	(43,299)
Net borrowings		**134,570**	**105,644**	**136,444**	**107,339**
Equity		441,501	541,785	441,280	542,419
Gearing ratio		30 %	19 %	31 %	20 %

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

30. Financial instruments and risk management (continued)

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price 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 group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance and statutory solvency requirements.

The board of trustees has overall responsibility for the establishment and oversight of the group's risk management framework.

The group 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 liability is sufficient to fund members' reasonable benefit expectations.

The audit committee has been established by the board of trustees to assist in the implementation and monitoring of these risk management processes.

Credit risk

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

Trade and other receivables
Trade and other receivables comprise of outstanding contributions (insurance receivables) and other financial receivables. The main components of insurance receivables are:
- receivables from contributions due from members.

The group manages credit risk by:
- actively pursuing all contributions not received after one month of becoming due.
- suspending benefits on member accounts when contributions have been outstanding for 30 days.
- terminating benefits on member's accounts when contributions have been outstanding for 90 days.
- ageing and pursuing accounts on a monthly basis.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The group's management does not expect any losses in excess of its provision from non-performance by these counter-parties.

Investments:
Counter-parties and cash transactions are limited to high credit quality financial institutions. The group has a policy of limiting the amount of credit exposure to any one financial institution. The carrying amount of financial assets represents the maximum credit exposure.

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

Financial instruments	559,471	629,945	559,471	629,945
Trade and other receivables	7,308	8,803	7,268	8,799
Insurance receivable	7,081	8,283	7,081	8,283
Other receivable	227	520	187	516
Cash and cash equivalents	35,352	45,042	33,426	43,299
	602,131	**683,790**	**600,165**	**682,043**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

30. Financial instruments and risk management (continued)

Cash and cash equivalents:

Cash and cash equivalents are neither past due nor impaired.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counter-party default rate. There have been no instances of counter-party default in the past, therefore the credit quality is assessed as good.

First National Bank of Namibia Limited (A1+)	35,352	45,042	33,426	43,299

Financial assets measured at fair value through profit and loss is neither past due nor impaired.

The group limits its exposure to credit risk by investing in high quality credit worthy counter-parties. Given these credit ratings, the trustees do not expect any counter-party to fail to meet its obligations. The credit quality of the financial assets that are neither past due nor impaired can be assessed by reference to historical information about counter-party default rate. There have been no instances of counter-party default in the past, and therefore the credit quality is assessed as good.

Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The group'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 group'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 ensure that the group has the ability to finance its day to day operations.

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.

Group - 2022 (N$'000)

		Less than 1 year	Total
Current liabilities			
Trade and other payables	11	(7,902)	(7,902)
Current assets			
Financial assets at fair value	8	559,471	559,471
Trade and other receivables	7	7,308	7,308
Cash and cash equivalents	9	35,352	35,352
		602,131	**602,131**
		594,229	**594,229**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

30. Financial instruments and risk management (continued)

Group - 2021 (N$'000)

		Less than 1 year	Total
Current liabilities			
Trade and other payables	11	(6,284)	(6,284)
Current assets			
Financial assets at fair value	8	629,945	629,945
Trade and other receivables	7	8,803	8,803
Cash and cash equivalents	9	45,042	45,042
		683,790	**683,790**
		677,506	**677,506**

Fund - 2022 (N$'000)

		Less than 1 year	Total
Current liabilities			
Trade and other payables	11	(7,856)	(7,856)
Current assets			
Financial assets at fair value	8	559,471	559,471
Trade and other receivables	7	7,268	7,268
Cash and cash equivalents	9	33,426	33,426
		600,165	**600,165**
		592,309	**592,309**

Fund - 2021 (N$'000)

		Less than 1 year	Total
Current liabilities			
Trade and other payables	11	(6,241)	(6,241)
Current assets			
Financial assets at fair value	8	629,945	629,945
Trade and other receivables	7	8,799	8,799
Cash and cash equivalents	9	43,299	43,299
		682,043	**682,043**
		675,802	**675,802**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

30. Financial instruments and risk management (continued)

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

Foreign currency risk

The group operates in Namibia and therefore its cash flows are denominated in Namibian dollar (N$). The exposure to foreign currency movement is not significant as less than 25% of investments are held in a currency other than Namibian Dollar or South African Rand. As the South African Rand and the Namibian Dollar currencies are pegged, investments held in South African Rand do not pose a currency risk.

