My Best Life

Bestmed Medical Scheme

Annual Financial Statements

for the year ended 31 December 2019

bestMed

personally yours

Contents

Statement of responsibility by the Board of Trustees

The Board of Trustees (BoT) is responsible for the preparation, integrity and fair presentation of the financial statements of Bestmed Medical Scheme.

The financial statements presented on pages 30 to 95 have been prepared in accordance with International Financial Reporting Standards (IFRS), in the manner required by the Medical Schemes Act and Regulations thereto and include amounts based on judgements and estimates made by management.

The Board considers that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards that they consider to be applicable have been followed.

The Board is satisfied that the information contained in the financial statements fairly presents the results of operations and cash flows for the year and the financial position of the Scheme at year-end. The Board also prepared the rest of the information included in the report and is responsible for both its accuracy and its consistency with the financial statements. The financial statements have been audited by the Scheme's external auditors, who were given unrestricted access to all financial records and related data, including all minutes of meetings of the Board of Trustees and committees of the Board. The Trustees believe that all representations made to the external auditors during their audit are valid and appropriate. The audit report is presented on pages 24 to 27.

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

Bestmed Medical Scheme operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance that assets are safeguarded and the risks facing the business are being controlled.

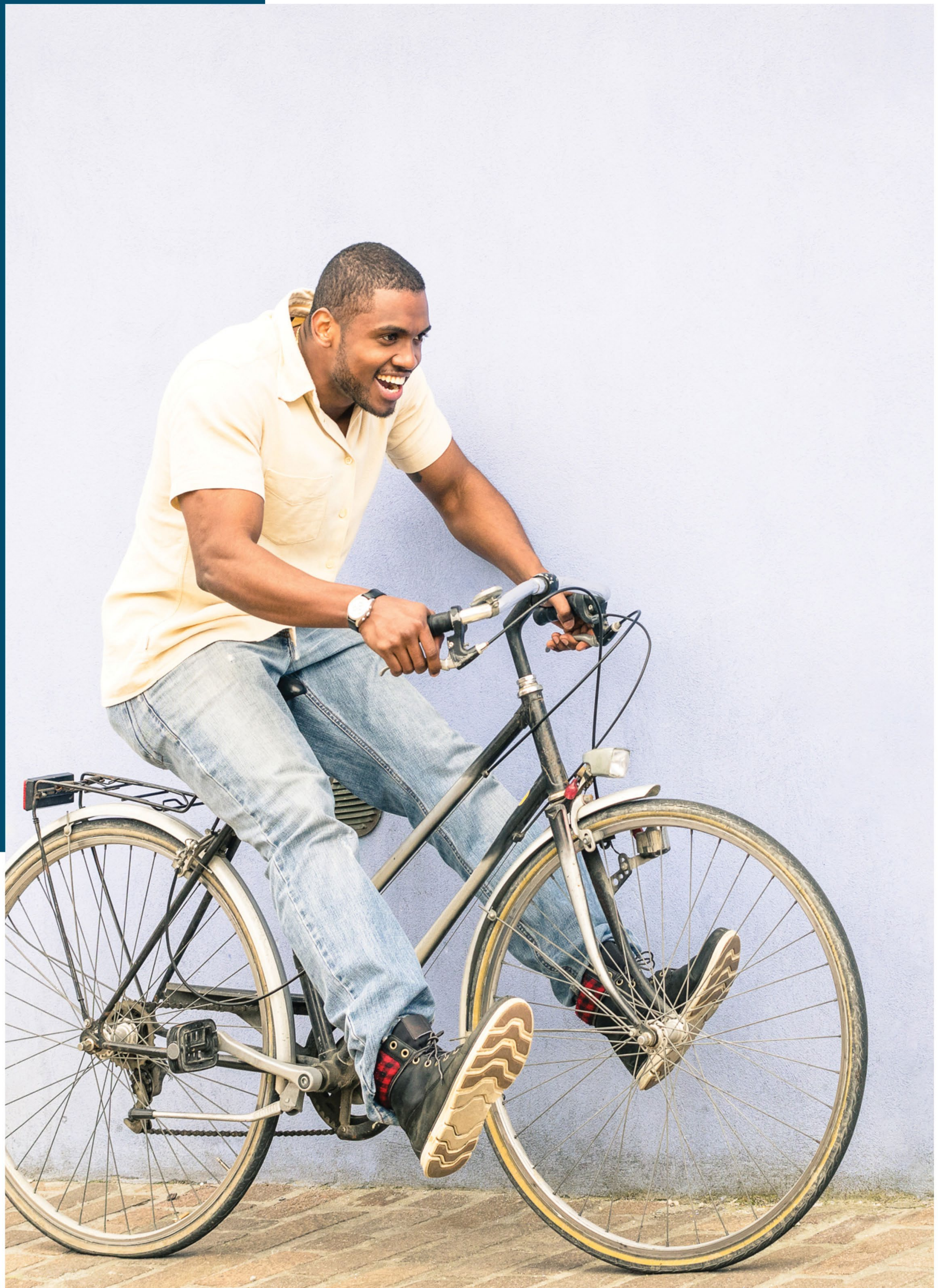
The going concern basis has been adopted in preparing the financial statements. The Board has no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Scheme.

The financial statements were approved by the Board of Trustees on 23 April 2020 and are signed on its behalf:

CM Mowatt	**RF Camphor**	**LB Dlamini**
Chairperson	Vice-Chairperson	Chief Executive Officer / Principal Officer

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

Statement of Corporate Governance by the Board of Trustees



Bestmed Medical Scheme is committed to the principles of fairness, independence, openness, integrity and accountability in all dealings with its stakeholders. The Board conducts all its affairs according to ethical values and within a recognised governance framework. The affairs of the Scheme are managed according to the Rules of the Scheme and also adhere to all aspects of governance, as required by the Medical Schemes Act 131 of 1998, as amended. The Board is also committed to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Governance (King IV).

BOARD OF TRUSTEES

The Board of Trustees consists of member representatives, who are nominated and elected by the members of the Scheme, and appointed members, who are elected by members of the Board of Trustees. The Board meets regularly and monitors the performance of the Scheme, their own performance and that of the Board subcommittees, against agreed terms of reference and performance targets. The Board addresses a range of key issues and ensures that discussion of items of policy, strategy and performance is critical, informed and constructive.

INTERNAL CONTROL

The adequacy and effectiveness of the internal controls are evaluated by internal auditors and, as and when required, experts are consulted for professional advice.

The Scheme maintains internal controls and accounting systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain adequate accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel, with the appropriate segregation of duties. The Board concludes performance agreements annually with managerial staff to evaluate the outcome of existing control measures.

CM Mowatt	**RF Camphor**	**LB Dlamini**
Chairperson	Vice-Chairperson	Chief Executive Officer / Principal Officer

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Report of the Board of Trustees

The Board of Trustees hereby presents its report for the year ended 31 December 2019

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of Registration

Bestmed Medical Scheme ("the Scheme") is a not-for-profit, open medical scheme, registered in terms of the Medical Schemes Act 131 of 1998, as amended ("Medical Schemes Act"), and complies with the Regulations made in terms of section 67 of the Medical Schemes Act, registration number 1252. The Scheme is self-administered and the administration accreditation number is 62.

1.2 Benefit Options

The Scheme offered thirteen benefit options for the year under review, ten original options and three Efficiency Discounted Options (EDOs). The EDOs are included in the original ten options for reporting purposes.

Beat1

Beat1 Network - EDO

Beat2

Beat2 Network - EDO

Beat3

Beat3 Network - EDO

Beat4

Pace1

Pace2

Pace3

Pace4

Pulse1

Pulse2

1.3 Savings Plan

In order to provide a facility for medical scheme members to set funds aside to meet future healthcare costs not covered in the benefit options, the Board of Trustees has made the savings plan option available for some of its benefit options.

Members pay an agreed sum into this savings account. These amounts differ per option and comprise the following percentage of gross contributions:

BENEFIT OPTION	PERCENTAGE
Beat1	None
Beat1 Network - EDO	None
Beat2	16%
Beat2 Network - EDO	16%
Beat3	16%
Beat3 Network - EDO	16%
Beat4	14%
Pace1	19%
Pace2	14%
Pace3	14%
Pace4	3%
Pulse1	None
Pulse2	None

Savings contributions are refundable upon a member enrolling in another benefit option or medical scheme without a personal medical savings account, or does not enrol in another medical scheme, in which case the money will be transferred to the member in terms of the Scheme Rules.

Unexpended savings amounts are accumulated for the long-term benefit of the member. Interest is payable on credit balances equal to the interest earned on cash and cash equivalents and money market funds invested and no interest is charged on savings advances to members.

The liability to the members in respect of the savings plan is reflected as a current liability in the financial statements, but constitute trust money and is managed on the members' behalf in terms of the Scheme Rules. All unspent personal medical savings balances are invested in a separate trust account and is not managed as part of the assets of the Scheme. This treatment of members savings accounts is consistent with prior years accounting treatment in line with guidance provided by The Council for Medical Schemes (CMS) which allows either for the recognition of members savings as assets of the Scheme or as member's funds.

Where a member cannot be traced within five years of the member leaving the Scheme and after all reasonable attempts at tracing the member have been made, any unclaimed personal medical savings account balances must be paid to the Guardian's Fund. The Scheme awaits further directive from The Council for Medical Schemes (CMS) pending their investigation as to the further treatment of these funds.

1.4 Risk Transfer Arrangements

The Scheme had the following risk transfer arrangements in 2019:

ER24 provided transportation or emergency medical response to the Scheme's members. Claims incurred and recoveries received were calculated based on utilisation figures obtained from ER24. The net income on the risk transfer arrangement was R4 840 183 (2018: R3 522 802).

Preferred Provider Negotiators provided members on the Beat3, Beat4 and all of the Pace and Pulse options with optical services which include consultations, frames, lenses and contact lenses. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Preferred Provider Negotiators. The net income on the risk transfer arrangement was R7 221 695 (2018: R8 590 758).

Bryte Insurance Company provided international transportation or emergency medical response to the Scheme's members. The Scheme contracted with Bryte Insurance at a rate of R2.47 per member. The total travel insurance paid to Bryte for 2019 was R2 800 973 (2018: R2 767 484).

Refer to Note 16 to the financial statements for further disclosure.

2. MANAGEMENT

2.1 Board of Trustees in office during the year under review:

2.1.1 ELECTED BY THE MEMBERS	TERM OF OFFICE
RF Camphor (Vice-Chairperson)	2015 - 2020
Prof PA Delport *Resigned 31 December 2019*	2015 - 2020
E Marx	2016 - 2020
A Hartzenberg	2018 - 2022
L Heyl	2018 - 2022
MJ Joubert	2018 - 2022

2.1.2 APPOINTED	TERM OF OFFICE
LB Dlamini *Resigned 21 May 2019*	2015 - 2019
GS du Plessis - CA(SA)	2018 - 2022
PM Kennedy	2015 - 2020
CM Mowatt - CA(SA) (Chairperson)	2015 - 2020
S Stevens	2018 - 2022
T Legobye	2018 - 2022

2.2 Principal Officer

LB Dlamini
Effective 01 July 2019

Acting Principal Officer

P van Zyl
Until 30 June 2019

2.3 Registered office address and postal address

Bestmed Medical Scheme

Block A
Glenfield Office Park
361 Oberon Avenue
Faerie Glen
Pretoria
0081

PO Box 2297
Pretoria
0001

2.4 Investment Advisors

Towers Watson (Pty) Ltd

Illovo Edge
1 Harries Road
Illovo
Johannesburg
2196

Postnet Suite 154
Private Bag x 1
Melrose Arch
2076

FSP number: 2545

2.5 Investment Managers

Coronation Asset Management (Pty) Ltd

Seventh Floor
Montclare Place
Cnr Campground and Main Road
Claremont
7708

PO Box 44684
Claremont
Cape Town
7735

FSP number: 548

Prudential Investment Managers South Africa (Pty) Ltd

5th Floor
Protea Place
40 Dreyer Street
Claremont
7708

PO Box 44813
Claremont
Cape Town
7735

FSP number: 45199

2.5 Investment Managers (continued)

Allan Gray Life Limited

1 Silo Square
V & A Waterfront
Cape Town
8001

PO Box 51605
V & A Waterfront
Cape Town
8002

FSP number: 6663

Investec Asset Management (Pty) Ltd

36 Hans Strijdom Avenue
Foreshore
Cape Town
8001

PO Box 1655
Cape Town
8000

FSP number: 587

Aluwani Capital Partners (Pty) Ltd

EPPF Office Park
24 Georgian Crescent East
Bryanston East
2152

Private Bag X 75
Bryanston
2021

FSP Number: 46196

ABAX Investment

Prescient House
Westlake Business Park
Otto Close
Westlake
7945

PO Box 31142
Tokai
7966

FSP Number: 856

2.6 Actuaries

Insight Actuaries & Consultants

Ground Floor
Block Central J
400 Central Park
16th Road
Midrand
1682

Private Bag X17
Halfway House
1685

2.7 Auditors

PricewaterhouseCoopers Inc.

4 Lisbon Lane
Waterfall City
Jukskei view
2090

Private Bag X36
Sunninghill
2157

3. INVESTMENT STRATEGY OF THE SCHEME

The Scheme's investment objectives are to maximise the return on its investments on a long-term basis at limited risk. The investment strategy takes into consideration the limitations imposed by the Medical Schemes Act and those imposed by the Board of Trustees.

The Investment Committee monitors the performance of the Scheme's investments in conjunction with the Scheme's investment advisors to ensure that maximum returns are achieved. Expert advice is obtained from Towers Watson to assist in developing an appropriate investment strategy and portfolio.

Given that the central purpose of the Scheme is to provide medical benefits to members, rather than to maximise investment returns, a moderate risk appetite is adopted. The Investment Committee believes the primary objective the Scheme needs to manage, is to earn a sufficient investment return in excess of inflation over a five-year period, without losing focus on downside capital protection over a one-year period. The Committee believes that risk should be managed in part by holding a diversified portfolio, with a significant proportion of the assets providing returns that offer protection against inflation over the longer term.

