Audit File

Namibia Medical Care
(Registration Number: 005)

Consolidated and Separate Financial Statements
For the year ended:
31 December 2017

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 financial statements of Namibia Medical Care. These financial statements presented on pages 14 - 53 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 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 financial statements fairly present the results of the operations for the financial year and the financial position of the group 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 which enables the Board of Trustees to ensure that the consolidated and separate financial statements comply with relevant legislation.

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

The group's external auditor, Ernst & Young, is responsible for auditing the consolidated and separate financial statements in terms of the International Standards on Auditing and their report is presented on pages 4 - 5. Ernst & Young 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.

The consolidated and separate financial statements were approved by the Board of Trustees and signed on its behalf by:

Chairman

Trustee

Trustee

29 June 2018

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.

Board of Trustees

The Board of Trustees meets regularly and monitors the performance of the group, 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.

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 maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the consolidated and separate financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on the rules of the group 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

29 June 2018

Ernst & Young Namibia
Cnr Otto Nitzsche and Maritz Streets
Box 1857
Windhoek, Namibia

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

Opinion

We have audited the consolidated and separate financial statements of Namibia Medical Care and its subsidiary ("the Group") set out on pages 14 to 53 which comprise the Board of Trustees' report, the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in funds and reserves and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Medical Care and its subsidiary ("the Group") as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Aid Fund Act 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 financial statements* section of our report. We are independent of the company in accordance with the independence requirements applicable to performing audits in Namibia which is consistent with the International Ethics and Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B). We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The trustees are responsible for the other information. The other information comprises the statement of responsibility and approval by the board of trustees on page 2, statement of corporate governance by the board of trustees on page 3, the trustees report on pages 6 to 13 and the supplementary information on pages 54 to 55 . The other information does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustees for the consolidated and separate financial statements

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

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In preparing the consolidated and separate financial statements, the trustees are responsible for assessing the group 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 fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 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 and funds's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that my reasonably be thought to bear on our independence, and where applicable, related safeguards.

Ernst & Young

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

Windhoek
29 June 2018

Report of the Board of Trustees

The Board of Trustees hereby presents its annual report for the year ended 31 December 2017.

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 in favour of Namibia Medical Care and lodged with NAMFISA (Namibia Financial Institutions Supervisory Authority) (refer to note 26 of the financial statements).

1.2. Benefit option within Namibia Medical Care

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

Traditional Options:	Topaz Topaz Plus Opal Ruby Sapphire Diamond
New Generation Options:	Emerald Amber

The Protector Health option was renamed to Opal. The Essential Plus option was renamed to Amber.

1.3. Savings Plan

In order to provide a facility for members to set funds aside to meet future day-to-day healthcare costs not covered under the new generation options, trustees have made a savings plan available to meet this objective.

Under the Amber and Emerald options, members may select a predetermined optional monthly or lump sum allocation amount which is deposited to the member's savings account to be used for day-to-day expenses.

Unexpended savings amounts are accumulated for the long-term benefit of the member and interest is paid on balances. No savings are advanced to members. The liability to members in respect of the savings plan is reflected as a financial liability in the financial statements.

Savings contributions are refundable when a member leaves the fund or transfer to an option within the fund which does not have a savings option. The money will be transferred to the member within four months of date of change.

1.4. Risk transfer arrangements

Risk transfer arrangements are entered into with GFA Re-insurance Brokers, Prosperity Lifecare Insurance Ltd, Diamond Health Services and 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

Trustees	Position	Company	Appointed/Resignation
Mr T Smit	Chairperson	MTC	
Mr V Malango	Vice Chairperson	Chamber of Mines	
Mr R L Izaks		UNAM	
Mr D Louw		Nampower	
Mr G Kamatuka		NBC	Resigned 1 August 2017
Mrs R Coomer		Legal Assistance Centre	
Ms R Doeses		Namibia Standards Institution	
Mr P Mutota		Electricity Control Board	
Mr A Benjamin		Tsumeb Municipality	
Mr H Muisoor		Erongo Red	
Mr S Mbidhi		Namdeb	
Dr E Mansfeld		Medical Doctor	Appointed 7 September 2017

2.2. Principal Officer

Mrs Alison Begley

Business address:
8 Newton Street
Windhoek
Namibia

Postal address:
P.O Box 24792
Windhoek
Namibia

2.3. Registered office address and postal address

Business address:
8 Newton Street
Windhoek
Namibia

Postal address:
P.O. Box 24792
Windhoek
Namibia

2.4. Medical scheme administrators during the year

Methealth Namibia Administrators (Pty) Ltd

Business address:
Methealth Office Park
Maerua Park
Windhoek
Namibia

Postal address:
P.O. Box 6559
Windhoek
Namibia

Report of the Board of Trustees

2.5. Investment managers during the year

Business address:	Postal adress:
Namibia Asset Management Ltd 1st Floor KPMG House 24 Orban Street Klein Windhoek Windhoek Namibia	P.O. Box 23329 Windhoek Namibia
Sanlam Investment Management Namibia 4th Floor Sanlam Centre 154 Independance Avenue Windhoek	P.O. Box 23081 Windhoek Namibia

2.6. Actuaries and Investment Advisors during the year

i3 Actuaries & Consultants

Business address:	Postal address:
1st Floor Cnr. Feld & Jan Jonker Road Windhoek Namibia	P.O. Box 80560, Olympia Windhoek Namibia

2.7. Auditor during the year

Ernst & Young

Business address:	Postal address:
C/o Otto Nitzsche & Maritz Street Klein WIndhoek 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 minimal 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, EXCO and investment committee meetings with assistance of i3 Actuaries & Consultants.

The scheme invested in equity, bonds, foreign commodities, property, fixed deposit and cash instruments during 2017.

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 cashflow. Refer to note 27 of these financial statements for more information on insurance risk management.

Report of the Board of Trustees

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

5.1 Operational statistics per benefit option	Opal	Amber	Ruby	Sapphire	Diamond	Emerald	Topaz	Topaz Plus	Total
2017									
Average number of principal members during the period*	2,032	1,282	13,311	10,245	428	1,016	976	888	30,178
Number of principal members at 31 December 2017	2,042	1,298	13,133	10,018	417	1,065	782	855	29,610
Average number of members* during the period	3,490	3,166	28,767	26,529	1,078	1,964	1,322	1,554	67,870
Total number of members* at 31 December 2017	3,501	3,226	28,430	25,979	1,041	2,074	1,138	1,488	66,877
Dependent ratio at 31 December 2017	1:0.71	1:1.49	1:1.16	1:1.59	1:1.50	1:0.95	1:0.46	1:0.74	1:1.26
Net contribution per average beneficiary per month*	1,059	1,009	1,519	2,047	3,564	758	310	550	1,643
Relevant healthcare expenditure per average beneficiary per month*	758	1,020	1,236	1,921	3,599	636	298	360	1,448
Non-healthcare expenditure per average beneficiary per month*	168	135	184	161	176	166	128	97	168
Non-healthcare expenditure as a percentage of net contribution	15.89 %	13.40 %	12.14 %	7.84 %	4.95 %	21.96 %	41.14 %	17.67 %	10.25 %
Average age	39.57	49.09	38.67	44.18	51.50	39.60	35.59	38.48	41.16
Pensioner ratio at 31 December 2017	1:0.05	1:0.24	1:0.05	1:0.12	1:0.28	1:0.10	1:0.01	1:0.05	1:0.09
Average accumulated funds per member at year-end	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905

5.1 Operational statistics per benefit option	Protector Health	Essential Plus	Ruby	Sapphire	Diamond	Emerald	Topaz	Topaz Plus	Total
2016									
Average number of principal members during the period*	2,077	1,236	13,646	10,355	431	846	683	847	30,121
Number of principal members at 31 December 2016	2,047	1,272	13,811	10,410	441	919	652	917	30,469
Average number of members* during the period	3,556	3,043	29,350	26,827	1,099	1,620	1,105	1,439	68,037
Total number of members* at 31 December 2016	3,496	3,121	29,764	27,034	1,117	1,758	1,007	1,596	68,890
Dependant ratio at 31 December 2016	1:0.71	1:1.45	1:1.16	1:1.60	1:1.53	1:0.91	1:0.54	1:0.74	1:1.26
Net contribution per average beneficiary per month*	1,042	1,047	1,368	1,870	3,252	811	287	524	1,575
Relevant healthcare expenditure per average beneficiary per month*	820	1,042	1,181	1,746	2,884	670	270	349	1,418
Non-healthcare expenditure per average beneficiary per month*	128	113	154	113	153	131	72	59	146
Non-healthcare expenditure as a percentage of net contribution	12.3 %	10.8 %	11.2 %	6.0 %	4.7 %	16.1 %	25.2 %	11.2 %	9.3 %
Average age	39.19	48.38	38.31	43.94	50.63	39.20	36.31	37.46	40.84
Pensioner ratio at 31 December 2016	1:0.04	1:0.22	1:0.04	1:0.12	1:0.25	1:0.08	1:0.02	1:0.03	1:0.08
Average accumulated funds per member at year-end	11,845	11,845	11,845	11,845	11,845	11,845	11,845	11,845	11,845

* Average are calculated using the sum of the 12 month's actual monthly membership divided by 12.