Interest rate risk

The group's investment policy is to hold a large portion of its investments in interest bearing instruments. The group'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 group to cash flows 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 rate expose the scheme to fair value interest rate risk (i.e. movements in interest rates would have a direct effect on the fair value of instruments).

The group is exposed to interest rate risks as it places funds at fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate investments within the group's investment portfolio. The group's insurance and other liabilities are settled within one year and therefore the group does not discount its liabilities and consequently changes in market interest rates would not have a significant effect on the group's surplus or deficit. The same applies to trade and other receivables.

The table summarises the group's exposure to interest rate risk. Included in the table are the group's investments at carrying amounts, categorised by earlier of contractual reprising or maturity dates.

GROUP	**Less than 12 months N$'000**	**Total N$'000**
As at 31 December 2022		
Financial assets at fair value	289,180	289,180
Cash and cash equivalents	35,349	35,349
	324,529	**324,529**

GROUP	**Less than 12 months N$'000**	**Total N$'000**
As at 31 December 2021		
Financial assets at fair value	305,770	305,770
Cash and cash equivalents	45,039	45,039
	350,809	**350,809**

FUND	**Less than 12 months N$'000**	**Total N$'000**
As at 31 December 2022		
Financial assets at fair value	289,180	289,180
Cash and cash equivalents	33,423	33,423
	322,603	**322,603**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

30. Financial instruments and risk management (continued)

FUND	Less than 12 months N$'000	Total N$'000
As at 31 December 2021		
Financial assets at fair value	305,770	305,770
Cash and cash equivalents	43,296	43,296
	349,066	**349,066**

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate of 1%, which is used when reporting on interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period but the calculation has been amended for both the current and prior year.

Group	2022 N$'000	2022 N$'000	2021 N$'000	2021 N$'000
Increase or decrease of 100 basis points	Increase	Decrease	Increase	Decrease
Impact on surplus and deficit				
Cash and cash equivalents	334	(334)	450	(450)
Financial assets measured at fair value: cash	1,170	(1,170)	1,317	(1,317)
Financial assets measured at fair value: bonds	1,722	(1,722)	1,741	(1,741)
	3,226	**(3,226)**	**3,508**	**(3,508)**

The sensitivity analysis for the Fund is the same as the Group numbers presented above except for the cash and cash equivalents category. An increase/decrease of 100 basis points would have an impact on cash and cash equivalents for the fund of N$334,000 (2021: N$450,000).

Price risk

The group is exposed to equity securities price risk because of financial assets held by the group and classified as financial assets at fair value through profit and loss. The group's exposure to commodity risk is not considered significant. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio.

Diversification of the portfolio is done by the asset managers in accordance with the mandate set by the group. The majority of the group's equity investments is publicly traded on the JSE (Johannesburg Stock Exchange) and NSX (Namibian Stock Exchange).

The effect 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 be affected as all financial assets are classified as financial assets at fair value through surplus or deficit.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

30. Financial instruments and risk management (continued)

Price risk sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when price risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant prices. All other variables remain constant. The sensitivity analysis includes only investments held at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group & Fund	2022 N$'000	2022 N$'000	2021 N$'000	2021 N$'000
Increase or decrease of 10% in price	Increase	Decrease	Increase	Decrease
Impact on surplus and deficit				
Equity portfolio	11,546	(11,546)	14,231	(14,231)

Investment risk

Investment risk is the risk that 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 group's liabilities are dependent upon the performance of the investment portfolio and that a suitable match of assets exist for all liabilities.