4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Solvency Ratio

The solvency ratio is calculated on the following basis:

	2019	2018
	R'000	R'000
Total members' funds per statement of financial position	2 122 148	1 771 305
Cumulative losses on remeasurement to fair value of financial instruments and property and equipment included in accumulated funds	-	-
Balance at beginning of year	-	500
Unrealised gain on revaluation of investment property in the statement of comprehensive income	-	(500)
Revaluation Reserves	(107 596)	(75 774)
Accumulated funds as per Regulation 29	2 014 552	1 695 531
Gross contributions	5 686 678	5 308 251
SOLVENCY RATIO	**35.43%**	**31.94%**

4.2 Results of Operations

The results of the operation of the Scheme are set out in the financial statements and the Board of Trustees believe that no further clarification is required. The objectives, policies and procedures for managing insurance risk and the method used to manage those risks are included in Note 36 to the financial statements.

4.3 Funds and Reserves Accounts

Movements in the reserves are set out in the Statement of Changes in Member Funds and Reserves. There have been no unusual movements that the Board of Trustees believe should be brought to the attention of the members of the Scheme.

4.4 Outstanding Claims

Movements on the outstanding claims provision are set out in Note 12 to the financial statements. The basis of calculation of the outstanding claims provision is discussed in Note 36 to the financial statements.

5. ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels, the outstanding claims provision as well as the IAS 19 retirement benefit obligations.

6. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998, AS AMENDED

6.1 Non-compliance with Section 26(4) of the Medical Schemes Act - Effect of registration (duplicate payments)

Section 26(4)(a) state that no amount shall be debited against the bank account of the Scheme other than payments by a medical scheme of any benefit, payable under the rules of a medical scheme. There were instances where the Scheme paid claims in excess of the claimed amount.

The anomalies, which were limited to a few transactions of immaterial amounts, were acknowledged and as a consequence thereof the Scheme has in conjunction with the IT Service provider enhanced the claims assessment process. In addition the Claims Manager conducts additional quality assessments via an improved management control report. The transactions as identified have been re-assessed and the duplicate payments recouped. Management is confident that the risk of recurrence has been mitigated via these additional controls.

6.2 Non-compliance with Section 26(7) of the Medical Schemes Act - Contributions not received within three days of becoming due

There were instances where the Scheme, in absence of any agreement or understanding, received contributions more than three days after due date. Contribution receivables are amounts receivable from individuals or employer groups and are collected by debit orders or cash payments. If not received within three days of due date, benefits of individuals are suspended and terminated if not received within 60 days. Employer group discrepancies are actively monitored and rectified on a monthly basis.

6.3 Non-compliance with Section 33(2)(b) of the Medical Schemes Act - Option self-sufficiency in terms of membership and financial performance be financially sound

The Medical Schemes Act stipulates that a benefit option shall be self-supporting in terms of membership and financial performance. During the year under review five benefit options of the Scheme, namely Pace2, Pace3, Pace4, Pulse1 and Pulse2 made a net healthcare deficit.

After accounting for other income Pace2, Pace4, Pulse1 and Pulse2 options showed a net deficit.

The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The different financial results reflect the different disease burdens in each option, among many other factors.

The strategy on sustainability of options has to balance short- and long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs.

The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not only on individual options.

6.4 Non-compliance with Section 35(6)(a) of the Medical Schemes Act - Borrowings

Section 35(6)(a) states that "A medical scheme shall not encumber its assets."

The Scheme registered as a financial service provider with the Financial Sector Conduct Authority (FSCA). Registration number 44058. The FSCA required a guarantee of R1 million in terms of section 8(7) of the FSCA Board notice 106 of 2008.

In addition, the terms of the Scheme building lease agreement required a guarantee to an amount of R2,3 million.

The Scheme's banker issued these guarantees as part of the Scheme's banking facilities.

The Scheme has obtained exemption from the Council for section 35(6)(a) effective until 1 April 2020, and has applied for re-exemption on 19 February 2020.

6.5 Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act - Investments in employers, administrators employer groups

Section 35(8) of the Medical Schemes Act states that "A medical scheme shall not invest any of its assets in the business of or grant loans to (a) an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme; (b) any other medical scheme; (c) any administrator and (d) any person associated with any of the above."

Due to some of the Scheme's employer groups being listed on the JSE, investments were made in certain of its employer groups listed on the JSE through the portfolios of the investment products the Scheme utilises. This is also applicable to a JSE listed medical scheme administrators and groups.

The Council for Medical Schemes has granted the Scheme an exemption from Section 35(8)(a), (c) and (d) of the Medical Schemes Act effective until November 2022.

6.6 Non-compliance with Section 65(3) of the Medical Schemes Act - Broker services and commission

Section 65(3) of the Act states: "No person shall be compensated for providing services relating to the introduction or admission of a member to a medical scheme in terms of subsection (1) unless the Council has, in a particular case or in general, granted accreditation to such a person."

During Internal audits review in 2019 it was noted that two (2) brokerages were paid on behalf of the broker, whose CMS accreditation expired during September 2019.

These exceptions have arisen as a result of a system enhancement that is yet to be implemented. The enhancement will distinguish the payment of commissions on a broker level and not on a brokerage level. Although the commission paid to the two (2) brokerages were not material, management has requested that this development be prioritised and in the interim all exceptions are being monitored and addressed accordingly.

6.7 Non-compliance with Regulation 8 of the Medical Schemes Act and Scheme Rule 13.5.4 - Prescribed Minimum Benefits claims paid from savings

Regulation 8 of the Medical Schemes Act No 31 of 1998, as amended, states the following:

"(1) Subject to the provisions of the regulation, any benefit option that is offered by a Medical Scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions."

Furthermore Rule 13.5.4 of the Scheme Rules states that: "The balance standing to the credit of a Member in terms of any option which provides for individual medical savings accounts shall be for the exclusive benefit of the Member and his Dependants: Provided that such savings account; shall not be used to pay for the costs of prescribed minimum benefits".

It was noted that certain prescribed minimum benefit (PMBs) claims were incorrectly paid from savings. The adjustments reversing the amounts into the members savings were subsequently effected.

7. RELATED PARTY TRANSACTIONS

Refer to related parties disclosure in Note 31 to the financial statements, and trustee remuneration disclosure in Note 30 to the financial statements.

8. CORPORATE GOVERNANCE

The Scheme through its Board is committed to the principles of fairness, ethical conduct, integrity, accountability and good governance in all its dealings with stakeholders. The Scheme aspires to fully comply to all aspects of good governance as espoused in the Medical Schemes Act and its regulations as amended.

Following the Section 44 of the Medical Schemes Act inspection conducted by the CMS via a service provider appointed by the Regulator against Bestmed in 2016, the Scheme has received no further correspondence to date from the Council pursuant to its submission of its comments to the report.

During 2019, the Board relied on the committees listed below to oversee different aspects of the Scheme's operations. The Committees do not assume the functions of management, these remain the responsibility of the Acting Principal Officer up to 30 June 2019 and the Principal Officer from 1 July 2019 and other members of senior management. Further information is provided below on each committee of the Board:

AUDIT COMMITTEE

The Scheme has an Audit Committee in accordance with the provisions of the Medical Schemes Act.

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 five members of which two are members of the Board of Trustees. The majority of the members, including the Chairperson, are not officers of the Scheme. Except for two "in committee" meetings, the Principal Officer, internal and external auditors, attended all Audit Committee meetings and have unrestricted access to the Chairperson of the Committee.

The Committee met four times during the year and comprised the following members:

GS du Plessis - CA(SA)	Trustee member
CM Mowatt - CA(SA)	Trustee member Resigned 12 June 2019
L Heyl	Trustee member Effective 12 June 2019
G Nzalo - CA(SA)	Independent member - Chairperson
H Wolmarans - CA(SA)	Independent member
S Thomas - CA(SA)	Independent member

RISK MANAGEMENT COMMITTEE

The role of the Committee is to ensure that the Scheme has implemented an effective policy and plan for risk management that will enhance the Scheme's ability to achieve its strategic objectives and that disclosure regarding risk is comprehensive, timely and relevant. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties. The Principal Officer, Chairperson of the Audit Committee, and senior management attend meetings of the committee.

The Committee met four times during the year and comprised the following members:

PM Kennedy	Trustee member - Chairperson
L Heyl	Trustee member
CM Mowatt - CA(SA)	Trustee member
S Stevens	Trustee member
G Nzalo - CA(SA)	Independent member

INVESTMENT COMMITTEE

The role of the Committee is to advise the Board of Trustees and Management on the best possible investment of the Scheme's resources available for that purpose, amendments to, or the re-investment of existing investments and possible steps that may be considered in respect of the investment of available funds. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties. The Principal Officer and senior management attend meetings of the Committee.

The Committee met four times during the year and comprised the following members:

GS du Plessis - CA(SA)	Trustee member - Chairperson Effective 12 June 2019
CM Mowatt - CA(SA)	Trustee member
A Hartzenberg	Trustee member
M Joubert	Trustee member
PM Kennedy	Trustee member

8. CORPORATE GOVERNANCE (CONTINUED)

REMUNERATION AND HUMAN RESOURCES COMMITTEE

The role of the Committee is to ensure that the remuneration policy and practices are regularly reviewed, that the Scheme remunerates the Board of Trustees, senior management and its employees fairly and responsibly and that disclosure of trustee and senior management remuneration is accurate, complete and transparent. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties.

The Committee met three times during the year and comprised the following members:

Prof PA Delport	Trustee member - Chairperson Resigned 31 December 2019
RF Camphor	Trustee member
LB Dlamini	Trustee member Resigned 21 May 2019
E Marx	Trustee member
M Joubert	Trustee member Effective 12 June 2019

DISPUTE COMMITTEE

The role of the Dispute Committee is to adjudicate medical aid claim related disputes concerning membership status and medical scheme benefits of a member that may arise against the Scheme. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties.

The Committee did not meet during the year as a result of no medical aid related disputes being referred. The committee comprised of the following members:

Dr D Kapp	Independent member
Adv JJ Labuschagne	Independent member - Chairperson Resigned 31 December 2019
J van den Heever	Independent member Effective 18 September 2019

SOCIAL AND ETHICS COMMITTEE

The role of the Committee is to oversee and monitor, rather than be responsible for the implementation of operational responsibilities for which Executive Management is accountable. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties.

The Committee met twice during the year and comprised the following members:

A Hartzenberg	Trustee member
E Marx	Trustee member
T Legobye	Trustee member - Chairperson

9. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Trustees and Management of the Scheme acknowledges that these are challenging times post year-end. Subsequent to the reporting date and prior to the date the financial statements were authorised for issue, the President of South Africa declared a national state of disaster as a result of the global COVID-19 pandemic on 15 March 2020. The ability to limit the impact of COVID-19 particularly, hinges critically on the Board of Trustees and Management, as funders of healthcare services to function responsibly and effectively amidst the adversities faced. Refer to Note 33 of the financial statements for further disclosure.

10. GOVERNANCE IN TERMS OF THE MEDICAL SCHEMES ACT 131 OF 1998, AS AMENDED

COUNCIL FOR MEDICAL SCHEME INVESTIGATION

During the 2016 financial period and following the forensic investigation carried out by KPMG in 2015 as per the instruction of the Board, the Council for Medical Schemes (CMS) ordered a further inspection in terms of section 44 of the Medical Schemes Act against Bestmed. The CMS appointed Ligwa Advisory Services to carry out this inspection, which addressed materially the same subjects as the forensic investigation ordered by the Board of Trustees in 2015.

The Scheme still awaits a final report together with any directives from the CMS, after making its formal representation in February 2018 on the content of the draft report issued by Ligwa on behalf of the CMS. The final report will be dealt with upon receipt by Bestmed on a date to be advised by the CMS.

11. AMALGAMATIONS

The Scheme is currently involved in an amalgamation process with Grintek Electronic Medical Aid Scheme (GEMAS). The process is expected to be completed subject to mandatory approvals by mid-year 2020.

12. TRUSTEE MEETING ATTENDANCE

The following schedule sets out Board of Trustees meeting attendances and attendances by members of Board subcommittees. Trustee remuneration is disclosed in Note 30 to the financial statements.

A - Total possible number of meetings that could have been attended.

B - Actual number of meetings attended.

Trustee member	Board meetings		Audit Committee		Risk Committee		Investment Committee		Remuneration and Human Resource Committee		Social and Ethics Committee	
	A	B	A	B	A	B	A	B	A	B		
RF Camphor	7	7							3	3		
Prof PA Delport	7	7							3	3		
LB Dlamini Resigned 21 May 2019	2	2							2	2		
GS du Plessis	7	7	4	3			4	4				
A Hartzenberg	7	7					4	4			2	2
L Heyl	7	7	2	2	4	4						
M Joubert	7	6					4	4	1	1		
PM Kennedy	7	7			4	4	4	4				
T Legobye	7	7									2	2
E Marx	7	7							3	3	2	2
CM Mowatt	7	7	2	2	4	4	4	3	0	1		
S Stevens	7	7			4	3						

Independent members	Audit Committee		Risk Committee	
	A	B	A	B
G Nzalo - CA(SA) Chairperson of Audit committee	4	4	4	3
H Wolmarans - CA(SA)	4	3		
S Thomas - CA(SA)	4	4		

13. OPERATIONAL STATISTICS PER BENEFIT OPTION

2019	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	6 146	28 651	7 279	3 794	29 065	9 399	5 349	2 360	2 409	592	**95 044**
Average number of members for the accounting period	5 942	27 751	7 227	3 894	29 298	9 509	5 393	2 413	2 480	620	**94 527**
Dependants at 31 December	6 404	28 914	7 728	4 084	42 485	6 941	5 025	1 179	1 380	113	**104 253**
Average number of dependants for the accounting period	6 188	27 887	7 569	4 199	42 571	7 090	5 137	1 223	1 445	120	**103 429**
Average beneficiaries for the accounting period	12 130	55 638	14 796	8 093	71 869	16 599	10 530	3 637	3 925	740	**197 956**
Ratio of average dependants at 31 December	1.04	1.00	1.05	1.08	1.45	0.75	0.95	0.51	0.58	0.19	**1.09**
Average age of beneficiaries for the accounting period	35.85	30.41	36.79	45.08	33.94	54.94	54.04	64.14	46.86	78.67	**37.40**
Ratio of beneficiaries older than 65 years	8.92%	3.47%	12.04%	21.06%	8.68%	39.82%	38.31%	57.02%	26.97%	90.64%	**13.53%**
Risk contribution per average member per month	2 433	2 340	3 584	5 862	4 671	6 534	7 694	9 980	2 808	6 229	**4 269**
Risk contribution per average beneficiary per month	1 192	1 167	1 750	2 821	1 904	3 743	3 940	6 622	1 774	5 221	**2 038**
Healthcare expenditure per average member per month	1 751	1 770	3 057	5 219	3 778	6 501	7 405	10 402	2 786	6 409	**3 706**
Healthcare expenditure per average beneficiary per month	858	883	1 493	2 511	1 540	3 724	3 792	6 902	1 761	5 372	**1 770**
Relevant healthcare expenditure as a percentage of risk contributions	72.0%	75.7%	85.3%	89.0%	80.9%	99.5%	96.2%	104.2%	99.2%	102.9%	**86.8%**
Non-healthcare expenditure per average member per month	367	373	382	356	400	378	406	370	361	317	**383**
Non-healthcare expenditure per average beneficiary per month	180	186	187	171	163	217	208	246	228	266	**183**
Non-healthcare expenditure as a percentage of risk contributions	15.10%	15.94%	10.66%	6.07%	8.56%	5.79%	5.27%	3.71%	12.86%	5.09%	**8.96%**