Report of the Board of Trustees

5.2. Operational Statistics for the fund

	2017	2016
Average accumulated funds per member	14.90	11.85
Breakdown of total amount paid to administrator:		
-Administration fees (N'000)	73,538	69,745
-Managed care: management service (N'000)	21,451	20,317
Investment income as percentage of investments at year-end	6.42 %	5.40 %
Realised gains as percentage of investments at year-end	7.28 %	2.62 %
Unrealised (loss) / gain as percentage of investments at year-end	(4.76)%	(1.26)%

5.3. Results of operations

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

5.4 Solvency ratio

	2017	2016
GROUP		
Accumulated funds per statement of financial position	441,625	360,908
Net contribution per statement of comprehensive income	1,338,109	1,238,022
Group solvency ratio (reserve level) (based on the funds members)	**33.00 %**	**29.15 %**
FUND		
Accumulated funds per statement of financial position	441,340	360,851
Net contribution per statement of comprehensive income	1,338,109	1,238,022
	32.98 %	**29.15 %**

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 financial statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the medical fund.

6. ACTUARIAL SERVICES

The fund's actuaries were consulted in 2017 in the determination of the contribution and benefit levels for the 2017 year end.

7. GUARANTEES RECEIVED BY THE FUND FROM A THIRD PARTY

In terms of section 4 of the Medical Aid Fund Act, First National Bank has provided a guarantee of N$ 750,000 (2016: N$ 750,000) to the fund.

Report of the Board of Trustees

8. EVENTS AFTER REPORTING DATE

No matter which is material to the financial affairs of the fund, has occurred between 31 December 2017 and the date of approval of the consolidated and separate financial statements.

9. 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.

10. RELATED PARTY TRANSACTIONS

Refer to related party disclosure in note 25 to the consolidated and separate financial statements. Trustee remuneration is also disclosed in note 25 to the consolidated and separate financial statements.

11. 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 three 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 auditors formally report to the committee on critical findings arising from audit activities.

The committee in office for the year under review:
Mr T Smit (Chairperson)
Mr P Mutota
Mr H Muisoor

Report of the Board of Trustees

12. BOARD OF TRUSTEES AND SUB-COMMITTEE MEETING ATTENDANCE

The following schedule sets out Board of Trustee and sub-committee meeting attendances.

The trustee remuneration is disclosed in note 25 to the consolidated and separate financial statements.

Trustee / Board and Sub-committee member	Board meeting		Executive Committee Meetings		Audit Committee Meetings		Other Meetings	
	A	B	A	B	A	B	A	B
Mr R L Izaks	6	6	3	2	0	0	5	3
Mr D Louw	6	6	0	0	0	0	0	0
Mr T Smit	6	6	3	3	3	3	5	1
Mr G Kamatuka	4	3	1	1	0	0	0	0
Mr A Benjamin	6	5	0	0	0	0	5	4
Mr V Malango	6	4	3	3	0	0	5	3
Mr R Coomer	6	6	2	2	0	0	5	1
Mr R Doeses	6	5	0	0	0	0	5	1
Mr P Mutota	6	4	0	0	3	2	5	2
Mr H Muisoor	6	5	0	0	3	3	5	2
Mr S Mbidhi	6	6	0	0	0	0	0	0
Dr E Mansfeld	2	2	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, admin review, product development and bursary sub-committee meetings.

13. INVESTMENTS 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 have an interest in any joint ventures, joint arrangements or structured entities.

Statement of Surplus or Deficit and Other Comprehensive Income

		Group		Fund	
Figures in Namibia Dollar thousand	Notes	2017	2016	2017	2016
Net Contribution Income	13	1,338,109	1,238,022	1,338,109	1,238,022
Relevant Healthcare Expenditure					
Net claims incurred		(1,181,355)	(1,114,150)	(1,181,355)	(1,114,150)
Claims incurred	14	(1,163,238)	(1,087,922)	(1,163,238)	(1,087,922)
Risk transfer arrangement fees	15	(18,117)	(53,689)	(18,117)	(53,689)
Claims recoveries from commercial reinsurance arrangements		-	27,461	-	27,461
Gross Healthcare Result		**156,754**	**123,872**	**156,754**	**123,872**
Managed care: Management services	16	(21,451)	(20,317)	(21,451)	(20,317)
Administration expenses	17	(91,861)	(86,966)	(91,575)	(86,801)
Net Healthcare Result		**43,442**	**16,589**	**43,728**	**16,754**
Other Income:					
Investment income	18	24,748	19,880	24,126	19,242
Net realised gains on financial assets	19	32,268	9,315	32,268	9,315
Other operating income	20	4,457	4,035	4,457	4,035
Other Expenditure:					
Net unrealised loss on financial assets	21	(21,108)	(4,494)	(21,108)	(4,494)
Asset management fees	25	(2,632)	(3,106)	(2,632)	(3,106)
Interest paid on savings plan liability	11	(349)	(308)	(349)	(308)
Other interest paid		(1)	(2)	(1)	(2)
Surplus before Tax		**80,825**	**41,909**	**80,489**	**41,436**
Income tax expense	22	(109)	(98)	-	-
Net Surplus for the Year		**80,716**	**41,811**	**80,489**	**41,436**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**80,716**	**41,811**	**80,489**	**41,436**

Statement of Financial Position as at 31 December 2017

		Group		Fund	
Figures in Namibia Dollar thousand	Notes	2017	2016	2017	2016
Assets					
Non-Current Assets					
Property, plant and equipment	4	3,967	3,801	3,967	3,801
Investment property	5	7,450	7,450	-	-
Investments in subsidiaries	25	-	-	7,450	7,450
Financial assets measured at fair value through surplus or deficit	6	53,855	54,759	53,855	54,759
Operating lease asset		9	-	-	-
		65,281	**66,010**	**65,272**	**66,010**
Current Assets					
Trade and other receivables	7	14,487	24,074	14,487	24,074
Financial assets measured at fair value through surplus or deficit	6	389,528	356,033	389,528	356,033
Operating lease asset		7	-	-	-
Current tax receivable	24	45	8	-	-
Cash and cash equivalents	8	112,411	39,799	112,411	39,799
		516,478	**419,914**	**516,426**	**419,906**
Total Assets		**581,759**	**485,924**	**581,698**	**485,916**
Equity and Liabilities					
Equity					
Accumulated funds		441,625	360,909	441,340	360,851
Liabilities					
Non-Current Liabilities					
Deferred tax liabilities	9	360	290	-	-
Current Liabilities					
Trade and other payables	10	30,495	25,263	30,425	25,188
Loans from group companies	25	-	-	654	415
Savings plan liability	11	9,379	7,959	9,379	7,959
Outstanding claims provision	12	99,900	91,500	99,900	91,500
Bank overdraft	8	-	3	-	3
		139,774	**124,725**	**140,358**	**125,065**
Total Liabilities		**140,134**	**125,015**	**140,358**	**125,065**
Total Equity and Liabilities		**581,759**	**485,924**	**581,698**	**485,916**