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

Legal risk

Legal risk is the risk that the group will be exposed to contractual obligations which have not been provided for. At 31 December 2022, the group did not consider there to be any significant concentration of legal risk that had not been provided for in the current or prior year.

31. Going concern

The consolidated and separate annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The trustees believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going concern basis. The trustees are satisfied is that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The trustees are not aware of any new material changes that may adversely impact the group. The trustees are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

32. Events after the reporting period

The Board of Trustees are not aware of any material event which occurred after the reporting date and up to the date of this report.

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Fund	
	2022 N$ '000	2021 N$ '000	2022 N$ '000	2021 N$ '000

33. Covid 19

COVID-19 had a tremendous impact on the global health industry and global economy since the beginning of 2020. This includes the disruptions in supply chain, reduction in tourism activities, retrenchments and the spreading of uncertainty across the economy. Namibia was especially impacted by the third wave of COVID-19 with high death rates, high hospitalisation rates and a large number of infections between May and August 2021. All the outbreaks since then were less severe and all restrictions were lifted in 2022 and business continued as normal.

For Namibia Medical Care, the claims experience for the 2021 financial year has been volatile and higher than anticipated due to the impact of the third wave of COVID-19. During 2022 the fund still experienced a high volume of claims of some relating to the effects of long Covid as well as the postponement of many elective procedures which were only performed and claimed during 2022. This caused a significant increase in the claims paid out to members. However the fund was able to grow and had an increase in member numbers during 2022, despite the economic hardship experienced in 2022 caused by the delayed effect on the world economy by Covid.

Forecasting into 2023 we expect that the impact of Covid-19 will be milder and that the economy will stabilize toward the end of 2023.

The claims experienced for the first four months of the 2023 financial year, is in line with 2022 but given the very short period, this should not be seen as indicative of the expected claims for the full year. Namibia Medical Care is expected to maintain a healthy level of reserves at the end of 2023 which are expected to remain significantly in excess of the minimum regulatory reserve levels of 25%. The economy is is recovering after the last Covid regulations were lifted and the effect of Covid on the debtors and the expected credit losses will be insignificant in the maintenance of the solvency level.

The fund is reliant on more than one investment manager to manage the risk of the markets and even though 2022 was a poor performing year for the investment markets, the fund managed to retain their solvency levels. Due to the high claims experience since 2021 up to 2023 the fund is very reliant on the investment income and the performance of the markets and it directly influence the solvency levels of the fund. More than one financial year of poor investment returns will have a negative impact on the fund's sustainability.

The fund will be a going concern for 2023 and the trustees are actively planning the benefits and fee structures in order to sustain the fund in the long term.

Supplementary information

	Suplus/(Deficit) per benefit option											
	NMC Jade	NMC Opal	NMC Amber	NMC Amber Plus	NMC Ruby	NMC Sapphire	NMC Diamond	NMC Emerald	NMC Emerald Plus	NMC Topaz	NMC Topaz plus	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
	2022											
Net contribution	**106,624**	**30,338**	**46,015**	**6,797**	**592,431**	**795,835**	**33,490**	**22,543**	**10,870**	**3,323**	**15,706**	**1,663,972**
Gross contribution	106,624	30,338	46,015	6,797	592,431	795,835	33,490	22,543	10,870	3,323	15,706	1,663,972
Net claims incurred	**(111,215)**	**(21,697)**	**(49,705)**	**(4,480)**	**(534,276)**	**(837,225)**	**(35,299)**	**(22,677)**	**(12,790)**	**(1,250)**	**(8,976)**	**(1,639,590)**
Gross claims	(110,238)	(21,506)	(49,268)	(4,441)	(529,584)	(829,872)	(34,989)	(22,478)	(12,678)	(1,239)	(8,897)	(1,625,190)
Increase in provision	(977)	(191)	(437)	(39)	(4,692)	(7,353)	(310)	(199)	(112)	(11)	(79)	(14,400)
Net expenses on transfer arrangements	(176)	(81)	(70)	(7)	(704)	(593)	(16)	(57)	(18)	(17)	(39)	(1,777)
Gross healthcare results	**(4,767)**	**8,560**	**(3,760)**	**2,310**	**57,451**	**(41,983)**	**(1,825)**	**(191)**	**(1,938)**	**2,056**	**6,691**	**22,605**
Expenses for administration	(10,596)	(5,853)	(4,675)	(339)	(45,748)	(38,970)	(1,065)	(3,674)	(962)	(1,371)	(3,204)	(116,457)
Managed care: Management services	(961)	(317)	(332)	(38)	(3,288)	(2,848)	(68)	(259)	(101)	(208)	(487)	(8,907)
Other income	4,787	1,579	1,654	189	16,393	14,189	337	1,293	501	1,038	2,425	44,385
Other expenses	(4,612)	(1,522)	(1,594)	(182)	(15,795)	(13,672)	(324)	(1,245)	(483)	(1,000)	(2,336)	(42,765)
Net surplus/(deficit) for the year	**(16,149)**	**2,447**	**(8,707)**	**1,940**	**9,013**	**(83,284)**	**(2,945)**	**(4,076)**	**(2,983)**	**515**	**3,089**	**(101,139)**