2018	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	5 685	25 735	7 157	4 290	29 091	9 829	5 554	2 606	2 731	664	**93 342**
Average number of members for the accounting period	5 687	25 202	7 144	4 421	29 405	9 977	5 613	2 662	2 818	705	**93 635**
Dependants at 31 December	5 923	26 469	7 514	4 730	42 317	7 643	5 417	1 395	1 629	134	**103 171**
Average number of dependants for the accounting period	5 960	25 958	7 455	4 890	42 517	7 830	5 546	1 446	1 708	145	**103 454**
Average beneficiaries for the accounting period	11 646	51 160	14 599	9 311	71 922	17 807	11 159	4 108	4 526	850	**197 088**
Ratio of average dependants at 31 December	1.05	1.03	1.04	1.11	1.45	0.78	0.99	0.54	0.61	0.21	**1.10**
Average age of beneficiaries for the accounting period	35.49	29.97	36.63	44.44	33.58	53.59	52.65	62.78	44.90	77.73	**37.33**
Ratio of beneficiaries older than 65 years	8.62%	3.32%	12.05%	19.97%	8.00%	37.28%	35.57%	53.04%	23.58%	89.10%	**13.38%**
Risk contribution per average member per month	2 246	2 172	3 285	5 328	4 226	5 983	6 995	9 142	2 583	5 520	**3 986**
Risk contribution per average beneficiary per month	1 097	1 070	1 607	2 530	1 728	3 352	3 519	5 924	1 608	4 578	**1 894**
Healthcare expenditure per average member per month	1 897	1 714	3 017	4 635	3 522	5 842	6 724	9 577	2 520	5 980	**3 550**
Healthcare expenditure per average beneficiary per month	926	844	1 477	2 201	1 440	3 273	3 382	6 206	1 569	4 959	**1 687**
Relevant healthcare expenditure as a percentage of risk contributions	84.4%	78.9%	91.9%	87.0%	83.4%	97.7%	96.1%	104.8%	97.6%	108.3%	**89.1%**
Non-healthcare expenditure per average member per month	345	350	357	331	374	353	381	344	337	296	**358**
Non-healthcare expenditure per average beneficiary per month	168	172	174	157	153	198	192	223	210	245	**170**
Non-healthcare expenditure as a percentage of risk contributions	15.35%	16.11%	10.85%	6.21%	8.85%	5.90%	5.45%	3.77%	13.06%	5.35%	**8.98%**

OPERATIONAL STATISTICS FOR THE SCHEME

	2019	2018
Average accumulated funds per average member at 31 December	22 771	18 738
Average accumulated funds per average beneficiary at 31 December	10 771	8 895
Return on investments as a percentage of investments	6.72%	6.10%
Administration and other operative expenses as a percentage of gross contributions	6.08%	6.05%

REPORT OF THE BOARD OF TRUSTEES

Independent Auditor's report

Independent Auditor's Report

To the Members of Bestmed Medical Scheme

Report on the financial statements

Opinion

We have audited the financial statements of Bestmed Medical Scheme (the Scheme), set out on pages 30 to 95, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in members' funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 December 2019, 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 Schemes Act of South Africa.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Scheme in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Outstanding claims provision The outstanding claims provision of R152,500,000 at year-end as described in Note 12 to the financial statements, is a provision recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end. The outstanding claims provision is calculated by the Scheme's actuaries which is reviewed by management. The Audit Committee reviews the outstanding claims provision as part of their review of the financial statements which is recommended to the Board of Trustees for approval. The Scheme's actuaries use an actuarial model, based on the Scheme's actual claim development patterns throughout the year, to project the year-end provision. This model applies the Basic Chain Ladder model ("BCL method"). The claim service date, processing date and amount are used to derive claim development patterns. These historical patterns are then used to estimate the outstanding claims provision. We identified this to be a matter of most significance to the audit because of the uncertainty in the projected claims pattern. A change in the projected claims pattern can cause a material change to the amount of the provision.	We obtained an understanding from the Scheme's actuaries and management regarding the process to calculate the outstanding claims provision. The actuarial model applied by the Scheme is one that is generally applied within the medical scheme industry. We obtained the actual claims data from the member administration system covering the year ended 31 December 2019. For a sample of actual claims received by the Scheme in the 31 December 2019 financial year, we tested the accuracy of the service and process dates. No material inconsistencies were noted. We substantively tested a sample of claims against the relevant Scheme rules and assessed completeness of the claims data. The claims data that was included in the Scheme's actuarial model was agreed to the above actual claims data with no material inconsistencies noted. To assess the reasonableness of the Scheme actuaries' estimation process, we compared the actual claim results in the current year to the prior year provision. Based on our assessment, the estimation process was considered reasonable. We have evaluated management's experts by assessing their competence, capability, and objectivity and noted no aspects requiring further consideration. We also obtained the outstanding claims provision report from the Scheme's actuaries and assessed whether the inputs, assumptions, methodology and findings per the report were consistent with our testing above. Based on the results of our assessment we accepted the inputs, assumptions, methodology and findings as reasonable. We obtained the actual run - off report up to end 31 March 2020 from the Scheme's management. For a sample of claims from the report, we tested the occurrence and accuracy of the claims as well as the accuracy of the related service dates and we noted no material inconsistencies. We enquired from the Scheme's management whether there were delays in processing claims at year end that could impact the claims run off pattern subsequent to year end. Management confirmed that there were no such delays.

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the Bestmed Medical Scheme Annual Financial Statements for the year ended 31 December 2019. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Scheme's Trustees for the Financial Statements

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

In preparing the financial statements, the Scheme's trustees are responsible for assessing the Scheme'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 Scheme's trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report the following material instance of non-compliance with the requirements of the Medical Schemes Act of South Africa, as amended, that have come to our attention during the course of our audit:

Section 33 (2)(b) of the Medical Schemes Act of South Africa: Certain benefit options were not self-supporting in terms of financial performance, as disclosed in note 34 of the financial statements.

Audit Tenure
As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of Bestmed Medical Scheme for 51 years.

The engagement partner, Johannes Grové, has been responsible for Bestmed Medical Scheme's audit for 6 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JJ Grové
Registered Auditor
Johannesburg
29 April 2020

2019 Financial Statements

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Notes	2019	2018
		R	R
ASSETS			
Non-current assets		**1 792 180 460**	**1 510 164 279**
Property and equipment	2; 6	27 079 029	24 598 586
Intangible assets	4	9 358 781	9 791 025
Financial assets at fair value through profit or loss	5(a)	1 579 164 179	1 308 339 644
Financial assets at fair value through Other comprehensive income	5(b)	176 578 471	167 435 024
Current assets		**1 517 845 260**	**1 361 352 162**
Financial assets at fair value through profit or loss		1 164 476 599	878 348 268
Scheme	5(a)	496 496 269	358 313 714
Personal medical savings account trust monies invested	5(a)	667 980 330	520 034 554
Financial assets at fair value through Other comprehensive income	5(b)	-	133 498
Trade and other receivables	7	121 955 698	265 762 863
Cash and cash equivalents		231 412 963	217 107 533
Scheme	9	117 911 183	16 775 115
Personal medical savings account trust monies invested	9	113 501 780	200 332 418
Total assets		**3 310 025 720**	**2 871 516 441**
FUNDS AND LIABILITIES			
Members' Funds		**2 122 148 396**	**1 771 305 337**
Accumulated funds		2 132 167 526	1 775 599 276
Revaluation Reserve - Financial assets at fair value through Other comprehensive income		(10 019 130)	(4 293 939)
Non-current liabilities		**16 736 925**	**11 712 158**
Retirement benefit obligations	10	11 903 903	11 712 158
Lease liability	6	4 833 022	-
Current liabilities		**1 171 140 399**	**1 088 498 946**
Personal medical savings account trust liability	11	805 552 798	736 004 819
Outstanding claims provision	12	150 072 214	165 676 037
Lease liability	6	10 349 063	-
Trade and other payables	13	205 166 323	186 818 090
Total funds and liabilities		**3 310 025 720**	**2 871 516 441**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		R	R
RISK CONTRIBUTION INCOME	14	**4 842 034 239**	**4 479 138 426**
Relevant healthcare expenditure		**(4 204 344 791)**	**(3 989 323 832)**
Net claims incurred	15	(4 216 406 669)	(4 001 437 392)
Risk claims incurred	15	(4 104 189 506)	(3 903 152 564)
Third party claims recoveries	15	7 230 154	8 603 947
Accredited managed healthcare services	15	(119 447 317)	(106 888 775)
Net income/(expense) on risk transfer arrangements		12 061 878	12 113 560
Risk transfer arrangement premiums paid	16	(89 392 049)	(86 467 640)
Recoveries from risk transfer arrangements	16	101 453 928	98 581 199
Gross healthcare result		**637 689 448**	**489 814 594**
Broker service fees and other distribution fees	17	(80 578 114)	(74 831 727)
Administration and other operative expenses	18	(345 624 050)	(321 011 058)
Net impairment losses on healthcare receivables	19	(7 725 965)	(6 392 567)
Net healthcare result		**203 761 319**	**87 579 243**
Other income		**212 516 932**	**158 060 867**
Investment income		211 756 335	156 759 887
Scheme	20	160 744 582	112 889 958
Personal medical savings account trust monies invested	20;22	51 011 753	43 869 929
Sundry income	21	760 597	1 300 980
Other expenditure		**(66 585 184)**	**(57 948 920)**
Interest paid on personal medical savings trust accounts	22	(51 011 753)	(43 869 929)
Interest expense	23	(1 556 048)	-
Asset management fees	24	(5 245 262)	(5 903 824)
Own facility net expenditure	25	(8 772 121)	(8 061 316)
Other losses	26	-	(113 852)
NET SURPLUS FOR THE YEAR		**349 693 067**	**187 691 190**
Other comprehensive income		**1 149 992**	**(28 556 455)**
Fair value adjustment on financial assets through other comprehensive income		1 149 992	(28 556 455)
Realised gains on financial assets at fair value through other comprehensive income	20	(6 875 183)	(23 317 540)
Reclassification adjustment on realised gains/(loss)	20	6 875 183	23 317 540
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**350 843 059**	**159 134 735**

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Accumulated Funds	Available-for-sale Revaluation Reserve	Revaluation Reserve - OCI	Total members' funds
		R	R	R	R
Balance as at 31 December 2017		**1 477 874 327**	**134 296 275**	**-**	**1 612 170 602**
Change in accounting policy		86 716 219	(134 296 275)	47 580 056	-
Net surplus for the year		187 691 190	-	-	187 691 190
Other comprehensive income		23 317 540	-	(51 873 995)	(28 556 455)
Fair value adjustment on financial assets through other comprehensive income		-	-	(28 556 455)	(28 556 455)
Realised gains on financial assets at fair value through other comprehensive income	20	23 317 540	-	(23 317 540)	-
Balance as at 31 December 2018		**1 775 599 276**	**-**	**(4 293 939)**	**1 771 305 337**
Net surplus for the year		349 693 067	-	-	349 693 067
Other comprehensive income		6 875 183	-	(5 725 191)	1 149 992
Fair value adjustment on financial assets through other comprehensive income		-	-	1 149 992	1 149 992
Realised gains on financial assets at fair value through other comprehensive income	20	6 875 183	-	(6 875 183)	-
Balance as at 31 December 2019		**2 132 167 526**	**-**	**(10 019 130)**	**2 122 148 397**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts from members - Contributions	29	4 816 780 425	4 453 880 383
Cash Receipts from members and providers	29	(5 366 153)	(7 656 434)
Cash Receipts from members and providers - Other loans and Receivables	29	(4 998 834)	2 721 258
Other loans and Receivables	29	171 700 000	(171 700 000)
Cash paid to providers and employees - claims	29	(4 203 794 082)	(3 920 854 355)
Cash paid to providers and employees - non healthcare expenditure	29	(404 035 977)	(386 135 581)
Increase in personal savings account liabilities		69 547 979	75 014 350
Cash generated from operations		439 833 359	45 269 621
Interest paid		(52 567 801)	(43 869 929)
Scheme		(1 556 048)	-
Interest paid on members' personal medical savings account trust monies	22	(51 011 753)	(43 869 929)
Net cash flows from operating activities		**387 265 558**	**1 399 692**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of investments		(371 325 098)	(207 937 256)
Increase in personal medical savings trust financial assets		(147 945 776)	(39 245 425)
Purchase of property and equipment	2;6	(4 366 378)	(8 693 774)
Proceeds from disposal of property and equipment	2;21;26	109 620	632 363
Proceeds from disposal of investment property	3;26	-	1 500 000
Increase in intangible assets	4	(725 630)	(4 007 506)
Interest income		153 233 310	136 596 233
Scheme	20	102 221 557	92 726 304
Interest received on personal medical savings account trust monies invested	22;24	51 011 753	43 869 929
Dividend income	20	12 981 077	16 269 198
Net cash flows utilised in investing activities		**(358 038 874)**	**(104 886 168)**
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in lease liability	6	(14 921 254)	-
Net cash flows from financing activities		**(14 921 254)**	**-**
Net increase in cash and cash equivalents		14 305 430	(103 486 476)
Cash and cash equivalents at beginning of year	9	217 107 533	320 594 010
CASH AND CASH EQUIVALENTS AT END OF YEAR		**231 412 963**	**217 107 533**
CASH AND CASH EQUIVALENTS		**231 412 963**	**217 107 533**
Scheme		117 911 183	16 775 115
Personal medical savings account trust monies invested		113 501 780	200 332 418

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

1. ACCOUNTING POLICIES

Bestmed Medical Scheme is an open medical scheme registered under the Medical Schemes Act 131 of 1998, as amended. The Scheme is self-administered and offers the insurance of hospital, chronic illness and day-to-day cover benefits.