Statement of Changes in Funds and Reserves

Figures in Namibia Dollar thousand	Accumulated Funds	Total
Group		
Balance at 01 January 2016	**319,098**	**319,098**
Surplus for the year	41,811	41,811
Other comprehensive income	-	-
Total comprehensive income for the year	**41,811**	**41,811**
Balance at 01 January 2017	**360,909**	**360,909**
Surplus for the year	80,716	80,716
Other comprehensive income	-	-
Total comprehensive income for the year	**80,716**	**80,716**
Balance at 31 December 2017	**441,625**	**441,625**
Note		
Fund		
Balance at 01 January 2016	**319,415**	**319,415**
Surplus for the year	41,436	41,436
Other comprehensive income	-	-
Total comprehensive income for the year	**41,436**	**41,436**
Balance at 01 January 2017	**360,851**	**360,851**
Surplus for the year	80,489	80,489
Other comprehensive income	-	-
Total comprehensive income for the year	**80,489**	**80,489**
Balance at 31 December 2017	**441,340**	**441,340**
Note		

Statement of Cash Flows

		Group		Fund	
Figures in Namibia Dollar thousand	Notes	2017	2016	2017	2016
Cash flows from operating activities					
Cash receipts from contribution income		1,347,696	1,226,376	1,347,696	1,226,376
Cash payments for claims and suppliers		(1,279,732)	(1,217,735)	(1,279,425)	(1,217,579)
Cash generated from operations	23	67,964	8,641	68,271	8,797
Investment income		685	876	63	238
Interest received on cash and cash equivalents	20	4,321	3,931	4,321	3,931
Tax paid	24	(76)	(124)	-	-
Net cash from operating activities		**72,894**	**13,324**	**72,655**	**12,966**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(292)	-	(292)	-
Sale of property, plant and equipment	4	13	-	13	-
Purchase of financial assets	6	-	(70,000)	-	(70,000)
Sale of financial assets	6	-	20,000	-	20,000
Net cash from investing activities		**(279)**	**(50,000)**	**(279)**	**(50,000)**
Cash flows from financing activities					
Loan received from subsidiary		-	-	239	358
Net cash from financing activities		**-**	**-**	**239**	**358**
Total cash movement for the year		**72,615**	**(36,676)**	**72,615**	**(36,676)**
Cash at the beginning of the year		39,796	76,472	39,796	76,472
Total cash at end of the year	8	**112,411**	**39,796**	**112,411**	**39,796**

Accounting Policies

1. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated and separate 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 3.

1.1.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') and the Medical Aid Fund Act of Namibia. The consolidated and separate financial statements have been prepared under the historical cost convention, except where otherwise noted.

The preparation of the consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to excercise 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 financial statements are disclosed in policy 1.11.

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

1.1.2 Consolidation

Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the fund and its subsidiary as at 31 December 2017.

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

Control is achieved when the group 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 group controls an investee if and only if the group 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 to the financial statements of subsidiaries to align their accounting policies with the group's accounting policies.

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 interets;
-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.

Accounting Policies

1.2 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 aquisition 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 maintenances are charged to surplus or deficit during the financial period in which they are incurred.

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:

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within surplus or deficit.

1.3 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 seperatly 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.

1.4 Financial instruments

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through surplus or deficit and loans and receivables. The group and fund determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair vlue plus transaction costs, except in the case of financial assets recorded at fair value through surplus or deficit.

The group's and fund's financial assets include cash and short-term deposits, trade and other receivables and quoted and unquoted financial instruments.

Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with net changes in fair value recognised in other income.

Financial assets designated upon initial recognition at fair value through surplus or deficit are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The group and fund has not designated any financial assets at fair value through surplus or deficit.

The group and fund evaluates its financial assets held for trading, to determine whether the intention to sell them in near term is still appropriate. When in rare circumstances the group and fund is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the group and fund may elect to reclassify these financial assets.

The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other operating income in the surplus or deficit. The losses arising from impairment are recognised in surplus or deficit in administrative expenses.

Derecognition of financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The group and fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material dely to a third party under a pass-through arrangement: and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group and fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if an to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the group's and fund's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group and fund has retained.

The continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group and fund could be required to repay.

Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

The group and fund assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is measurable decrease in estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If the group and fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of other operating income in the surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group and fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occuring after the impairment was recognised, the previously recognised impairment loss is increased or reduced, by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to interest paid in the surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and in hand and short term deposits, with a maturity of 3 months or less. Cash equivalents are initially measured at fair value and subsequently at amortised cost. Cash and cash equivalents are classified as loans and receivables. Cash and cash equivalents for statement of cash flow purposes are defined as above, net of outstanding bank overdraft.

Trade and other receivables

Trade and other receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less any allowance for any uncollectible amounts. Trade receivables are suspended after 30 days if payment was not yet received and are terminated after 90 days if payment was not yet received. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Trade receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Trade and other receivables are classified as loans and receivables.

Accounting Policies

1.4 Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through surplus or deficit, financial liabilities at amortised cost, as appropriate. The group and fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities at amortised cost, directly attributable transaction costs.

The group's and fund's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as decribed below:

Loans and borrowings

After initilal recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest paid in the surplus or deficit. Loans and borrowings are classified as financial liabilities carried at amortised cost.

Trade and other payables

Trade and other payables are initially measured at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier and subsequently at amortised cost using the effective interest rate method. Trade and other payables are classified as financial liabilities carried at amortised cost.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the same terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in surplus or deficit.

1.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

1.6 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.

Accounting Policies

1.7 Risk transfer arrangements

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

Risk transfer premiums and benefits reimbursed in the statement of comprehensive income and statement of financial position on a gross basis.

Only contracts that gives rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised over the same period year as the related claim.

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

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

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

1.8 Savings plan liability

The savings plan liability represents savings plan contributions which are a deposit component of the insurance contracts. The deposit amount has been unbundled since the group can measure the deposit component separately and its accounting policies do not otherwise require it to recognise all obligations and rights arising from the deposit component. The insurance component is recognised in accordance with IFRS 4.

The savings plan liability, i.e. deposit component, is recognised in accordance with IAS 39 and is measured at fair value as a demand feature. Savings plan contributions are credited on the accrual basis and withdrawals on a cash basis, i.e. no provision is made for outstanding claims at year-end.

Interest accrued on the savings plan contributions is credited to the liability.

1.9 Provisions

Provisions are recognised when, the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligations; and the amount has been reliably estimated.

Outstanding claims provisions

Claims outstanding at year end comprise provisions for the group's and fund's estimated cost of settling of 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 saving plan accounts 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

1.10 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 saving plan contributions. The earned portion of net contributions received is recognised as revenue. Net contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis.

1.11 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 and fund 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 judgements 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. More detail on the estimation method and assumptions is disclosed in note 12.

b) Impairment of financial assets
The group follows the guidance of IAS 39 to determine when a financial asset is impaired. This determination requires significant judgement. Refer to note 1.4 for more information on the impairment process applied by the group and fund.

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. Refer to note 2.5 for fair value estimation information.

d) Asset useful lives and residual values
Plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing assets useful lives, factors such as technological information and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Refer to notes 1.2 and 7 for more information.

1.12 Relevant healthcare expenditure

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

1.13 Claims

Gross claims incurred comprise of the total estimated cost of all claims arising from healthcare events that have occured 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 savings plan 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

1.14 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.

1.15 Investment 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.

1.16 Liabilities and related assets under liability adequacy test

The liability for insurance contratcts 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 (i.e. the value of business acquired). 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.

1.17 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.

1.18 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group *as a lessor*
Leases in which the group and fund does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Accounting Policies

1.19 Investment property

Investment property is measured initially at cost, including transaction cost. The carrying amount includes the cost of replacing part of an existing investment property at the time cost is incurred if the recognition criteria are met; and excludes the costs of day-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value.

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.

1.20 Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred income tax is provided, using the liability method, on 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 comprehensive income.

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

2. Financial risk management

2.1 Overview

The group's activities expose it to a variety of financial risks; market risks (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contratcs. 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.

2.2 Credit risk

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

2.2.1 Credit risk management

The group's principal financial assets are cash and cash equivalents, trade and other receivables and financial assets at fair value through surplus or deficit. The group's credit risk is attributable to its trade and other receivables.

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.
- receivables for amounts recoverable from reinsurance contracts.

The group manages credit risk by:
- actively pursuing all contributions not received after one month of becoming due.
- performing credit checks on reinsurers.
- 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 (see note 7) from non-performance by these counterparties.