The supplementary information presented does not form part of the consolidated and separate financial statements and is unaudited

Supplementary information

	Suplus/(Deficit) per benefit option											
	NMC Jade	NMC Opal	NMC Amber	NMC Amber Plus	NMC Ruby	NMC Sapphire	NMC Diamond	NMC Emerald	NMC Emerald Plus	NMC Topaz	NMC Topaz plus	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
	2021											
Net contribution	**82,900**	**39,942**	**45,458**	**4,370**	**566,335**	**753,882**	**36,236**	**22,579**	**7,442**	**4,470**	**15,566**	**1,579,180**
Gross contribution	82,900	39,942	45,458	4,370	566,335	753,882	36,236	22,579	7,442	4,470	15,566	1,579,180
Net claims incurred	**(89,120)**	**(30,795)**	**(45,171)**	**(3,448)**	**(500,756)**	**(788,747)**	**(38,418)**	**(25,774)**	**(6,454)**	**(1,289)**	**(6,488)**	**(1,536,460)**
Gross claims	(88,928)	(30,729)	(45,074)	(3,441)	(499,677)	(787,048)	(38,335)	(25,718)	(6,440)	(1,286)	(6,474)	(1,533,150)
Increase in provision	(192)	(66)	(97)	(7)	(1,079)	(1,699)	(83)	(56)	(14)	(3)	(14)	(3,310)
Net expenses on transfer arrangements	(276)	(153)	(122)	(10)	(1,189)	(1,014)	(29)	(97)	(26)	(44)	(80)	(3,039)
Gross healthcare results	**(6,496)**	**8,994**	**165**	**912**	**64,390**	**(35,879)**	**(2,211)**	**(3,292)**	**962**	**3,137**	**8,998**	**39,681**
Expenses for administration	(10,135)	(5,598)	(4,473)	(325)	(43,571)	(37,276)	(1,018)	(3,514)	(921)	(1,429)	(2,581)	(110,841)
Managed care: Management services	(780)	(431)	(344)	(25)	(3,352)	(2,868)	(78)	(270)	(71)	(93)	(169)	(8,481)
Other income	5,571	3,077	2,458	178	23,950	20,489	560	1,932	506	1,399	2,526	62,646
Other expenses	(1,746)	(965)	(771)	(56)	(7,507)	(6,424)	(176)	(606)	(159)	(439)	(792)	(19,641)
Net surplus/(deficit) for the year	**(13,586)**	**5,077**	**(2,965)**	**684**	**33,910**	**(61,958)**	**(2,923)**	**(5,750)**	**317**	**2,575**	**7,982**	**(36,636)**

The supplementary information presented does not form part of the consolidated and separate financial statements and is unaudited