1.1 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies.

The areas involving a higher degree of judgement, or areas where estimates are significant to the financial statements, are disclosed in Note 32.

The financial statements are prepared on a going concern basis using the historical cost convention, except for certain financial assets and liabilities which include:

- Financial assets at fair value through profit & loss;
- Financial assets at fair value through other comprehensive income;
- Financial instruments classified as originated loans carried at amortised cost; and
- Investment property.

All monetary information and figures presented in these financial statements are stated in Rand, unless otherwise indicated.

The following amended standards are expected to be applicable to the Scheme in the current and/or future periods:

The Scheme has not early adopted these standards and it is not expected that they will have any material impact to the Scheme's results but may result in additional disclosure in the financial statements.

International Financial Reporting Standards and amendments effective for the first time for 31 December 2019 year-end

Number	Effective date	Executive summary	Impact
Amendment to IFRS 9 - 'Financial instruments', on: - prepayment features with negative compensation and - modification of financial liabilities.	1 January 2019	The narrow-scope amendment covers two issues: • The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. • How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.	The amendment does not have an impact on the Scheme, as the Scheme does not have prepayments with negative compensation and renegotiated liabilities
IFRS 16, 'Leases'	1 January 2019	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.	Material to the Scheme as the Scheme has rentals. Refer to Note 1.12 and 6 in the Financial Statements.

International Financial Reporting Standards and amendments effective for the first time for 31 December 2019 year-end (continued)

Number	Effective date	Executive summary	Impact
IFRS 16, 'Leases' (continued)		For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases - Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.	

International Financial Reporting Standards, interpretations and amendments issued but not effective for 31 December 2019 year-end

Number	Effective date	Executive summary	Impact
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors'on the definition of material.	1 January 2020	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • Clarify the explanation of the definition of material; and • Incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."	Material to the Scheme as materiality is central to reporting
IFRS 17, 'Insurance contracts	1 January 2023	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.	The amendment is to be applied when applicable

1.2 PROPERTY AND EQUIPMENT

Property and equipment are reflected at cost less accumulated depreciation and accumulated impairments. Subsequent costs 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 Scheme and the cost of the item can be measured reliably. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into account the assets' residual values. The estimated maximum useful lives are:

Furniture	10 years
Leasehold improvements	Between 5 and 7 years
Computer equipment	Between 3 and 6 years
Office equipment	Between 3 and 5 years
Medical equipment	10 years
Motor vehicles	5 years
Security equipment	5 years
Telephone system	3 years

The useful lives and residual values are assessed annually and adjusted appropriately. Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised in the statement of comprehensive income.

Surpluses and deficits on the disposal of property and equipment are recognised in the statement of comprehensive income.

Carrying amounts of all items of property and equipment are reduced to their recoverable amount, where this is lower than the carrying amount. Where components of an item of property and equipment have different useful lives, they are accounted for as separate items.

1.3 INVESTMENT PROPERTY

Property held for long-term rental yields that is not occupied by the Scheme is classified as investment property. Investment property is held to appreciate capital value or to earn rental income.

The Investment property comprises freehold land and is accounted for by means of the fair value model and is carried at market value. This is determined annually at the statement of financial position date by external independent professional valuers. Fair value adjustments are included in the net surplus or deficit for the period.

Investment properties carried at fair value are not subject to depreciation.

1.4 INTANGIBLE ASSETS

Computer software internally developed

Costs associated with researching or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Scheme are recognised as intangible assets when the following criteria are met as per IAS38:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as expenses as and when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

Intangible assets that have an indefinite useful life or that are not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 an asset's fair value less costs of disposal and value in use.

Intangible assets are reflected at cost less accumulated amortisation and accumulated impairments. Amortisation begins once the assets are ready for use or to sell on the straight-line basis over the estimated useful lives of the assets after taking into account the assets' residual values.

1.5 CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised on the Scheme's statement of financial position when it becomes a party to the contractual provisions of the instrument.

The Scheme classifies its financial instruments into the following categories: financial assets, loans and receivables and financial liabilities measured at amortised cost. The Scheme has grouped its financial instruments into the following classes:

- Financial assets;
- Loans and receivables;
- Trade and other receivables;
- Cash and cash equivalents;
- Trade and other payables; and
- Members' personal medical savings accounts.

1.6 FINANCIAL ASSETS: INITIAL AND SUBSEQUENT MEASUREMENT

Classification

The Scheme classifies its financial assets in the following categories: at fair value through profit or loss, at fair value through other comprehensive income and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss (FVPL)

Debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income.

Equity investments that are held for trading and equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(b) Financial assets at fair value through other comprehensive income (FVTOCI)

Equity instruments which are not held for trading, and which the Scheme has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Scheme considers this classification to be more relevant.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Scheme's business model is achieved both by collecting contractual cash flows and selling financial asset or debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI).

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.

(c) Amortised cost (AC)

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as current assets. The Scheme's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Scheme holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1.6 FINANCIAL ASSETS: INITIAL AND SUBSEQUENT MEASUREMENT (continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Scheme commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Scheme has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Scheme measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement

Despite the aforegoing, the Scheme may make the following irrevocable election/designation at initial recognition of a financial asset:

The Scheme may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

The Scheme may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Derecognition

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Scheme's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Scheme classifies its debt instruments, i.e. AC, FVTOCI and FVTPL.

(b) Equity instruments

The Scheme subsequently measures all equity investments at fair value. Where the Scheme's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Scheme's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. In relation to the impairment of financial assets an expected credit loss model is required. The expected credit loss model requires the Scheme 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Scheme recognises a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at FVTOCI;
- Lease receivables;
- Loans and receivables;
- Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

The Scheme measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Scheme is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

1.7 TRADE AND OTHER RECEIVABLES

Insurance contracts - IFRS 4:

A medical benefit plan or contract entered into with a member is an insurance contract as defined by IFRS 4, to the extent that:

- It transfers a risk other than a financial risk to the Scheme (for example, the risk that the member may seek medical treatment);
- There is no certainty as to whether the member will seek medical treatment; when the member will seek medical treatment; or how much will be payable by the medical scheme if the member seeks medical treatment; and
- The member (i.e. policyholder) is adversely affected by the insured event (i.e. it costs the member money to seek medical treatment in the event of illness) and the medical scheme agrees to compensate the member for these costs.

The Scheme holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Receivables arising from insurance contracts are reviewed for impairment as part of the impairment review of loans and receivables.

Impairment:

The Scheme assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, of which the majority represents insurance receivables as disclosed in note 7, the Scheme does not apply the impairment guidelines as outlined in IFRS 9, as insurance receivables are not included in the scope of IFRS 9. The accounting policy for impairment as indicated under Note 1.11, is still applied.

1.8 CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell.

1.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition.

1.10 IMPAIRMENT OF FINANCIAL ASSETS

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of fair value less the cost to sell, and the value in use.

Financial assets carried at amortised cost

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

The Scheme first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Scheme 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 on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) 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 statement of

1.10 IMPAIRMENT OF FINANCIAL ASSETS (continued)

Financial assets carried at amortised cost (continued)

comprehensive income. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Scheme may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

Financial assets carried at fair value

The Scheme assesses at each statement of financial position date whether there is objective evidence that a financial asset is impaired. For debt securities, the Scheme uses the criteria referred to above. In the case of equity investments classified as financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evident that the assets are impaired. If any such evidence exists for financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not subsequently reversed. The impairment loss is reversed through the statement of comprehensive income, if in a subsequent period, the fair value of a debt instrument classified as financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Impairment losses

The carrying amounts of the Scheme's assets, other than investment property, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

1.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.12 LEASES

IFRS 16 Leases (effective 1 January 2019) was adopted for the first time and addresses the establishment of principles for the recognition, measurement, presentation and disclosure of all lease arrangements within the scope of the standard. Under the new standard, an asset (the right to use the leased item) and the liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

In applying IFRS 16 for the first time, the Scheme has used the yearly escalation per the lease contracts as the discount rate.

The Scheme elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the date of initial application, the Scheme relied on its assessment made applying IAS 17 and IFRIC 4.

Agreements where the counterparty retains control of the underlying asset are classified as leases. The Scheme leases various offices and office equipment. Until the 2018 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Scheme. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest, the annual escalation rate, on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Offices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to seven years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments.

1.13 FINANCIAL LIABILITIES - INITIAL AND SUBSEQUENT MEASUREMENT

Financial liabilities are initially recognised at fair value net of transaction costs incurred. After initial recognition, financial liabilities are measured at fair value, with gains and losses through income. The fair value is determined as the present value of cash flows required to settle the liabilities. However, due to their short-term maturities, their fair value approximates cost. In addition, the Scheme is not permitted to borrow in terms of Section 35 of the Medical Schemes Act 131 of 1998, as amended. Therefore the Scheme has no long-term financial liabilities. As a result, no fair value adjustments arise.

Personal medical savings accounts: trust monies managed by the Scheme on behalf of its members

The personal medical savings account, which is managed by the Scheme on behalf of its members, represents savings plan contributions which are a deposit component of the insurance contracts, and accrued interest thereon, net of any savings claims paid on behalf of members in terms of the Scheme's Registered Rules.

The deposit component of the insurance contracts has been unbundled, since the Scheme can measure the deposit component separately. The deposit component is recognised in accordance with IAS 39 and is initially measured at fair value and subsequently at amortised cost using the effective interest rate method. The insurance component is recognised in accordance with IFRS 4.

Members' personal medical savings accounts represent a financial liability of funds due to members by the Scheme. The savings account facility assists members in managing cash flows for costs to be borne by them during the year and meeting provider service expenses not covered by the Scheme's approved benefits. Advances on personal medical savings contributions are funded from the Scheme's funds and the risk of impairment is carried by the Scheme.

Unspent personal medical savings accounts at year-end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act 131 of 1998, as amended, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Medical Schemes Act.

The personal medical savings accounts are invested on behalf of members in a current bank account and money market funds with banks. The cash and cash equivalents are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The money market funds included in the financial assets investments are measured at fair value.

Trade payables

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

1.14 LIABILITIES AND PROVISIONS

Liabilities and provisions are recognised when the Scheme has a present legal or contractual obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Outstanding claims provision

Claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the statement of financial position date and related internal and external claims handling expenses. Claims outstanding are determined as accurately as possible based on a number of factors, which include previous experience in claim patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

Estimated co-payments and payments from personal medical savings accounts are deducted in calculating the outstanding claims provision. The Scheme does not discount its provision for outstanding claims on the basis that claims must be submitted within four months of the medical event, and the effect of the time value of money is not considered material.

1. ACCOUNTING POLICIES (CONTINUED)

1.15 MEMBER INSURANCE CONTRACTS

Contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts. The contracts issued compensate the Scheme's members for healthcare expenses incurred and are detailed in Note 15 and 16.

1.16 CONTRIBUTION INCOME

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. Risk contributions represent the gross contributions per the Registered Rules of the Scheme after the unbundling of savings contributions. The earned portion of risk contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Risk contributions are shown before the deduction of broker service fees and other acquisition costs.

1.17 RELEVANT HEALTHCARE EXPENDITURE

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

Claims incurred

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Scheme is responsible, whether or not reported by the end of the year.

Net risk claims incurred comprise:

- Claims submitted and accrued for services rendered during the year in terms of the Rules of the Scheme;
- Payments under provider contracts for services rendered to members;
- Over or under provisions relating to prior year claims accruals;
- Claims incurred but not yet reported; and
- Claims settled in terms of risk transfer arrangements.

Net of:

- Claims from members' personal medical savings accounts;
- Recoveries from members for co-payments;
- Recoveries from risk transfer agreements;
- Recoveries from third parties;
- Discount received from service providers and;
- Claims paid to accredited managed healthcare services.

Anticipated recoveries under risk transfer arrangements are disclosed separately as assets and are assessed in a manner similar to the assessment of the outstanding claims provision and claims reported not yet paid.

Risk transfer arrangements

Contracts entered into by the Scheme with third party service providers under which the Scheme is compensated for losses/claims (through the provision of services to members) on one or more contracts issued by the Scheme and that meet the classification requirements of insurance contracts are classified as risk transfer arrangements. Only contracts that give rise to a significant transfer of insurance risk are accounted for as risk transfer arrangements. Risk transfer fees are recognised as an expense over the indemnity period on a straight-line basis. Where applicable, a portion of risk transfer fees is treated as pre-payments.

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

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding risk claims provisions and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the risk claims provisions, claims reported not yet paid and settled claims associated with the risk transfer arrangement taking into account the terms of the contract. The amounts recoverable under such contracts are recognised in the same year as the related claim.

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

1.18 LIABILITY ADEQUACY TEST

At the statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the member insurance contract liabilities.

The liability for insurance contracts is tested for adequacy by discounting current best estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of any related assets. Where a shortfall is identified, an additional provision is made and charged to the statement of comprehensive income.

1.19 BROKER SERVICE FEES AND OTHER DISTRIBUTION FEES

Broker service fees and other distribution fees are expensed as incurred.

1.20 ADMINISTRATION AND OTHER OPERATIVE EXPENSES

Expenses for administration and other operating expenses are expensed as incurred.

1.21 INVESTMENT INCOME

Investment income comprises of: dividends; interest on cash and cash equivalents; fixed interest securities; realised and unrealised gains and losses.

Interest income is recognised on a yield to maturity basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Scheme.

Dividend income from investments is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

1.22 REVENUE FROM CONTRACTS WITH CUSTOMERS: OWN FACILITIES - MEDICAL CENTRES

The Scheme adopted IFRS 15, revenue from contracts with customers, which resulted in a change in accounting policy but no adjustment to the amount recognised in the financial statements.

Revenue from contracts with customers comprise of own facility income based on a percentage of the service providers healthcare proceeds on a monthly basis. Revenue is recognised as the service is incurred and not over a period of time.

1.23 REIMBURSEMENTS FROM THE ROAD ACCIDENT FUND (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act 56 of 1996 (the RAF). If the member is reimbursed by the RAF, the member is obliged contractually to cede that payment to the Scheme to the extent that he or she has already been compensated.

A reimbursement from the RAF is a possible asset that arises from a claim submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme. The contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the changes occurs. Amounts received from members in respect of reimbursements from the RAF are recognised as a reduction of net claims incurred. The cumulative value of claims submitted to RAF was R4.9 million at financial year end.

1.24 UNALLOCATED FUNDS

Unallocated funds that have legally prescribed, i.e. funds older than three years, are written back and are included under other income in the statement of comprehensive income.