2.2.2 Exposure to credit risk

Investments
Counterparties 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 at the reporting date was:

Notes to the Consolidated And Separate Financial Statements

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

2. Financial risk management (continued)

Financial assets measured at fair value through surplus or deficit	443,383	410,792	443,383	410,792
Trade and other receivables	14,426	24,052	14,426	24,052
Insurance receivables	13,782	23,599	13,782	23,599
Other receivables	644	453	644	453
Cash and other equivalents	112,411	39,799	112,411	39,799
	570,220	**474,643**	**570,220**	**474,643**

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

GROUP AND FUND	**Gross**	**Impairment**	**Net**
Insurance receivables	**2017 N$'000**	**2017 N$'000**	**2017 N$'000**
Current	5,369	-	5,369
Past due: 31-60 days	42	-	42
Past due: 61-90 days	490	-	490
Past due: 91 days and older	8,594	(713)	7,881
Total	**14,495**	**(713)**	**13,782**

Insurance receivables	**2016 N$'000**	**2016 N$'000**	**2016 N$'000**
Current	17,328	-	17,328
Past due: 31-60 days	3,908	-	3,908
Past due: 61-90 days	884	-	884
Past due: 91 days and older	2,326	(847)	1,479
Total	**24,446**	**(847)**	**23,599**

Based on past experience, the group believes that no allowance is required in respect of debtors that are past due and outstanding for less than 90 days, besides those individuals that have resigned from the fund. The group has not renegotiated the term of receivables and does not hold any collaterals or guarantees as security.

The entire amount of trade and other receivables is unrated. Insurance receivables consist of outstanding contributions at year end as well as the reinsurance debtor's amount. On analysing the credit quality of contribution debtors, the group collected the majority of these amounts subsequent to year end. This indicates a high credit quality relating to these debtors. The reinsurance debtor is also a high credit quality counterparty. Consequently no additional disclosure of the credit quality is provided. The other debtors are expected to have similar credit quality and settled their obligations in January 2018. No impairment provision has been raised for these debtors.

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 counterparty default rate. There have been no instances of counterparty default in the past, therefore the credit quality is assessed as good.

First National Bank	112,411	39,799	112,411	39,799

Notes to the Consolidated And Separate Financial Statements

2. Financial risk management (continued)

Financial assets measured at fair value through surplus or deficit

Financial assets measured at fair value through surplus or deficit is neither past due nor impaired.

The group limits its exposure to credit risk by investing in high-quality credit worthy counterparties. Given these credit ratings, the trustees do not expect any counterparty 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 counterparty default rate. There have been no instances of counterparty default in the past, and therefore the credit quality is assessed as good.

2.3 Liquidity risk

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

A maturity analysis is provided below:

GROUP **As at 31 December 2017**	**On demand** **N$'000**	**Less than 3 months** **N$'000**	**3-12 months** **N$'000**	**1-3 years** **N$'000**	**> 3 years** **N$'000**	**Total** **N$'000**
Liabilities						
Member savings accounts	(9,379)	-	-	-	-	(9,379)
Trade and other payables	(4,979)	(23,822)	(24)	-	-	(28,825)
Outstanding claims provision	-	-	(99,900)	-	-	(99,900)
	(14,358)	**(23,822)**	**(99,924)**	**-**	**-**	**(138,104)**
Assets						
Financial assets measured at fair value through surplus or deficit	-	-	389,528	23,174	30,681	443,383
Trade and other receivables	-	5,901	7,881	-	-	13,782
Cash and cash equivalents	112,411	-	-	-	-	112,411
	112,411	**5,901**	**397,409**	**23,174**	**30,681**	**569,576**
Net position	98,053	(17,921)	297,485	23,174	30,681	431,472

Notes to the Consolidated And Separate Financial Statements

2. Financial risk management (continued)

FUND As at 31 December 2017	On demand N$'000	Less than 3 months N$'000	3-12 months N$'000	1-3 years N$'000	> 3 years N$'000	Total N$'000
Liabilities						
Member savings accounts	(9,379)	-	-	-	-	(9,379)
Trade and other payables	(4,979)	(23,822)	(24)	-	-	(28,825)
Loan payable to subsidiary	(654)	-	-	-	-	(654)
Outstanding claims provision	-	-	(99,900)	-	-	(99,900)
	(15,012)	**(23,822)**	**(99,924)**	**-**	**-**	**(138,758)**
Assets						
Financial assets measured at fair value through surplus or deficit	-	-	389,528	23,174	30,681	443,383
Trade and other receivables	-	5,901	7,881	-	-	13,782
Cash and cash equivalents	112,411	-	-	-	-	112,411
	112,411	**5,901**	**397,409**	**23,174**	**30,681**	**569,576**
Net position	97,399	(17,921)	297,485	23,174	30,681	430,818

GROUP As at 31 December 2016	On demand N$'000	Less than 3 months N$'000	3-12 months N$'000	1-3 years N$'000	> 3 years N$'000	Total N$'000
Liabilities						
Bank overdraft	(3)	-	-	-	-	(3)
Member savings accounts	(7,959)	-	-	-	-	(7,959)
Trade and other payables	(2,116)	(19,828)	(2,167)	-	-	(24,111)
Outstanding claims provision	-	-	(91,500)	-	-	(91,500)
	(10,078)	**(19,828)**	**(93,667)**	**-**	**-**	**(123,573)**
Assets						
Financial assets measured at fair value through surplus or deficit	-	-	356,033	3,979	50,780	410,792
Trade and other receivables	-	22,120	1,479	-	-	23,599
Cash and cash equivalents	39,799	-	-	-	-	39,799
	39,799	**22,120**	**357,512**	**3,979**	**50,780**	**474,190**
Net position	29,721	2,292	263,845	3,979	50,780	350,617

Notes to the Consolidated And Separate Financial Statements

2. Financial risk management (continued)

FUND As at 31 December 2016	On demand N$'000	Less than 3 months N$'000	3-12 months N$'000	1-3 years N$'000	> 3 years N$'000	Total N$'000
Liabilities						
Bank overdraft	(3)	-	-	-	-	(3)
Member savings accounts	(7,959)	-	-	-	-	(7,959)
Trade and other payables	(2,041)	(19,828)	(2,167)	-	-	(24,036)
Loan payable to subsidiary	(415)	-	-	-	-	(415)
Outstanding claims provision	-	-	(91,500)	-	-	(91,500)
	(10,418)	**(19,828)**	**(93,667)**	**-**	**-**	**(123,913)**
Assets						
Financial assets measured at fair value through surplus or deficit	-	-	356,033	3,979	50,780	410,792
Trade and other receivables	-	22,120	1,479	-	-	23,599
Cash and cash equivalents	39,799	-	-	-	-	39,799
	39,799	**22,120**	**357,512**	**3,979**	**50,780**	**474,190**
Net position	29,381	2,292	263,845	3,979	50,780	350,277

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 financial statements approximate their fair values.

Notes to the Consolidated And Separate Financial Statements

2. Financial risk management (continued)

2.4 Market risk

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

Currency risk

The group and fund operates in Namibia and therefore its cash flows are denominated in Namibian dollar (N$). The exposure to foreign currency movement is not significant as only 3% 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.

Price risk

The group and fund are exposed to equity securities price risk because of financial assets held by the group and classified as financial assets at fair value through surplus or deficit. 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), with the exception of one unlisted investment in the prior year and none in the current year.

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.

GROUP AND FUND	2017	
	10% increase in market price N$ '000	10% decrease in market price N$ '000
Equity portfolio	22,689	(22,689)

GROUP AND FUND	2016	
	10% increase in market price N$ '000	10% decrease in market price N$ '000
Equity portfolio	20,552	(20,552)

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

Interest rate risk (cash flow and fair value)

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.

Notes to the Consolidated And Separate Financial Statements

2. Financial risk management (continued)

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 AND FUND	Less than 12 months N$ '000	More than 12 months N$ '000	Total N$ '000
As at 31 December 2017			
Cash and cash equivalents	112,411	-	112,411
Financial assets measured at fair value	389,528	53,855	443,383
	501,939	**53,855**	**555,794**

GROUP AND FUND	Less than 12 months N$ '000	More than 12 months N$ '000	Total N$ '000
As at 31 December 2016			
Cash and cash equivalents	39,796	-	39,796
Financial assets measured at fair value	147,017	54,759	201,776
	186,813	**54,759**	**241,572**

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

	%	%	%	%
Cash and cash equivalents	4.90	4.90	4.90	4.90
Financial assets measured at fair value: cash	6.58	5.46	6.58	5.46
Financial assets measured at fair value: bonds	9.12	7.66	9.12	7.66

Cash flow sensitivity analysis for floating interest bearing instruments (cash and cash equivalents) :

A change of 100 basis points in interest rate at the reporting date would have increased or decreased surplus by the amounts shown below. The impact on accumulated funds is the same as the impact on net surplus or deficit for the year, as all interest income is reported in surplus or deficit, and there are no available for sale financial assets where changes in fair value would impact equity. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for the current and prior year.