1.25 EMPLOYEE BENEFITS

Pension obligations

All the employees of the Scheme contribute towards a defined contribution fund. A defined contribution plan is a pension plan under which the Scheme pays fixed contributions into a separate entity. The Scheme has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the defined contribution fund are recognised in the statement of comprehensive income for the year in which they are incurred.

Other post-employment obligations

The Scheme provides for medical scheme benefits upon retirement of employees who qualify. The provision comprises annual funding upon actuarial advice to provide for the future liability of medical benefits after retirement.

Leave pay accrual

The Scheme recognises in full employees' rights to annual leave entitlement in respect of past service.

Bonuses

Management and staff bonuses are recognised as an expense in employee costs as incurred.

1.26 INCOME TAX

In terms of Section 10(1)(d) of the Income Tax Act 58 of 1962, as amended, receipts and accruals of a benefit fund are exempt from normal tax. A medical scheme is included in the definition of a benefit fund and consequently the Scheme is exempt from income tax.

1. ACCOUNTING POLICIES (CONTINUED)

1.27 ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT OPTIONS

The following items are directly allocated to benefit options:

- Contribution income;
- Claims incurred;
- Risk transfer arrangement fees;
- Broker service fees;
- Interest paid on personal medical savings account balances.

The following items are apportioned based on the average number of members per option:

- Managed care management services;
- Broker and other distribution fees;
- Administration and other operative expenses.

The following items are apportioned based on a percentage of gross contribution income per option:

- Other income;
- Expenses for asset management services rendered;
- Finance costs excluding interest paid on personal medical savings account balances;
- Other expenditure.

2. PROPERTY AND EQUIPMENT

	OWNED ASSETS					LEASED ASSETS	
	Furniture	Leasehold improvements	Computer, office and medical equipment	Motor vehicles	Security and telephone system	Right-of-use assets	TOTAL
	R	R	R	R	R	R	R
Year ended 31 December 2019							
Cost							
At the beginning of the year	9 899 449	11 033 664	37 028 442	591 823	3 786 829	-	**62 340 206**
IFRS 16 adoption	-	-	-	-	-	30 103 340	**30 103 341**
Additions	291 789	120 602	3 791 569	-	162 418	-	**4 366 378**
Disposals	(92 044)	-	(453 654)	-	-	-	**(545 698)**
At the end of the year	**10 099 194**	**11 154 265**	**40 366 356**	**591 823**	**3 949 247**	**30 103 340**	**96 264 226**
Accumulated depreciation							
At the beginning of the year	5 241 204	7 991 070	21 792 805	557 119	2 159 422	-	**37 741 620**
Disposals	(84 373)	-	(424 706)	-	-	-	**(509 079)**
Depreciation charges	908 349	2 096 003	11 206 493	34 701	947 222	16 759 888	**31 952 656**
At the end of the year	**6 065 180**	**10 087 073**	**32 574 592**	**591 820**	**3 106 644**	**16 759 888**	**69 185 197**
Carrying amount at the end of the year	**4 034 014**	**1 067 192**	**7 791 765**	**3**	**842 602**	**13 343 452**	**27 079 029**

	OWNED ASSETS					LEASED ASSETS	
	Furniture	Leasehold improvements	Computer, office and medical equipment	Motor vehicles	Security and telephone system	Right-of-use assets	TOTAL
	R	R	R	R	R	R	R
Year ended 31 December 2018							
Cost							
At the beginning of the year	10 132 449	16 951 377	29 804 152	591 823	3 174 772	-	**60 654 571**
Additions	272 973	550 584	7 258 160	-	612 057	-	**8 693 775**
Disposals	(505 974)	(6 468 297)	(33 870)	-	-	-	**(7 008 140)**
At the end of the year	**9 899 449**	**11 033 664**	**37 028 442**	**591 823**	**3 786 829**	**-**	**62 340 206**
Accumulated depreciation							
At the beginning of the year	4 549 500	11 873 335	11 855 559	468 309	923 113	-	**29 669 816**
Disposals	(297 528)	(6 097 210)	(15 613)	-	-	-	**(6 410 351)**
Depreciation charges	989 232	2 214 944	9 952 859	88 810	1 236 310	-	**14 482 154**
At the end of the year	**5 241 204**	**7 991 070**	**21 792 805**	**557 119**	**2 159 422**	**-**	**37 741 620**
Carrying amount at the end of the year	**4 658 245**	**3 042 594**	**15 235 637**	**34 704**	**1 627 406**	**-**	**24 598 586**

Depreciation expenditure to the value of R1 420 249 (2018: R327 457) has been allocated to own facility expenses due to it being expenditure at the Medical Facilities used for services rendered to members and third parties (Note 25).

3. INVESTMENT PROPERTY

	2019	2018
	R	R
Carrying value at the beginning of the year	-	1 600 000
Revaluation adjustment	-	(100 000)
Disposals	-	(1 500 000)
Carrying value at the end of the year	**-**	**-**

Investment property comprised of the following: Stand 1190, Oubaai Golf Estate, Herolds Bay.

The investment property was carried at cost in the year of purchase and was valued annually by an independent professional qualified valuer, not connected with the Scheme. The valuer is a member of the Institute of Valuers, has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation method used was on the basis of recent and comparable sales with properties of a similar utility in an open market.

The property was disposed in September 2018. Direct operating expenses arising from this investment property amounted to R57 018 in 2018.

4. INTANGIBLE ASSETS

	2019	2018
	R	R
Year ended 31 December 2019		
Cost		
At the beginning of the year	11 045 467	6 568 764
Additions	725 630	4 476 703
At the end of the year	11 771 097	11 045 467
Accumulated amortisation		
At the beginning of the year	(1 254 443)	(469 197)
Amortisation for the year	(1 157 871)	(785 246)
Impairment recognised in the statement of comprehensive income	-	-
At the end of the year	(2 412 315)	(1 254 443)
Carrying value at the end of the year	**9 358 782**	**9 791 025**

The intangible asset consists of development costs incurred for a new in-house tailor-made member administration IT system that is being developed by the Scheme.

5. FINANCIAL ASSETS

	2019	2018
	R	R
(a) Financial assets at fair value through profit or loss represent investments in:		
Scheme:		
Money Market instruments	1 732 442	1 943 345
Listed bonds	75 313 273	73 191 693
Linked insurance policies	773 754 048	717 201 480
Collective investment schemes	1 224 860 684	874 316 839
	2 075 660 448	**1 666 653 357**
Non-current	1 579 164 179	1 308 339 644
Current	496 496 269	358 313 714
	2 075 660 448	**1 666 653 358**
The personal medical savings investments represent investments in:		
Money Market instruments	297 388 278	251 081 060
Listed bonds	-	-
Linked insurance policies	370 592 052	268 953 493
	667 980 330	**520 034 553**
(b) Financial assets at fair value through other comprehensive income represent investments in:		
- Listed equities	150 756 860	137 893 153
- SA listed properties	25 821 611	29 675 370
	176 578 471	**167 568 522**

The carrying amount of the personal medical savings account trust investments approximates the fair values due to the short-term nature of the investments.

A register of investments is available for inspection at the registered office of the Scheme. Refer to Note 37 for Financial Risk Management disclosures.

The personal medical savings accounts were invested on behalf of members in Money Market Fund and Linked Insurance Policies. The effective interest rate on the investments was 8.2% (2018: 8.2%).

6. LEASES

IFRS 16 replaces the provisions of IAS 17 that relate to the recognition, classification and measurement of leases. The new standard addresses the establishment of principles for the recognition, measurement, presentation and disclosure of all lease arrangements within the scope of the standard. Under IFRS 16, an asset (the right to use the leased item) and the liability to pay rentals, are recognised at the inception of the lease. The asset is included in property and equipment, and the liability to pay rentals is disclosed separately as lease liabilities. The Scheme has elected to apply an exemption on leases for which the underlying asset is of low value, being individual assets which are valued at less than R65 000.

As a result of the standard providing a single lessee accounting model, leases which had previously been classified as operating leases under IAS 17, were measured at the present value of the remaining lease payments and discounted using the lessor's implicit rate contained in the lease agreements, to obtain the value of their lease liabilities. The weighted average of the implicit rate applied to the lease liabilities on 1 January 2019 was 6.6%.

The discounted amount of the leases:

	2019
	R
Operating lease commitments as at 31 December 2018 as published (Note 28)	29 134 153
Add: adjustments as a result of extensions	6 376 320
Restated operating lease commitments as at 31 December 2018	35 510 473
Discounted using implicit rate on 1 January 2019	33 619 302
Lease liability as at 1 January 2019	**33 619 302**

IMPACT ON STATEMENT OF FINANCIAL POSITION

The statement of financial position shows the following amounts relating to leases:

	31 December 2019	1 January 2019
	R	R
Right-of-use assets[1]		
Buildings	13 343 452	30 103 340
Total	**13 343 452**	**30 103 340**

[1]Right-of-use assets were measured at the amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	31 December 2019	1 January 2019
Lease liabilities		
Current	10 349 063	18 437 216
Non-current	4 833 023	15 182 086
Total	**15 182 086**	**33 619 302**

The change in accounting policy affected the following items in the statement of financial position as at 1 January 2019 as follows:

	Before	Change	After
Property and equipment	62 340 206	30 103 340	92 443 546
Lease liability	-	(33 619 302)	(33 619 302)
Trade and other payables including insurance payables	(186 818 090)	3 515 962	(183 302 128)
Total	**(124 477 884)**	**(0)**	**(124 477 885)**

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	2019
	R
Depreciation charge of right-of-use assets:	
Buildings	16 759 888
Interest expense on lease liabilities	1 556 048
Expenses relating to short-term leases of low-value assets[1]	4 432 713
	22 748 649

[1]The Scheme leases computer equipment on short-term basis and has elected to exempt this leases from IFRS 16.

The following table summarises the contractual maturity dates for lease liabilities. The maturity analysis is presented on an undiscounted contractual cash flow basis.

31 December 2019	Within 1 year	1 - 5 years	Total
	R	R	R
Lease liability	10 646 284	4 866 078	15 512 362

7. TRADE AND OTHER RECEIVABLES

	2019	2018
	R	R
Insurance receivables		
Contributions outstanding	97 968 972	72 715 159
Recoveries from providers	1 761 167	1 832 224
Recoveries from members	14 899 771	8 732 085
Personal medical savings account advances (Note 11)	3 941 508	8 842 553
	118 571 418	92 122 020
Less: Provision for impairment	(13 926 065)	(12 974 491)
Total receivables arising from insurance contracts	104 645 353	79 147 529

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

	2019	2018
	R	R
Other loans and receivables		
Prepaid expenses and deposits	11 429 072	8 439 742
Accrued interest	6 954 633	4 667 267
Sundry accounts receivable	1 354 426	1 632 288
Investment in transit	-	171 700 000
	19 738 131	186 439 297
Recovery under risk transfer arrangements outstanding claims provisions	(2 427 786)	176 037
Total trade and other receivables	**121 955 698**	**265 762 863**

The carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets. Estimated cash flow receipts have not been discounted as the effect would be immaterial. Refer to Note 37 for impairment disclosures.

Cash-in-transit to an amount of R171.7 million is as a result of a transfer of funds to the investment account held at Investec on the 31 December 2018. Due to the investors' cut-off times and the festive season, the amount only reflected on the Investec statement on the 1st working day of 2019.

8. CONTINGENT ASSET

Road Accident Fund

Claims for third party debtors (the Road Accident Fund) for benefits paid on behalf of the Scheme's members are disclosed as a contingent asset as the inflow of economic benefits is probable, but not virtually certain. The cumulative value of claims being investigated is R7.2 million (2018: R4.9 million)

9. CASH AND CASH EQUIVALENTS

	2019	2018
	R	R
Scheme		
Call accounts	97 271 413	3 605 768
Current accounts	20 639 771	13 169 347
	117 911 183	**16 775 115**

The weighted average effective interest rate on short-term cash deposits was 6.84% (2018: 7.07%) and had an average maturity of 30.5 days (2018: 29.42 days). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

Refer to Note 20 for the total interest earned on the bank accounts and fixed deposits which are included in investment income in the statement of comprehensive income.

Investment of personal medical savings account trust monies managed by the Scheme on behalf of its members

	2019	2018
	R	R
Current account	113 501 780	200 332 418
	113 501 780	**200 332 418**

The weighted average effective interest rate on the short-term cash was 2.63% (2018: 2.89%) and the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term nature of these assets.

10. RETIREMENT BENEFIT OBLIGATIONS

Pension Fund

All the employees of the Scheme contribute towards a defined contribution plan. A defined contribution plan is a pension plan under which the Scheme and employees pay fixed percentage contributions into a separate entity. The Scheme has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Post-retirement medical obligation

The Scheme did make provision for contributions towards medical benefits after normal retirement. Provision is made for the estimated benefits of the existing 20 (2018: 20) pensioners. The total present value of the liability based on a projected-unit-credit basis as at 31 December 2019 is R11 903 902 (2018: R11 712 158). The liability of all active employees was settled.

		2019	2018
The independent actuarial assumptions and valuation at year-end were:			
Number of pensioner members		20	20
Future long-term medical inflation		7.3% p.a.	8.8% p.a.
Expected yield on assets		9.0%	9.6%
Mortality assumptions			
Post-retirement Male	Rated down by 1 year	PA 90	PA 90
Post-retirement Female	Rated down by 2 years	PA 90	PA 90
Life expectancy - present age 62			
Male		14.17	14.70
Female		17.85	18.80

Other assumptions

No significant changes would occur in the structure of the medical arrangements. Current contribution scales for members have been used as a basis for the calculations and was assumed that the scales will remain unchanged, with the exception of annual adjustments for medical inflation.

Contribution tables

The monthly medical scheme contributions for 2019 used in the valuation of the contributions liability are as follows:

	Income Band	Principal Member	Adult Dependant	Child Dependant
		R	R	R
Beat2 Network	All	1 778	1 381	748
Pace1	All	3 930	2 760	992
Pace2	All	5 566	5 458	1 227
Pace4	All	7 983	7 983	1 870

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10. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	2019	2018
	R	R
The value recognised in the statement of financial position are:		
Liability at 1 January	11 712 158	12 215 765
Actual disbursements	(1 015 586)	(948 414)
Interest cost	1 075 619	1 081 083
Actuarial loss/(gain)	131 711	(636 276)
Liability at year-end in the statement of financial position	**11 903 902**	**11 712 158**

Actual disbursements

Actual Disbursements are the amounts paid with respect to the monthly subsidies of pensioners' medical scheme contributions.

Interest cost

The interest cost is the assumed investment return on the unfunded liability. A rate of 9.6% per annum was used for the year ended 31 December 2019 (2018: 9.2%).

Actuarial gain

The liabilities are based on projections of future experience. Any difference between the actual experience since the date of previous valuation and that assumed in the previous projections will emerge as actuarial gains or losses. In addition, any changes to the assumptions will manifest as an actuarial gain or loss.

An actuarial loss of R131 711 (2018: gain of R636 276) is reported over the past year in the statement of comprehensive income. This gain is due to the following factors:

	2019	2018
	R	R
• Demographic experience (including option changes) and that assumed in the previous valuation gave rise to an actuarial loss.	335 779	268 014
• Changes made to assumptions, the decrease in the discount rate from 9.6% to 9.0% (2018: 9.2% to 9.6%) and a decrease in the medical cost inflation assumption from 8.8% to 7.3% (2018: 9.1% to 8.8%).	(419 880)	(918 150)
• Actual contribution increases on 1 January 2019 were 8.8% as opposed to the assumption of 7.2% used (2018: 6.9 % vs. 7.4%).	192 478	(51 831)
• Higher than expected disbursements paid during the year.	23 334	65 691
	131 711	**(636 276)**

History on year-end balances	Balance on statement of financial position	Actuarial (loss)/gain in statement of comprehensive income
At 31 December	R	R
2019	11 903 902	131 711
2018	11 712 158	636 276
2017	12 215 765	1 425 291
2016	13 333 401	354 560
2015	13 264 418	727 022
2014	13 733 176	771 438
2013	14 132 359	888 716
2012	14 724 759	(705 065)
2011	13 694 425	955
2010	13 453 040	(870 403)
2009	12 294 256	(1 589 370)

Sensitivity analysis

The following table illustrates the impact of a 1% and 0.5% increase and decrease in the assumed future rate of medical inflation:

	Base	Inflation plus 1%	Inflation plus 0.5%	Inflation minus 1%	Inflation minus 0.5%
	R	R	R	R	R
2019					
Liability at 1 January 2019	11 712 158	11 712 158	11 712 158	11 712 158	11 712 158
Disbursements	(1 015 586)	(1 015 586)	(1 015 586)	(1 015 586)	(1 015 586)
Interest cost	1 075 619	1 075 619	1 075 619	1 075 619	1 075 619
Actuarial loss/(gain)	131 711	1 094 113	598 231	(721 523)	(307 559)
Liability as at 31 December 2019	**11 903 902**	**12 866 303**	**12 370 421**	**11 050 667**	**11 464 631**
2020					
Liability at 1 January 2020	11 903 902	12 866 303	12 370 421	11 050 667	11 464 631
Disbursements	(1 079 382)	(1 079 382)	(1 079 382)	(1 079 382)	(1 079 382)
Interest cost	1 022 779	1 109 395	1 064 766	945 988	983 245
Liability as at 31 December 2020	**11 847 298**	**12 896 316**	**12 355 804**	**10 917 273**	**11 368 494**

For the purposes of this disclosure, all other assumptions shall be held constant. For plans operating in a high inflation environment, the disclosure shall be the effect of a percentage increase or decrease in the assumed medical cost trend rate of a significance similar to one percentage point in a low inflation environment.

11. PERSONAL MEDICAL SAVINGS ACCOUNT TRUST LIABILITY

	2019	2018
	R	R
Monies managed by the Scheme on behalf of its members		
Balance on personal medical savings account liability at the beginning of the year	736 004 819	660 990 469
Less		
Advances on personal medical savings accounts (Note 7)	(8 842 553)	(6 261 204)
Balance on personal medical savings account liability at the beginning of the year	727 162 266	654 729 265
Add		
Personal medical savings account contributions received or receivable (Note 14)	844 643 805	829 112 776
Personal medical savings account balances received from other Schemes	504 020	943 133
Interest on personal medical savings account trust funds invested paid to members (Note 22)	51 655 252	44 417 642
Advances on personal medical savings accounts written off or in debt recovery process	11 576 808	2 927 031
Less		
Personal medical savings claims paid on behalf of members (Note 15)	(806 523 760)	(780 045 179)
Refunds on death or resignations	(26 763 601)	(24 374 690)
Personal medical savings payable to the Gaurdians Fund	-	-
Bank charges and management fees (Note 24)	(643 499)	(547 714)
Add		
Advances on personal medical savings accounts (Note 7)	3 941 508	8 842 553
Balances due to members on personal medical savings accounts held in trust at end of year	**805 552 798**	**736 004 819**

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11. PERSONAL MEDICAL SAVINGS ACCOUNT TRUST LIABILITY (CONTINUED)

In accordance with the Rules of the Scheme, the personal medical savings accounts are underwritten by the Scheme.

The personal medical savings account trust liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act 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 Scheme or benefit option, and then enrols in another benefit option or medical scheme without a personal medical savings account or does not enrol in another medical scheme.

The carrying amount of the personal medical savings account trust investments approximates their fair values due to the short-term nature of the investments. Interest earned on all personal medical savings account funds invested as cash and cash equivalents and Financial assets investments are allocated to members' personal medical saving account balances, and are not recognised as income for the Scheme.

The Scheme does not charge interest on debit personal medical savings plan balances and advances on personal medical savings accounts are funded by the Scheme and are included and disclosed in trade and other receivables.

12. OUTSTANDING CLAIMS PROVISION

	Covered by risk transfer arrangements	Not covered by risk transfer arrangements	Total
	R	R	R
2019			
Provision for outstanding claims incurred but not reported	(2 427 786)	152 500 000	150 072 214
Analysis of movements in outstanding claims			
Balance at the beginning of the year	176 037	165 500 000	165 676 037
Payments in respect of the prior year	(5 676 133)	(155 724 709)	(161 400 842)
(Under)/over provision in the prior year	(5 500 096)	9 775 291	4 275 195
Adjustment for the current year	3 072 311	142 724 709	145 797 020
Balance at end of the year	**(2 427 786)**	**152 500 000**	**150 072 214**
2018			
Provision for outstanding claims incurred but not reported	176 037	165 500 000	165 676 037
Analysis of movements in outstanding claims			
Balance at the beginning of the year	1 249 426	154 400 000	155 649 426
Payments in respect of the prior year	(5 347 534)	(160 937 029)	(166 284 563)
(Under)/over provision in the prior year	(4 098 108)	(6 537 029)	(10 635 137)
Adjustment for the current year	4 274 145	172 037 029	176 311 174
Balance at end of the year	**176 037**	**165 500 000**	**165 676 037**

Process used to determine the assumptions

Following the implementation of the new administration system on 1 May 2018, the manner in which the Scheme defined and captured service dates relating to hospital events has changed. The Scheme recognised this as a change in accounting estimate as this impacts the calculation of the IBNR provision resulting from these claim patterns.

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, best estimates are used.

Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances, information available from Managed Care: Management Services and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties also differ by category of claims (i.e. in-hospital, chronic and above threshold benefits) due to differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim and reporting lags.

The cost of outstanding claims at year-end is estimated using the chain ladder model. This model extrapolates the development of paid and incurred claims, average cost per claims and ultimate claim numbers for each benefit year based upon observed development of earlier years and expected loss ratio. Run-off triangles are used in situations where it takes time after the treatment date for the full extent of the claims to become known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in the known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The actual method or blend of method used varies according to the particular benefit year being considered, categories of claims and observed historical claims development. To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- Changes in processes that affect the development/recording of claims paid and incurred (such as changes in claim reserving procedures);
- Economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided);
- Changes in medical composition of members and their dependants; and
- Random fluctuations, including the impact of large losses.

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected claims ratios for the most recent benefit years for the in-hospital, chronic and day-to-day benefits. These are used for assessing the outstanding claims provisions for the 2019 and 2018 benefit years.

Sensitivity analysis

The following table illustrates the impact of a 1% increase and decrease in the outstanding claims provision:

	Base	Inflation +1%	% Change	Inflation -1%	% Change
	R	R	%	R	%
2019					
Liability as at 31 December 2019	150 072 214	151 572 937	1.00%	148 571 492	(1.00%)

Changes in assumptions and sensitivities to changes in key variables

The table below outlines the sensitivity of insured liability estimates to particular movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables.

Where variables are considered to be immaterial, no impact has been assessed for significant changes to these variables. Variables have not been considered to be material at present. However, should the materiality level of an individual variable change, assessment of changes to that variable may be required.

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

12. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Impact on surplus reported caused by reasonable possible changes in key variables

	Claims for 2019 services paid from Jan 2020 to Mar 2020	2019 Claims estimated at that time to be paid after Mar 2020	Outstanding claims provision	% Change in outstanding claims provision
	R	R	R	%
2019 Scenario				
Base scenario	133 139 357	19 368 856	152 508 213	
10% increase	133 139 357	21 305 742	154 445 099	1.27%
10% decrease	133 139 357	17 431 970	150 571 327	(1.27%)

	Claims for 2018 services paid from Jan 2019 to Mar 2019	2018 Claims estimated at that time to be paid after Mar 2019	Outstanding claims provision	% Change in outstanding claims provision
	R	R	R	%
2018 Scenario				
Base scenario	136 942 581	28 566 592	165 509 173	
10% increase	136 942 581	31 423 251	168 365 832	1.73%
10% decrease	136 942 581	25 709 933	162 652 514	(1.73)

This analysis is prepared for a change in a specified variable with other assumptions remaining constant. The change in liability also represents the absolute change in surplus for the period. It should be noted that increases in liabilities will result in decreases in surplus and vice versa. These reasonable possible changes in key variables do not result in any direct changes directly in reserves.

13. TRADE AND OTHER PAYABLES

	2019	2018
	R	R
Insurance liabilities		
Contributions received in advance	30 953 718	16 039 058
Unclaimed payments	15 146 646	13 459 584
Reported claims not yet paid	95 693 261	96 828 049
	141 793 625	126 326 690
Financial liabilities		
Other payables and accrued expenses	35 908 279	38 579 034
Trade creditors payable	18 418 406	13 299 737
Total trade and other payables	54 326 685	51 878 770
Provisions		
Leave provision at the beginning of the year	8 612 630	7 718 804
Movement for the year	433 383	893 826
Leave provision at the end of the year	9 046 013	8 612 630
	205 166 323	**186 818 090**
Reported claims not yet paid		
Balance at beginning of year	96 828 049	43 541 132
Net movement for the year	(1 134 788)	53 286 917
Balance at end of year	**95 693 261**	**96 828 049**

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

14. RISK CONTRIBUTION INCOME

	2019	2018
	R	R
Gross contributions	5 686 678 044	5 308 251 202
Less: Personal medical savings account contributions (Note 11)	(844 643 805)	(829 112 776)
	4 842 034 239	**4 479 138 426**

The personal medical savings account contributions are received by the Scheme in terms of Regulation 10(1) and the Scheme's Registered Rules and it is held in trust on behalf of the members of the Scheme.

15. NET CLAIMS INCURRED

	2019	2018
	R	R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current-year claims as per Registered Rules	4 677 742 872	4 423 455 926
Movement in outstanding claims provision	142 724 709	172 037 029
(Over)/Under provision in prior year	(9 775 291)	6 537 029
Adjustment for current year	152 500 000	165 500 000
Claims paid from personal medical savings accounts	(806 523 760)	(780 045 179)
	4 013 943 821	3 815 447 776
Claims incurred in respect of risk transfer arrangements		
Current-year claims incurred in respect of risk transfer arrangements (Note 16)	101 453 928	98 581 199
Recovery under risk transfer arrangements	(3 072 311)	(4 274 145)
Movement in outstanding claims provision	3 072 311	4 274 145
Under provision in prior year	5 500 096	4 098 108
Adjustment for current year	(2 427 786)	176 037
	101 453 928	98 581 199
Hospital discount received	(11 208 242)	(10 876 411)
Third party claims recoveries	(7 230 154)	(8 603 947)
Accredited managed healthcare services	119 447 317	106 888 775
Hospital benefit management services	28 416 938	27 027 983
Pharmacy benefit management services	65 007 458	61 730 431
Managed care network management services & risk management	11 481 941	9 448 133
Active disease risk management	14 540 980	8 682 228
Net claims incurred per the statement of comprehensive income	**4 216 406 669**	**4 001 437 392**

16. RISK TRANSFER ARRANGEMENTS

	Bryte Insurance	ER24	Preferred Provider Negotiators	Total
	R	R	R	R
2019				
Capitation fees paid	2 800 973	28 435 414	58 155 663	89 392 049
Recoveries received	(2 800 973)	(33 275 597)	(65 377 358)	(101 453 928)
Net (income)/expense on risk transfer arrangement	**-**	**(4 840 183)**	**(7 221 695)**	**(12 061 878)**

	Bryte Insurance	ER24	Preferred Provider Negotiators	Total
	R	R	R	R
2018				
Capitation fees paid	2 767 484	25 340 233	58 359 922	86 467 640
Recoveries received	(2 767 484)	(28 863 035)	(66 950 680)	(98 581 199)
Net (income)/expense on risk transfer arrangement	**-**	**(3 522 802)**	**(8 590 758)**	**(12 113 560)**

A risk transfer arrangement is defined by IFRS 4 as an insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cadent) for losses on one or more contracts issued by the cadent. The cost the Medical Scheme would have incurred to deliver the specified benefits had it not entered into the capitation agreement, primarily represents the Scheme's exposure to its members, as the capitation agreement cannot absolve the Medical Scheme from its responsibility towards its members. This "cost" is disclosed as claims incurred from insurance contracts (Note 15).

The Scheme would have incurred this "cost" (had it not entered into the capitation agreement) to deliver the specified benefits and as such it represents the Scheme's recovery in kind from the managed healthcare provider. This recovery in kind, of cost incurred, is disclosed as recoveries from risk transfer arrangements.

The Scheme entered into the above risk transfer arrangements (capitation contracts) whereby the parties agreed that the above service providers will render services to beneficiaries on certain options of the Scheme. A fixed fee was paid monthly to ER24, Bryte Insurance Company and the Preferred Provider Negotiators per beneficiary.

- Optical services
- Emergency transport services
- International emergency transport services

The methodologies used to determine the claims covered by these arrangements are set out below:

ER24

The cost that the Scheme would have incurred for ambulance services are disclosed by ER24. Detailed records are kept of all services to every member of a medical scheme with a contracted capitation agreement. The fixed cost per member per month paid to ER24 includes administration costs, which consist of marketing cost, the pre-authorisation system and administration fees.