	2017		2016	
	100bp increase in interest rates N$ '000	**100bp decrease in interest rates N$ '000**	**100bp increase in interest rates N$ '000**	**100bp decrease in interest rates N$ '000**
Cash and cash equivalents	1,124	(1,124)	398	(398)
Financial assets measured at fair value: cash	1,304	(1,304)	1,470	(1,470)
Financial assets measured at fair value: bonds	539	(539)	(548)	548

Notes to the Consolidated And Separate Financial Statements

2. Financial risk management (continued)

2.5 Fair value estimation

Valuation techniques and assumptions 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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3- Valuation techiques for which the lowest level input that is significant to the fair value measurement is unobservable.

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.

The members saving accounts contain a demand feature. In terms of regulations, any credit balance on a members's saving account must be taken as a cash benefit when the member terminates his or her membership of the fund or benefit option, and enrols in another benefit option or medical scheme without a saving account or does not enrol in another medical scheme.

Interest on these accounts accrued monthly. Therefore the carrying values of the member's savings account are deemed to be equal to their fair values, which is the amount payable on demand.

As at 31 December 2017, the group recognised financial instruments based on the following fair value hierarchy.

Cash and cash equivalents, unlisted equity and debt securities are classified as level 2, as none of them are traded in an active market, but their fair values are determined based on observable inputs. The cash and cash equivalents shown in the fair value hierarchy are those classified as financial assets at fair value through surplus or deficit.

Notes to the Consolidated And Separate Financial Statements

2. Financial risk management (continued)

GROUP AND FUND	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
2017				
Assets				
Financial assets at fair value through surplus or deficit	258,404	54,559	-	312,965
Cash and deposits	-	130,418	-	130,418
	258,404	**184,977**	**-**	**443,383**
2016				
Assets				
Financial assets at fair value through surplus or deficit	207,671	56,105	-	263,776
Cash and deposits	-	147,017	-	147,017
	207,671	**203,122**	**-**	**410,793**

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 year ended 31 December 2017 or 2016.

Financial assets are classified as non-current, unless they are cash or cash equivalents that are not restricted from being used for the next twelve months or they are expected to be realised within twelve months of the reporting date or likely to be sold within that period.

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

The valuation technique for the items in level 2 is based on discounted future estimated cashflows, with the probability of default being a significant input. Investments in money market funds are valued according to the price per unit quoted by the money market funds based on the 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.

2.6 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.

2.7 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 2017, 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.

2.8 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 fund had a solvency ratio (reserve level) of 32.98% (2016: 29.15%) and the group had a solvency ratio (reserve level) of 33.00% (2016: 29.15%).

Notes to the Consolidated And Separate Financial Statements

3. New Standards and Interpretations

3.1 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:
• Amendments to IFRS 12: Annual Improvements to IFRS 2014 - 2016 cycle	01 January 2017	The impact of the standard is not material.
• Amendments to IAS 7: Disclosure initiative	01 January 2017	The impact of the standard is not material.
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017	The impact of the amendments is not material.

3.2 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 01 January 2018 or later periods:

Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2021.

The group expects to adopt the standard for the first time in the 2021 consolidated and separate financial statements.

The impact of this new standard has not been assessed by management yet.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

3. **New Standards and Interpretations (continued)**

- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The group expects to adopt the standard for the first time in the 2019 consolidated and separate financial statements.

The impact of this new standard has not been assessed by management yet

Transfers of Investment Property: Amendments to IAS 40

The amendment deals specifically with circumstances under which property must be transferred to or from investment property. The amendment now requires that a change in use of property only occurs when the property first meets, or ceases to meet, the definition of investment property and that there is evidence of a change in use. The amendment specifies that a change in management's intentions for use of the property, do not, in isolation, provide evidence of a change in use.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The group expects to adopt the amendment for the first time in the 2018 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

Notes to the Consolidated And Separate Financial Statements

3. New Standards and Interpretations (continued)

Amendments to IFRS 4: Insurance Contracts

The amendment provides a temporary exemption that permits, but does not require, insurers, under specified criteria, to apply IAS 39 Financial Instruments: Recognition and Measurement, rather than IFRS 9 Financial Instruments for annual periods beginning before 1 January 2021. The exemption is only available provided the insurer has not previously applied any version of IFRS 9 (with some exceptions) and that the activities are predominantly connected with insurance.

The amendment further permits, but does not require, insurers to apply the "overlay approach" to designated financial assets when it first applies IFRS 9. The overlay approach requires the entity to reclassify between profit or loss and other comprehensive income, an amount which results in the profit or loss of the designated financial assets at the end of the reporting period being equal to what it would have been had IAS 39 been applied to the designated financial assets.

Additional disclosures are required as a result of the amendment.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The group expects to adopt the amendment for the first time in the 2018 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The group expects to adopt the amendment for the first time in the 2018 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

Notes to the Consolidated And Separate Financial Statements

3. **New Standards and Interpretations (continued)**

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The group expects to adopt the standard for the first time in the 2018 consolidated and separate financial statements.

It is unlikely that the standard will have a material impact on the group's classification or impairment of financial assets but will result in additional disclosure.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2018.

The group expects to adopt the standard for the first time in the 2018 consolidated and separate financial statements.

It is unlikely that the standard will have a material impact on the group's consolidated and separate financial statements.

Notes to the Consolidated And Separate Financial Statements

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

4. Property, plant and equipment

Group & Fund	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and buildings	4,114	(450)	3,664	4,114	(402)	3,712
Leasehold improvements	3	(3)	-	3	(2)	1
Motor vehicles & Office equipment	533	(230)	303	254	(166)	88
Total	**4,650**	**(683)**	**3,967**	**4,371**	**(570)**	**3,801**

Reconciliation of property, plant and equipment - Group and Fund - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	3,712	-	-	(48)	3,664
Leasehold property	1	-	-	(1)	-
Motor vehicles & Office equipment	88	292	(9)	(68)	303
	3,801	**292**	**(9)**	**(117)**	**3,967**

Reconciliation of property, plant and equipment - Group and Fund - 2016

	Opening balance	Depreciation	Total
Land and buildings	3,761	(49)	3,712
Leasehold property	1	-	1
Motor vehicles & Office equipment	120	(32)	88
	3,882	**(81)**	**3,801**

5. Investment property

Group	2017			2016		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Investment property	7,450	-	7,450	7,450	-	7,450

Reconciliation of investment property - Group - 2017

	Opening balance	Total
Investment property	7,450	7,450

Reconciliation of investment property - Group - 2016

	Opening balance	Total
Investment property	7,450	7,450

The fair value measurement of investment property is classified as level 3.

Notes to the Consolidated And Separate Financial Statements

5. Investment property (continued)

Land and buildings comprise of:

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

- Cost price: 2007	1,847	1,847	-	-

Details of valuation

The valuation was performed by Pierewiet Wilders Valuations on 30 May 2018. As the current fair value approximates the fair value per the valuation, the immaterial fair value adjustment was not passed in the accounting records of the group.

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 2021.

The valuation was performed using the income capitalization method.