Bryte Insurance Company

The Scheme took out insurance for International Travel at a rate of R2.47 (2018: R2.47) per member with Bryte Insurance Company. The total travel insurance paid to Bryte for 2019 was R2.8 million (2018: R2.8 million).

Preferred Provider Negotiators

Preferred Provider Negotiators are to provide Optometric Services by the participating providers to Bestmed members, which include consultations, frames, lenses and contact lenses. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Preferred Provider Negotiators.

17. BROKER SERVICE FEES AND OTHER DISTRIBUTION FEES

	NOTES	2019	2018
		R	R
Brokers' fees		80 578 114	74 831 727
		80 578 114	**74 831 727**

18. ADMINISTRATION EXPENSES

	NOTES	2019	2018
Managed care management services		6 625 934	4 315 466
Wellness and preventative care		5 252 057	3 111 497
Maternity programme		1 373 877	1 203 969
Actuarial fees		2 171 020	2 091 948
Audit fees		1 838 216	2 126 808
External audit services for previous year's audit		1 489 321	1 555 737
External audit services for current year audit		263 220	329 971
Other		85 675	241 100
Bank charges		4 461 298	4 349 204
Consultation fees		3 682 719	4 468 321
Debt collection fees		1 747 733	582 619
Amortization		1 157 871	785 245
Depreciation	2	30 405 206	14 154 699
Employee benefit expenses	27	149 919 599	137 245 503
Employee recruitment, training and development		6 227 666	4 666 477
Insurance premiums		590 957	503 655
Information Technology		36 653 592	33 765 557
IT maintenance		3 226 212	2 396 200
License fees		12 356 746	7 613 650
Legal fees		576 919	1 696 673
Marketing and advertising expenses		36 385 294	36 011 559
Rent paid	6	4 432 713	24 391 498
Building expenses		7 191 988	4 200 821
Other expenses		7 609 733	7 258 499
Principal Officers' fees	27	5 519 275	5 038 242
Printing and stationery expenses		4 641 114	4 521 567
Registrar's levies and other fees		3 620 095	3 429 337
Telephone and postage fees		6 205 848	6 732 836
Total trustee remuneration and travel and accommodation expenses	30	2 619 599	2 307 048
Trustees vetting expenses		-	1 415 531
Travel, accommodation and conferences		5 756 702	4 942 095
		345 624 050	**321 011 058**

19. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

	NOTES	2019	2018
		R	R
Trade and other receivables			
Members' and service providers' portions that are not recoverable			
Movement in provision		(951 574)	(5 278 715)
Bad debts recovered		447 327	422 485
Bad debts written off		(7 221 718)	(1 536 338)
		(7 725 965)	**(6 392 567)**

20. INVESTMENT INCOME

	NOTES	2019	2018
Scheme			
Financial assets at fair value through profit or loss:			
- Interest income		100 041 077	90 727 084
- Dividend income		6 559 182	5 935 390
Income from financial assets at fair value through other comprehensive income:			
- Dividend income		6 421 895	10 333 808
Cash and cash equivalents - interest income		2 180 480	1 999 220
Net realised gains/(losses) on financial assets at fair value through other comprehensive income		-	-
Net realised gains on financial assets at fair value through profit and loss		4 198 047	(7 130 443)
Net unrealised gains on financial assets at fair value through profit and loss		41 343 900	11 024 899
		160 744 582	**112 889 958**
Personal medical savings account trust monies invested			
Financial assets at fair value through profit or loss:			
- Interest income		47 566 617	39 754 943
Cash and cash equivalents - interest income		4 088 635	4 662 699
	12	**51 655 252**	**44 417 642**
(1) Income from financial assets at fair value through other comprehensive income			
Net realised gains/(losses) on financial assets at fair value through other comprehensive income			
- Listed Equities		6 875 183	23 317 540
Fair value adjustment on Financial assets at fair value through other comprehensive income			
- Listed Equities		1 149 994	(28 556 455)
(2) Net unrealised gains (losses) on financial assets at fair value through profit and loss			
- Listed Bonds		9 577 962	9 693 026
- Linked Insurance Policies		28 898 044	1 218 591
- Collective Investment Schemes		2 867 895	113 282
		41 343 900	**11 024 899**
(3) Net realised gains (losses) on financial assets at fair value through profit and loss			
- Listed bonds		(393 281)	-
- Collective investment schemes		4 591 328	-
		4 198 047	**-**

21. SUNDRY INCOME

	NOTES	2019	2018
		R	R
Unclaimed cheques and credits written off		687 596	1 252 553
Net profit on disposal of fixed assets		73 001	48 427
		760 597	**1 300 980**

22. INTEREST PAID ON PERSONAL MEDICAL SAVINGS TRUST ACCOUNTS

	NOTES	2019	2018
Net Interest paid on members' personal medical saving account balances	11	51 011 753	43 869 929
		51 011 753	**43 869 929**

23. INTEREST EXPENSE

	NOTES	2019	2018
Finance costs - lease liability	6	1 556 048	-
		1 556 048	**-**

24. ASSET MANAGEMENT FEES

	NOTES	2019	2018
Scheme			
Expenses for asset management services rendered	5	5 245 262	5 903 824
		5 245 262	**5 903 824**
Personal medical savings account trust monies invested			
Expenses for asset management services rendered	11	643 499	547 714
		643 499	**547 714**

25. OWN FACILITY NET EXPENDITURE

	NOTES	2019	2018
		R	R
Income			
Income from medical services rendered in own facilities		(3 268 385)	(3 457 875)
		(3 268 385)	(3 457 875)
Expenditure in operating own facility			
Total healthcare provider costs		8 545 999	8 210 799
Changes in inventories		636 509	615 735
Administration expenses		334 711	364 185
Information Technology		317 805	299 483
Facilities expenditure		2 205 482	2 028 989
		12 040 506	11 519 191
Deficit on Own Facility		**8 772 121**	**8 061 316**

The Medical Centres facilities provide healthcare services to members and third parties and generate own revenue for the services rendered. Cost incurred by the Medical Centres represent functional medical equipment, medical supplies, facility expenditure and nursing and administration services.

26. OTHER LOSSES

	NOTES	2019	2018
		R	R
Net loss on disposal of investment property		-	100 000
Net loss on disposal of fixed assets	2	-	13 852
		-	**113 852**

27. EMPLOYEE BENEFIT EXPENSES

Salaries and Bonuses		125 517 783	115 763 632
Retirement benefits		10 096 886	9 454 621
Medical and other benefits		14 366 209	13 162 504
Increase in leave pay accrual		4 250 665	4 361 011
Retirement benefit obligations		1 207 330	(458 023)
		155 438 874	142 283 745
Less: Principal Officer's compensation and benefits	31	(3 064 957)	-
- Salary		(1 617 642)	-
- Bonuses paid and provided for		(1 172 892)	-
- Retirement benefits		(129 930)	-
- Medical and other benefits		(144 493)	-
Less: Acting Principal Officer's compensation and benefits	31	(2 454 319)	(5 038 242)
- Salary		(1 232 047)	(2 174 606)
- Acting Allowance		(185 610)	(342 230)
- Bonuses paid and provided for[1]		(725 620)	(1 911 274)
- Retirement benefits		(110 340)	(365 017)
- Medical and other benefits*		(200 701)	(245 114)
		149 919 599	**137 245 503**

[1] A repayment of R350 846 relating to the 2017 (R129,081) and 2018 (R221,765) bonuses on acting allowances, was made by the Acting CEO in line with a directive received by the CMS after a the conduct of a Section 43 Investigation by them.

* Other benefits include leave encashment of R118 438 (2018: R112 666)

28. COMMITMENTS

Operating lease commitments

The Scheme leases various properties and equipment under non-cancellable operating lease agreements with escalation clauses and renewal rights. The payments will escalate between 5% and 10% per annum and the periods vary from 36 to 97 months. The lease expenditure charged to the Statement of Comprehensive Income during the financial year is disclosed in Note 18.

	NOTES	2019	2018
		R	R
The future aggregate minimum lease payments under non-cancellable agreements are as follows:			
No later than 1 year		-	19 325 422
Later than 1 year and no later than 5 years		-	9 808 731
		-	**29 134 153**

29. CASH FLOWS FROM OPERATING ACTIVITIES

	NOTES	2019	2018
Net contribution income	14	4 842 034 239	4 479 138 426
(Increase)/decrease in insurance receivables	7	(25 253 813)	(25 258 043)
Cash Receipts from members - Contributions		**4 816 780 425**	**4 453 880 383**
Increase in Insurance receivables - other	7	(1 195 585)	(7 617 782)
Less: Provision for impairment	19	(6 774 391)	(1 112 042)
Recovery under risk transfer arrangements outstanding claims provisions	7	2 603 823	1 073 389
Cash Receipts from members and providers		**(5 366 153)**	**(7 656 434)**
Cash Receipts from members and providers - Other loans and Receivables	7	(4 998 834)	2 721 258
Other loans and Receivables	7	171 700 000	(171 700 000)
Relevant healthcare expenditure	15;16	(4 204 344 790)	(3 989 323 832)
Increase in insurance liabilities	13	15 466 936	57 190 313
Decrease/increase in outstanding claims provision	12	(15 603 823)	10 026 611
Unclaimed cheques and credits write off	21	687 596	1 252 553
Cash paid to providers and employees - claims		**(4 203 794 082)**	**(3 920 854 355)**
Cash paid to providers and employees - non healthcare expenditure	17; 18; 23; 24	(440 219 547)	(409 807 924)
Eliminate non cash items:			
Depreciation	2	31 952 657	14 482 154
Impairment of intangible assets	4	1 157 871	785 245
Increase provision for leave	13	433 383	893 826
Increase/decrease in provision for retirement benefit obligation	10	191 744	(503 607)
Increase in trade and other payables	13	2 447 915	8 014 725
Cash paid to providers and employees - non healthcare expenditure		**(404 035 977)**	**(386 135 581)**

30. TOTAL TRUSTEE REMUNERATION AND CONSIDERATION EXPENSES

	Fees for attending Board meetings	Annual Retainer Fees	Fees for attending subcommittee meetings	Total Remuneration	Travel & Accommodation	Training	Total considerations
	R	R	R	R	R	R	R
2019							
RF Camphor	146 457	43 774	67 725	257 955	1 528	1 202	**260 686**
PA Delport	118 996	19 267	70 883	209 146	-	1 202	**210 348**
LB Dlamini	30 512	-	18 328	48 840	7 640	-	**56 480**
GS Du Plessis	106 792	-	94 576	201 368	2 469	1 202	**205 039**
A Hartzenberg	106 792	-	84 629	191 421	-	1 202	**192 623**
L Heyl	106 792	-	133 118	239 910	-	1 202	**241 112**
M Joubert	91 536	-	75 465	167 001	16 808	1 202	**185 011**
PM Kennedy	106 792	-	130 449	237 241	111 777	1 202	**350 220**
Dr T Legobye	106 792	-	57 137	163 929	-	1 202	**165 131**
E Marx	106 792	-	75 465	182 257	-	1 202	**183 459**
CM Mowatt	137 304	23 716	186 137	347 157	39 191	1 202	**387 550**
S Stevens	106 792	-	57 137	163 929	16 808	1 203	**181 940**
	1 272 349	**86 757**	**1 051 049**	**2 410 154**	**196 221**	**13 223**	**2 619 599**

The training expense relates to induction of the newly appointed Trustees to the Board.
Annual retainer fees are amounts paid in accordance with the provisions of the Trustee Remuneration Policy.

2018							
RF Camphor	157 917	48 895	55 745	262 557	-	-	**262 557**
PA Delport	109 235	34 925	68 659	212 819	-	-	**212 819**
LB Dlamini	92 038	-	55 746	147 784	15 821	-	**163 605**
GS Du Plessis	93 425	-	94 408	187 833	-	-	**187 833**
A Hartzenberg	51 818	-	47 973	99 791	-	2 000	**101 791**
L Heyl	45 768	-	57 137	102 905	-	2 000	**104 905**
M Joubert	51 818	-	47 973	99 791	13 752	2 000	**115 543**
PM Kennedy	107 294	-	114 063	221 357	100 907	-	**322 264**
Dr T Legobye	51 818	-	29 645	81 463	-	2 000	**83 463**
E Marx	107 294	-	55 746	163 040	-	-	**163 040**
CM Mowatt	101 244	-	150 226	251 470	27 904	-	**279 374**
S Stevens	93 425	-	65 743	159 168	17 631	-	**176 799**
JCW Van Rooyen	55 476	-	12 375	67 851	-	-	**67 851**
JH Windell	41 607	-	16 662	58 269	6 935	-	**65 204**
	1 160 177	**83 820**	**872 101**	**2 116 098**	**182 950**	**8 000**	**2 307 048**

The 2019 and 2018 amounts are disclosed as per the 2013 SAICA guide categories.
Travel & Accommodation expenses are paid in order for members to attend Board/Subcommittee meetings/other meetings in Pretoria or if needed at another location in South Africa.

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31. RELATED PARTY TRANSACTIONS

The Scheme is governed by the Board of Trustees which is elected by the members and appointed by the Board of Trustees and employers.

Parties with significant influence over the Scheme:

- Key management personnel of the Scheme and their close family members.

  Key management personnel being those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, the Principal Officer and Executives of the Scheme. The disclosure deals with full-time personnel who are compensated on a salary basis (Principal Officer and managers) and part-time personnel who are compensated on a fee basis (Board of Trustees).
- Close family members include family members of the Board of Trustees, Principal Officer and Executives of the Scheme.

The terms and conditions of the related party transactions were as follows:

Contributions received

This constitutes the contributions paid by the related party, in his or her individual capacity as a member of the Scheme. All contributions were on the same terms applicable to other members.

Claims incurred

This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the Rules of the Scheme, as applicable to other members.

Personal medical savings account balances

The amounts owing to the related parties relate to personal medical savings account balances to which the parties have a right. In line with the terms applied to other members, the balances earn monthly interest on the savings funds invested, on an accrual basis. The amounts are all current, and would need to be payable on demand should an appropriate claim be issued, or should the member resign from the Scheme, as applicable to other members.

Service provider fees paid/payable

These constitute fees paid to a healthcare provider (medical practitioner). Fees are paid on the same basis as applicable to third parties. Invoices paid for non-healthcare providers are also included.

Principal Officer's compensation

This total includes salary cost, retirement benefits, medical benefits, leave encashment, other benefits and a performance bonus.