Significant unobservable valuation input:		
Price per square metre office	N$	185
Price per square metre parking	N$	450
Net income	N$	49,627
Capitalisation rate		8.0 %

A 10% change in the following would have the effect on the fair value:	Increase	Decrease
Price per square metre office and parking	870	(870)
Net income	738	(738)
Capitalisation	738	(738)

Amounts recognised in profit and loss for the year

Rental income from investment property	622	579	-	-
Municipal expenses	(45)	(63)	-	-

Notes to the Consolidated And Separate Financial Statements

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

6. Financial assets measured at fair value through surplus or deficit

Fair value at the beginning of the year	410,792	340,073	410,792	340,073
Additions	128,112	70,000	128,112	70,000
Dividend received	5,327	5,555	5,327	5,555
Disposals	(128,112)	(20,000)	(128,112)	(20,000)
Accrued interest	18,736	13,449	18,736	13,449
Asset management fees	(2,632)	(3,106)	(2,632)	(3,106)
Unrealised losses	(21,108)	(4,494)	(21,108)	(4,494)
Realised gains	32,268	9,315	32,268	9,315
Fair value at the end of the year	**443,383**	**410,792**	**443,383**	**410,792**

Current portion	389,528	356,033	389,528	356,033
Non-current portion	53,855	54,759	53,855	54,759
	443,383	**410,792**	**443,383**	**410,792**

The investments to be included above represent investments in:

GROUP AND FUND	**Foreign N$'000**	**Local N$'000**	**Total N$'000**
2017			
Cash and deposits	14,557	115,861	130,418
Unlisted equity	533	288	821
Listed equity	183,369	42,704	226,073
Debt instruments	20,041	33,814	53,855
Property	24,561	5,212	29,773
Foreign commodities	-	2,549	2,549
Other securities	9	-	9
Less accrued expenses	-	-	(115)
	243,070	**200,428**	**443,383**

GROUP AND FUND	**Foreign N$'000**	**Local N$'000**	**Total N$'000**
2016			
Cash and deposits	31,078	115,939	147,017
Unlisted equity	1,516	-	1,516
Listed equity	167,536	30,540	198,076
Debt instruments	25,131	29,628	54,759
Property	5,936	-	5,936
Foreign commodities	3,655	-	3,655
Other securities	9	-	9
Less accrued expenses	-	-	(176)
	234,861	**176,107**	**410,792**

Cash and deposits consist of:				
Current accounts	9,286	10,058	9,286	10,058
Call accounts	61,039	73,831	61,039	73,831
Money Markets	60,093	63,128	60,093	63,128
Cash and deposits	**130,418**	**147,017**	**130,418**	**147,017**

Figures in Namibia Dollar thousand	Group 2017	Group 2016	Fund 2017	Fund 2016

6. Financial assets measured at fair value through surplus or deficit (continued)

Debt instruments consist of the following instruments:

	Group 2017	Group 2016	Fund 2017	Fund 2016
Bonds	53,855	53,621	53,855	53,621
Other	-	1,138	-	1,138
	53,855	**54,759**	**53,855**	**54,759**

The maturity ranges of the debt instruments are as follows:

2017	1-3 years N$'000	3-7 years N$'000	7-12 years N$'000	> 12 years N$'000	Total N$'000
Bonds	23,174	20,049	6,176	4,456	53,855

2016	1-3 years N$'000	3-7 years N$'000	7-12 years N$'000	> 12 years N$'000	Total N$'000
Bonds	3,979	32,916	13,886	2,840	53,621
Other	-	854	172	112	1,138
	3,979	**33,770**	**14,058**	**2,952**	**54,759**

For financial assets traded in active markets, 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.

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 comprehensive income, respectively.

The investment in commodities consist of investments in:

	Group 2017	Group 2016	Fund 2017	Fund 2016
Gold	-	3,062	-	3,062
Metal	2,549	593	2,549	593
	2,549	**3,655**	**2,549**	**3,655**

7. Trade and other receivables

	Group 2017	Group 2016	Fund 2017	Fund 2016
Contributions outstanding	13,707	7,961	13,707	7,961
Savings plan receivables	75	75	75	75
Risk transfer arrangement receivables	-	15,563	-	15,563
Prepaid expenses	61	22	61	22
Other receivables	644	453	644	453
	14,487	**24,074**	**14,487**	**24,074**

	Group 2017	Group 2016	Fund 2017	Fund 2016
Receivables arising from medical insurance contracts	13,782	23,599	13,782	23,599
Receivables not arising from medical insurance contracts	705	475	705	475
	14,487	**24,074**	**14,487**	**24,074**

The carrying amount of trade and other receivables approximate their fair values due to the short-term maturities of these assets.

Notes to the Consolidated And Separate Financial Statements

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

7. Trade and other receivables (continued)

Reconciliation of provision for impairment of trade and other receivables (insurance receivables)

	2017	2016	2017	2016
Opening balance	(847)	(1,185)	(847)	(1,185)
Additional provision made in the period	(300)	(847)	(300)	(847)
Unused amounts reversed	-	1,185	-	1,185
Amounts utilised during the period	434	-	434	-
	(713)	**(847)**	**(713)**	**(847)**

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

Other receivables are due within 30 days.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016	2017	2016
Cash on hand	3	3	3	3
Short-term deposits	112,408	39,796	112,408	39,796
Bank overdraft	-	(3)	-	(3)
	112,411	**39,796**	**112,411**	**39,796**
Current assets	112,411	39,799	112,411	39,799
Current liabilities	-	(3)	-	(3)
	112,411	**39,796**	**112,411**	**39,796**

Cash and cash equivalents are available on request. The interest rate on short-term deposits is determined on a sliding scale based on the balance in the account at any point in time. The carrying amounts of cash and cash equivalentys approximate fair values due to the short-term maturities of these assets. Also refer to contingent liabilities as per note 26.

At 31 December 2017, the group had a monthly settlement limit of N$ 203,000,000 (2016: N$ 200,000,000).

9. Deferred tax liabilities

Deferred tax liability

	2017	2016	2017	2016
Investment property	(360)	(290)	-	-

Reconciliation of deferred tax asset / (liability)

	2017	2016	2017	2016
At beginning of year	(290)	(307)	-	-
Reduction due to rate change	-	17	-	-
Income statement expense	(70)	-	-	-
	(360)	**(290)**	**-**	**-**

Notes to the Consolidated And Separate Financial Statements

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

10. Trade and other payables

Reported claims not yet paid	1,415	1,373	1,415	1,373
Net contributions received in advance	23,811	19,708	23,811	19,708
Trade payables	3,599	3,008	3,599	2,953
Accruals	1,559	1,152	1,556	1,139
Other payables	111	22	44	15
	30,495	**25,263**	**30,425**	**25,188**
Total liabilities arising from insurance contracts	25,226	21,081	25,226	21,081
Total non-insurance liabilities	5,269	4,182	5,199	4,107
	30,495	**25,263**	**30,425**	**25,188**

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.

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

11. Savings plan liability

Balance on savings plan liability due to members at the beginning of the year:	7,959	7,085	7,959	7,085
Add:				
Savings plan account contributions received or receivable for the current year (note 13)	8,195	6,695	8,195	6,695
Interest paid on savings plan account	349	308	349	308
Less:				
Claims paid on behalf of members (note 14)	(6,462)	(5,605)	(6,462)	(5,605)
Refunds on death or resignations	(662)	(524)	(662)	(524)
Balance at the end of the year	**9,379**	**7,959**	**9,379**	**7,959**

In accordance with the rules of the fund, the savings plan is underwritten by the fund.

The savings plan liability contains a demand feature that any credit balance on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the fund or move from a non-traditional option to a traditional option.

A traditional option is an option with hospital and day-to-day benefits. Non-traditional options only have hospital benefits, and the savings liability is only available on these options, in order to cover day-to-day medical expenses. It however remains the member's choice whether they want to make use of the savings liability.

No advances on savings plan accounts were paid out during 2017 or 2016.

As at year-end the carrying amounts of the member's savings accounts were deemed to be equal to their fair values, which is the amount payable on demand. The amounts were not discounted due to the demand feature. Interest is paid on the savings plan at a rate of 5% per annum (2016: 5%).

Notes to the Consolidated And Separate Financial Statements

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

12. Outstanding claims provision

Analysis of movements in outstanding claims:				
Balance at beginning of year	91,500	87,600	91,500	87,600
Movement in outstanding claims provision (note 14)	8,400	3,900	8,400	39,900
Payment in respect in prior year	(93,331)	(87,538)	(93,331)	(87,538)
Under/(over) provision in prior year	1,831	(62)	1,831	(62)
Adjustment for current year	99,900	91,500	99,900	91,500
Balance at end of year	**99,900**	**91,500**	**99,900**	**91,500**

Analysis of outstanding claims provision				
Estimated gross claims	99,900	91,500	99,900	91,500

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 paragraph 15 to 19 IFRS 4, no further liability adequacy test is required.

13. Net contribution income

Net contribution income	1,338,109	1,238,022	1,338,109	1,238,022

Gross contributions	1,346,304	1,244,717	1,346,304	1,244,717
Less: Savings contributions (note 11)	(8,195)	(6,695)	(8,195)	(6,695)
	1,338,109	**1,238,022**	**1,338,109**	**1,238,022**

14. Net claims incurred

Current claims	1,154,921	1,085,384	1,154,921	1,085,384
Ex-gratia claims	6,624	4,283	6,624	4,283
Movement in outstanding claims provision (note 12)	8,400	3,900	8,400	3,900
Under/(over) provision in prior years	1,831	(62)	1,831	(62)
Adjustment in current year	6,569	3,962	6,569	3,962
Less: Claims paid from / charged to savings account (note 11)	(6,462)	(5,605)	(6,462)	(5,605)
Discount received	(245)	(40)	(245)	(40)
	1,163,238	**1,087,922**	**1,163,238**	**1,087,922**

Ex-gratia claims are claims paid out which exceeds members benefits.

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

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 2017. For 2016, in terms of this insurance arrangement all member's In-Hospital claims in excess of N$ 400,000 limited to a maximum amount of N$ 1,600,000 for each principal member and his/her dependents for each and every loss or series of losses, per annum were insured by GFA Re CC. This insurance is only for claims that meet the requirement of the fund's rules and regulations. The group paid a fixed amount per member which amounts to a total fixed fee of N$ Nil (2016: N$ 37,884,525) (including In-Hospital, evacuation insurance and premium waiver).

Emergency Evacuation by Air: The fund is self-insured for 2017. For 2016, in terms of this insurance arrangement all member's emergency evacuation claims by air in excess of N$ 20,000 limited to a maximum amount of N$ 1,250,000 for each and every incident was insured by GFA Re CC. This insurance is only for claims that meet the requirements of the fund's rules and regulations. The group paid a fixed amount per member which amounted to a total fixed fee of N$ Nil (2016: N$ 37,884,525) (including In-Hospital evacuation insurance and premium waiver) for this reinsurance.

Other risk transfer arrangements

Premium waiver: In terms of this insurance arrangement all principal members are covered for three month's premium in case of death, limited to maximum amount of N$ 37,000 (2016: N$ 30,000) per death. In 2017 this is self-insured, for 2016 this was insured by GFA Re CC. The group paid a fixed amount per member which amounts to a total fixed fee of N$ Nil (2016: N$ 37,884,525) (including In-Hospital, evacuation insurance and premium waiver) for this insurance.

Topaz - Day to Day benefit: In term of this risk transfer arrangement agreement Diamond Health Services, they provide specified day to day benefits to Topaz and Topaz plus members at selected network service providers. The total capitation fee paid was N$ 10,301,433 (2016: N$ 37,884,525).

Emergency Evacuation by Road: In terms of this risk transfer arrangement all cost of emergency evacuation by road, of members are transferred to Emed rescue 24 and insured by Prosperity Lifecare Insurance Ltd (2016: Emed rescue). The group paid a fixed fee of N$ 18.72 (2016: N$ 18.72) per principal member per month for the year under review for this service.

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 (2016: 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 (2016: Hollard). The group paid a fixed fee of N$ 2.80 (2016: N$ 2.80) per principal member per month for the year under review for this service.

Reinsurance				
Net expense	537	(11,052)	537	(11,052)
- Reinsurance premium expense	-	(37,885)	-	(37,885)
- Claim recoveries income from reinsurers	-	26,833	-	26,833
- Profit share on risk transfer arrangement	537	-	537	-
Other risk transfer arrangements				
Net expense	(18,654)	(15,176)	(18,654)	(15,176)
- Other risk transfer arrangement expenses paid	(18,091)	(15,804)	(18,091)	(15,804)
- Premuim protection claims	(563)	628	(563)	628
	(18,117)	**(26,228)**	**(18,117)**	**(26,228)**

Notes to the Consolidated And Separate Financial Statements

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

16. Managed care: Management Services

Managed care cost	21,451	20,317	21,451	20,317

The managed care cost paid to the Administrator, Methealth Namibia Administrators (Pty) Ltd covers all managed care aspects such as HIV / AIDS Disease Management, Wellness Programme, 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.

17. Administration expenses

Administration expenses

Actuarial fee	1,110	1,037	1,110	1,037
Administration fees	73,538	69,745	73,538	69,745
Auditors remuneration	441	283	342	283
Bad debts	300	300	300	300
Bank charges	993	852	993	852
Depreciation	117	81	117	81
Electricity	-	71	-	-
Entertainment	15	36	15	36
Equipment rental	20	59	20	59
Insurance	351	297	348	297
Legal expenses	82	62	82	62
Levies and municipal expenses	145	44	100	42
Marketing	2,638	2,615	2,638	2,615
Membership fees	2,494	2,325	2,494	2,325
NAMFISA levies	611	331	611	331
Office expenses	179	207	40	207
Postage	698	800	698	800
Printing and stationery	89	207	89	207
Professional fees	181	185	181	185
Repairs and maintenance	12	92	12	-
Salaries and wages	2,275	1,937	2,275	1,937
Smart card fees	3,362	3,397	3,362	3,397
Social responsibility	1,344	1,344	1,344	1,344
Telephone	264	173	264	173
Training	18	-	18	-
Travel, accommodation and conferences	225	200	225	200
Trustee fees	355	286	355	286
Uniforms	4	-	4	-
	91,861	**86,966**	**91,575**	**86,801**

18. Investment income

Income from investments				
Interest	18,736	13,508	18,736	13,449
Rental income	685	817	63	238
Dividends	5,327	5,555	5,327	5,555
	24,748	**19,880**	**24,126**	**19,242**

19. Net realised gains on financial assets

Realised gains on financial assets measured at fair value through surplus or deficit	32,268	9,315	32,268	9,315

Notes to the Consolidated And Separate Financial Statements

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

20. Other operating income

Interest on cash and cash equivalents	4,321	3,931	4,321	3,931
Bad debts recovered	132	104	132	104
Profit on sale of asset	4	-	4	-
	4,457	**4,035**	**4,457**	**4,035**

21. Net unrealised loss on financial assets

Unrealised loss on financial assets measured at fair value through surplus or deficit	(21,108)	(4,494)	(21,108)	(4,494)

22. Taxation

Major components of the tax expense

Current				
Current year	39	116	-	-
Deferred				
Attributable to temporary differences arising in current year	70	(18)	-	-
	109	**98**	-	-

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	80,825	473	-	-
Tax at the applicable tax rate of 32% (2016: 32%)	25,864	151	-	-
Tax effect of adjustments on taxable income				
Exempt income and expenses	(25,755)	(53)	-	-
Tax expense	**109**	**98**	-	-

The fund is exempt from income tax as per section 16(1)(d) of the Namibian Income Tax Act.

Notes to the Consolidated And Separate Financial Statements

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

23. Reconciliation of net surplus for the year to cash generated from operations

Surplus for the year	80,825	41,909	80,489	41,436
Adjustments for:				
Depreciation	117	81	117	81
Gains on disposals, scrappings and settlements of assets and liabilities	(4)	-	(4)	-
Net realised gains on financial assets	(32,268)	(9,315)	(32,268)	(9,315)
Investment income	(24,748)	(19,880)	(24,126)	(19,242)
Net unrealised losses on financial assets	21,108	4,494	21,108	4,494
Interest received on cash and cash equivalents	(4,321)	(3,931)	(4,321)	(3,931)
Asset management fees	2,632	3,106	2,632	3,106
Movements in operating lease assets and accruals	(16)	-	-	-
Provision for impairment losses	(134)	(338)	(134)	(338)
Outstanding claims provision	8,400	3,900	8,400	3,900
Changes in working capital:				
Trade and other receivables	9,722	(11,646)	9,721	(11,646)
Trade and other payables	5,232	(613)	5,237	(621)
Savings plan liability	1,420	874	1,420	874
	67,964	**8,641**	**68,271**	**8,797**

24. Tax paid

Balance at beginning of the year	8	-	-	-
Current tax for the year recognised in profit or loss	(39)	(116)	-	-
Balance at end of the year	(45)	(8)	-	-
	(76)	**(124)**	**-**	**-**

25. 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

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

Key management personnel
Details of the trustees and sub-committee members remuneration and the remuneration of the Principal Officer for 2016 and 2017 (as disclosed in note 17) 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.

Notes to the Consolidated And Separate Financial Statements

Figures in Namibia Dollar thousand	Group 2017	Group 2016	Fund 2017	Fund 2016

25. Related parties (continued)

	Fees for meeting attendance 2017 N$	Fees for holding of office 2017 N$	Total consideratation 2017 N$	Fees for meeting attendance 2016 N$	Fees for meeting attendance 2016 N$	Total consideratation 2016 N$
SL Mbidhi	18	-	18	8	-	8
R Izaks	31	17	48	21	16	17
D Louw	18	-	18	11	-	11
T Smit	51	17	68	42	16	58
G Kamatuka	12	8	20	19	16	35
V Malango	35	17	52	24	16	40
A Benjamin	25	-	25	24	-	24
R Coomer	26	7	33	19	-	19
H Muisoor	28	-	28	26	-	26
P Mutota	22	-	22	13	-	13
R Doeses	17	-	17	17	-	17
E Mansfeld	6	-	6	-	-	-
	289	**66**	**355**	**224**	**64**	**268**

The salary paid to the Principal Officer, A Begley, for the year is included in salaries and wages. Refer to note 17.

Parties with significant influence over the group and the fund:

Methealth Namibia Administrators (Pty) Ltd	**2017**	**2016**
Statement of comprehensive income		
Administration fee	73,538	69,745
Managed care services fee	(21,451)	(20,317)
	52,087	**49,428**

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

Statement of comprehensive income	**2017**	**2016**
Asset management fees		
Namibia Asset Managers	1,830	2,156
Sanlam Investment Management	802	950
Total asset management fees	**2,632**	**3,106**

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

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.

Notes to the Consolidated And Separate Financial Statements

	Group		Fund	
Figures in Namibia Dollar thousand	2017	2016	2017	2016

25. Related parties (continued)

Investment in subsidiary	Quantity of shares	Shareholding percentage	2017	2016
Investment in NMC House (Pty) Ltd	1	100	7,450	7,450

Loan payable to subsidiary	2017	2016
Loan from NMC House (Pty) Ltd (unsecured, interest free, no fixed repayment terms)	654	415

The loan payable to the subsidiary approximates fair value.

26. Commitments and contingencies

Operating leases – as lessor (income)

Minimum lease payments due				
- within one year	722,576	817,000	-	-
- in second to fifth year inclusive	261,685	-	-	-
	984,261	**817,000**	**-**	**-**

NMC has entered into an operating lease agreement whereby surplus office space 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.

Contingent liabilities

An amount of N$ 750,000 (2016: N$ 750,000) was placed as guarantee for NAMFISA (Namibia Financial Institution Supervisory Authority) on the First National Bank of Namibia Ltd 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.

27. Insurance 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 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 Financial Statements

27. Insurance risk management (continued)

Fund	In-hospital N$'000	Chronic N$'000	HIV Meds N$'000	Day-Day N$'000	Total N$'000
Age Grouping (in years)					
< 26	132,407	3,339	558	125,940	262,244
26 - 35	78,577	2,707	634	88,376	170,294
36 - 50	135,269	13,223	5,776	162,773	317,041
51 - 65	132,015	20,504	2,682	105,067	260,268
> 65	96,396	11,593	150	45,252	153,391
Total for 2017	**574,664**	**51,366**	**9,800**	**527,408**	**1,163,238**

Fund	In-hospital N$'000	Chronic N$'000	HIV Meds N$'000	Day-Day N$'000	Total N$'000
Age Grouping (in years)					
< 26	120,741	2,893	665	121,640	245,939
26 - 35	75,191	2,477	723	85,379	163,770
36 - 50	124,400	12,725	6,149	152,362	295,636
51 - 65	127,619	19,963	2,873	100,505	250,960
> 65	79,173	10,556	174	41,714	131,617
Total for 2016	**527,124**	**48,614**	**10,584**	**501,600**	**1,087,922**

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. There is also an underwriting review program that reviews a sample of contracts on a quarterly basis to ensure adherence to the group's objectives.

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

When selecting a reinsurer (or supplier) the group considers their relative security. The security of the reinsurer (or supplier) is assessed from public rating information and from internal investigation.

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.

Supplementary information

	Suplus/(Deficit) per benefit option								
	NMC Opal	NMC Amber	NMC Ruby	NMC Sapphire	NMC Diamond	NMC Emerald	NMC Topaz	NMC Topaz plus	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
	2017								
Net contribution	**44 358**	**38 339**	**523 996**	**651 771**	**46 075**	**17 930**	**5 350**	**10 290**	**1 338 109**
Gross contribution	44 358	43 605	523 996	651 771	46 075	20 859	5 350	10 290	1 346 304
Savings plan contribution	-	(5 266)	-	-	-	(2 929)	-	-	(8 195)
Net claims incurred	**(31 311)**	**(38 415)**	**(422 777)**	**(608 418)**	**(46 409)**	**(14 770)**	**(66)**	**(1 072)**	**(1 163 238)**
Gross claims	(31 085)	(42 229)	(419 741)	(604 049)	(46 076)	(16 990)	(66)	(1 064)	(1 161 300)
Savings plan claims	-	4 119	-	-	-	2 343	-	-	6 462
Increase in provision	(226)	(305)	(3 036)	(4 369)	(333)	(123)	-	(8)	(8 400)
Net expenses on transfer arrangements	(529)	(333)	(3 473)	(2 663)	(111)	(262)	(5 075)	(5 671)	(18 117)
Gross healthcare results	**12 518**	**(409)**	**97 746**	**40 690**	**(445)**	**2 898**	**209**	**3 547**	**156 754**
Expenses for administration	(2 702)	(2 399)	(35 209)	(29 276)	(1 367)	(1 762)	(448)	(375)	(73 538)
Managed care: Management services	(1 512)	(952)	(9 873)	(7 589)	(318)	(757)	(247)	(203)	(21 451)
Other income	4 097	2 579	26 744	20 557	860	2 049	2 175	1 790	60 851
Other expenses	(2 836)	(1 786)	(18 513)	(14 231)	(596)	(1 419)	(1 506)	(1 240)	(42 127)
Net surplus/(deficit) for the year	**9 565**	**(2 967)**	**60 895**	**10 151**	**(1 866)**	**1 009**	**183**	**3 519**	**80 489**

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 Protector Health	NMC Essential Plus	NMC Ruby	NMC Sapphire	NMC Diamond	NMC Emerald	NMC Topaz	NMC Topaz plus	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
	2016								
Net contribution	**44 476**	**38 219**	**481 734**	**602 093**	**42 893**	**15 757**	**3 802**	**9 048**	**1 238 022**
Gross contribution	44 476	42 551	481 734	602 093	42 893	18 120	3 802	9 048	1 244 717
Savings plan contribution	-	(4 332)	-	-	-	(2 363)	-	-	(6 695)
Net claims incurred	**(31 946)**	**(38 890)**	**(404 312)**	**(556 993)**	**(42 903)**	**(11 769)**	**(31)**	**(1 078)**	**(1 087 922)**
Gross claims	(31 831)	(42 482)	(402 863)	(554 996)	(42 749)	(13 601)	(31)	(1 074)	(1 089 627)
Savings plan claims	-	3 731	-	-	-	1 874	-	-	5 605
Increase in provision	(115)	(139)	(1 449)	(1 997)	(154)	(42)	-	(4)	(3 900)
Net expenses on transfer arrangements	(3 024)	859	(11 580)	(5 018)	2 287	(1 251)	(3 554)	(4 947)	(26 228)
Gross healthcare results	**9 506**	**188**	**65 842**	**40 082**	**2 277**	**2 737**	**217**	**3 023**	**123 872**
Expenses for administration	(2 523)	(2 172)	(33 981)	(27 797)	(1 294)	(1 376)	(333)	(269)	(69 745)
Managed care: Management services	(1 089)	(932)	(8 996)	(8 222)	(338)	(496)	(106)	(138)	(20 317)
Other income	2 417	1 335	14 487	11 511	499	871	677	796	32 592
Other expenses	(1 851)	(1 023)	(11 097)	(8 818)	(382)	(667)	(518)	(609)	(24 966)
Net surplus/(deficit) for the year	**6 460**	**(2 604)**	**26 255**	**6 756**	**762**	**1 069**	**(63)**	**2 803**	**41 436**

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