The following related party transactions occurred during the financial year:

	2019 R	2018 R
Board of Trustees		
Gross medical scheme contributions received	798 093	830 274
Medical scheme contributions received - risk portion	694 269	727 985
Medical scheme contributions received - personal medical savings portion	103 825	102 288
Gross benefits paid out	559 833	466 619
Benefits paid from risk pool	462 523	382 919
Benefits paid from personal medical savings available	97 310	83 699
Saving available at year-end	27 307	58 328
Trustee remuneration and travel and accommodation expenses (Note 30)	2 619 599	2 307 048
Trustee other expenses	104 154	110 125

	2019 R	2018 R
Principal Officer		
Gross medical scheme contributions received	108 564	-
Medical scheme contributions received - risk portion	105 300	-
Medical scheme contributions received - personal medical savings portion	3 264	-
Gross benefits paid out	80 954	-
Benefits paid from risk pool	72 354	-
Benefits paid from personal medical savings available	8 600	-
Saving available at year-end	-	-
Principal Officer's compensation (Note 27)	3 064 957	-
Leave provision at end of year	163 886	-
Acting Principal Officer		
Gross medical scheme contributions received	36 858	67 644
Medical scheme contributions received - risk portion	29 856	54 120
Medical scheme contributions received - personal medical savings portion	7 002	13 524
Gross benefits paid out	1 329	77 727
Benefits paid from risk pool	629	73 214
Benefits paid from personal medical savings available	700	4 512
Saving available at year-end	-	61 289
Acting Principal Officer's compensation (Note 27)	2 454 319	5 038 242
Leave provision at end of year	-	221 884
Key management		
Gross medical scheme contributions received	532 232	500 615
Medical scheme contributions received - risk portion	443 826	414 139
Medical scheme contributions received - personal medical savings portion	88 406	86 476
Gross benefits paid out	178 772	363 606
Benefits paid from risk pool	96 802	285 908
Benefits paid from personal medical savings available	81 970	77 698
Saving available at year-end	283 247	198 658
Compensation to key management personnel	22 715 325	18 004 982
Leave provision at end of year	860 776	940 651
Service providers connected to key management and Board of Trustees		
Gross benefits paid to related party service providers for consultation	571 778	741 861

32. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Scheme's accounting policies, the Board of Trustees has made a number of judgements that had the most significant effect on the amounts recognised in the financial statements.

Certain critical accounting judgements in applying the Scheme's accounting policies and key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date, are discussed below:

(a) The ultimate liability arising from claims made under insurance contracts

There are some sources of uncertainty that need to be considered in the estimate of the liability that the Scheme will ultimately pay for such claims. Initial estimates are made by employees relating 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. Refer to Note 12 for assumptions made.

(b) Impairment provision on debtors

Detailed disclosure of the annual impairment review of the Scheme is disclosed under Note 7 and 37.

(c) Risk transfer arrangement assumptions

Detailed disclosure of the risk transfer arrangement assumptions is made under Note 16.

(d) Post-retirement medical benefits

The Scheme provides post-retirement healthcare benefits to retired employees. An independent qualified actuary carries out valuations of the obligations on an annual basis. Details are disclosed under Note 10.

(e) Outstanding claims provision

Detailed disclosure of the outstanding claims provision assumptions is made under Note 12.

The carrying amounts of the Scheme's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

33. EVENTS AFTER REPORTING PERIOD

The Board of Trustees and Management of the Scheme acknowledges that these are very challenging times, post year end.

On 31 December 2019, there were no cases of COVID-19 identified in South Africa, the first positive COVID-19 case was only announced on 5 March 2020. The current outbreak of COVID-19 has significantly affected entities and economic activity around the world.

Subsequent to the reporting date and prior to the date the financial statements were authorised for issue, the President of South Africa declared a national state of disaster as a result of the global COVID-19 pandemic on 15 March 2020.

The ability to limit the impact of COVID-19, particularly, hinges critically on the Board of Trustees and Management, as funders of healthcare services to function responsibly and effectively amidst the adversities faced.

The following impacts of the virus on the Scheme have therefore been considered:

- **Impact of reduced investment returns:**

	Carrying value at year-end	Effect on Investments if the index weakens by:		
		10%	15%	20%
	R	R	R	R
2019				
Listed equities	150 756 860	(15 075 686)	(22 613 529)	(30 151 372)
SA listed properties	25 821 611	(2 582 161)	(3 873 242)	(5 164 322)
Listed bonds	75 313 273	(7 531 327)	(11 296 991)	(15 062 655)
Linked insurance policies	773 754 048	(77 375 405)	(116 063 107)	(154 750 810)
	1 025 645 793	**(102 564 579)**	**(153 846 869)**	**(205 129 159)**

The resultant reduction in the solvency of the Scheme for the 2020 financial year, resulting from the decline in market values above and the consequential loss of returns will range between 1.83% and 3.66%. This is based on the assumption that budgeted Gross Contributions will be achieved.

- **Impact on solvency and claims as a result of COVID-19:**

  The Scheme's solvency ratio at 31 December 2019, reflects favourably versus the acceptable norm. The solvency ratio of 35.43% is 10.43% above the minimum statutory requirement of 25%. This enables the Scheme to allow for sufficient capital to cover unforeseen and extraordinary high-cost claims as formal processes have been implemented to ensure that claim costs are contained.

  The sensitivities on the Scheme's solvency for the 2020 financial year, after accounting for the impact above on the Investments and additional claims emanating from COVID-19 will result in a combined reduction of the ratio of between 5.23% (low claims scenario) and 7.72% (high claims scenario).

  In light of the aforementioned, the Board of Trustees supports the view that the Scheme's strong financial position and reserve levels will allow the Scheme to absorb the potential direct and indirect negative impact of the market volatility on Investments and the COVID-19 pandemic.

  In Management's view, the development and spread of the virus (and multitude of associated events) subsequent to the reporting date generally do not provide evidence of conditions that existed at 31 December 2019. Rather, the development and spread of the virus generally evidences conditions that arose after the reporting date. As a result, management believes no adjustments are required to the financial statements.

34. MATTERS OF NON-COMPLIANCE

Non-compliance with Section 26(4) of the Medical Schemes Act - Effect of registration (duplicate payments)

Section 26(4)(a) state that no amount shall be debited against the bank account of the Scheme other than payments by a medical scheme of any benefit, payable under the rules of a medical scheme. There were instances where the Scheme, paid claims in excess of the claimed amount.

The anomalies, which were limited to a few transactions of immaterial amounts, were acknowledged and as a consequence thereof the Scheme has in conjunction with the IT Service provider enhanced the claims assessment process. In addition the Claims Manager conducts additional quality assessments via an improved management control report. The transactions as identified have been re-assessed and the duplicate payments recouped. Management is confident that the risk of recurrence has been mitigated via these additional controls.

Non-compliance with Section 26(7) of the Medical Schemes Act - Contributions not received within three days of becoming due

There were instances where the Scheme, in absence of any agreement or understanding, received contributions more than three days after due date. Contribution receivables are amounts receivable from individuals or employer groups and are collected by debit orders or cash payments. If not received within three days of due date, benefits of individuals are suspended and terminated if not received within 60 days. Employer group discrepancies are actively monitored and rectified on a monthly basis.

Non-compliance with Section 33(2)(b) of the Medical Schemes Act - Option self-sufficiency in terms of membership and financial performance be financially sound.

The Medical Schemes Act stipulates that a benefit option shall be self-supporting in terms of membership and financial performance. During the year under review five benefit options of the Scheme, namely Pace2, Pace3, Pace4, Pulse1 and Pulse2 made a net healthcare deficit.

After accounting for other income Pace2, Pace4, Pulse1 and Pulse2 options showed a net deficit.

The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The different financial results reflect the different disease burdens in each option, among many other factors.

The strategy on sustainability of options has to balance short- and long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs.

The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not only on individual options.

Non-compliance with Section 35(6)(a) of the Medical Schemes Act - Borrowings

Section 35(6)(a) states that "A medical scheme shall not encumber its assets."

The Scheme registered as a financial service provider with the Financial Sector Conduct Authority (FSCA). Registration number 44058. The FSCA required a guarantee of R1 million in terms of section 8(7) of the FSCA Board notice 106 of 2008.

In addition, the terms of the Scheme building lease agreement required a guarantee to an amount of R2.3 million.

The Scheme's banker issued these guarantees as part of the Scheme's banking facilities.

The Scheme has obtained exemption from the Council for section 35(6)(a) effective until 1 April 2020, and has applied for re-exemption on 19 February 2020.

Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act - Investments in employers, administrators employer groups.

Section 35(8) of the Medical Schemes Act states that "A medical scheme shall not invest any of its assets in the business of or grant loans to (a) an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme; (b) any other medical scheme; (c) any administrator and (d) any person associated with any of the above.

Due to some of the Scheme's employer groups being listed on the JSE, investments were made in certain of its employer groups listed on the JSE through the portfolios of the investment products the Scheme utilises. This is also applicable to a JSE listed medical scheme administrator.

The Council for Medical Schemes has granted the Scheme an exemption from section 35(8)(a), (c) and (d) of the Medical Schemes Act effective until November 2022.

Non-compliance with Section 65(3) of the Medical Schemes Act - Broker services and commission

Section 65 (3) of the Act states: "No person shall be compensated for providing services relating to the introduction or admission of a member to a medical scheme in terms of subsection (1) unless the Council has, in a particular case or in general, granted accreditation to such a person."

During Internal audits review in 2019, it was noted that two (2) brokerages were paid on behalf of the broker, whose CMS accreditation expired during September 2019.

These exceptions have arisen as a result of a system enhancement that is yet to be implemented. The enhancement will distinguish the payment of commissions on a broker level and not on a brokerage level. Although the commission paid to the two (2) brokerages were not material, management has requested that this development be prioritised and in the interim all exceptions are being monitored and addressed accordingly.

Non-compliance with Regulation 8 of the Medical Schemes Act and Scheme Rule 13.5.4 – Prescribed Minimum Benefits claims paid from savings

Regulation 8 of the Medical Schemes Act No 31 of 1998, as amended, states the following:

"(1) Subject to the provisions of the regulation, any benefit option that is offered by a Medical Scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions."

Furthermore Rule 13.5.4 of the Scheme Rules states that: "The balance standing to the credit of a Member in terms of any option which provides for individual medical savings accounts shall be for the exclusive benefit of the Member and his dependants: Provided that such savings account; shall not be used to pay for the costs of prescribed minimum benefits".

It was noted that certain prescribed minimum benefit "PMBs" claims were incorrectly paid from savings. The adjustments reversing the amounts into the members savings were subsequently effected.

35. SURPLUS/(DEFICIT) PER BENEFIT OPTION

	Beat1*	Beat2*	Beat3*	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
	R	R	R	R	R	R	R	R	R	R	R
2019											
Average members for the financial year	**5 942**	**27 751**	**7 227**	**3 894**	**29 298**	**9 509**	**5 393**	**2 413**	**2 480**	**620**	**94 527**
Risk contribution income	**173 509 338**	**779 241 154**	**310 795 435**	**273 924 948**	**1 642 113 302**	**745 626 760**	**497 897 726**	**288 993 257**	**83 573 258**	**46 359 061**	**4 842 034 239**
Relevant healthcare expenditure	**(124 892 264)**	**(589 534 183)**	**(265 126 267)**	**(243 839 861)**	**(1 328 102 581)**	**(741 840 872)**	**(479 169 344)**	**(301 213 237)**	**(82 928 884)**	**(47 697 297)**	**(4 204 344 791)**
Net claims incurred	(125 196 536)	(590 955 141)	(266 380 588)	(244 722 782)	(1 331 128 928)	(744 551 981)	(480 493 851)	(301 782 579)	(83 416 361)	(47 777 921)	**(4 216 406 668)**
Risk claims incurred	(117 814 364)	(558 346 629)	(257 606 853)	(240 468 100)	(1 295 369 810)	(734 396 787)	(473 842 206)	(298 733 230)	(80 617 267)	(46 994 260)	**(4 104 189 506)**
Third party claims recoveries	126 736	2 458 260	358 831	665 576	1 262 172	1 860 763	162 793	-	335 023	-	**7 230 154**
Accredited managed healthcare services	(7 508 908)	(35 066 772)	(9 132 566)	(4 920 257)	(37 021 291)	(12 015 958)	(6 814 438)	(3 049 349)	(3 134 117)	(783 661)	**(119 447 317)**
Net income/(expenses) on risk transfer arrangements	304 272	1 420 958	1 254 321	882 921	3 026 347	2 711 109	1 324 507	569 342	487 477	80 624	**12 061 878**
Risk transfer arrangement premiums paid	(1 963 637)	(9 170 229)	(7 580 634)	(5 441 086)	(40 132 023)	(12 137 524)	(7 461 770)	(3 126 548)	(1 779 268)	(599 331)	**(89 392 049)**
Recoveries from risk transfer arrangements	2 267 909	10 591 187	8 834 955	6 324 007	43 158 370	14 848 633	8 786 276	3 695 890	2 266 745	679 956	**101 453 927**
Gross healthcare result	**48 617 074**	**189 706 971**	**45 669 168**	**30 085 087**	**314 010 721**	**3 785 887**	**18 728 381**	**(12 219 980)**	**644 374**	**(1 338 236)**	**637 689 448**
Broker service fees and other distribution fees	(4 232 622)	(21 473 153)	(6 215 610)	(1 958 578)	(30 622 702)	(7 235 346)	(5 751 132)	(1 491 349)	(1 569 435)	(28 188)	**(80 578 114)**
Administration and other operative expenses	(21 727 228)	(101 466 655)	(26 425 329)	(14 236 898)	(107 122 108)	(34 768 501)	(19 717 761)	(8 823 373)	(9 068 653)	(2 267 544)	**(345 624 050)**
Net impairment losses on healthcare receivables	(235 713)	(1 257 445)	(501 880)	(432 465)	(2 752 818)	(1 177 838)	(786 518)	(404 763)	(113 540)	(62 984)	**(7 725 965)**
Net healthcare result	**22 421 511**	**65 509 718**	**12 526 350**	**13 457 146**	**173 513 092**	**(39 395 798)**	**(7 527 029)**	**(22 939 465)**	**(10 107 254)**	**(3 696 952)**	**203 761 319**
Other income	**4 980 343**	**30 920 977**	**13 736 722**	**11 353 321**	**83 030 605**	**32 627 498**	**22 709 845**	**9 427 896**	**2 412 573**	**1 317 152**	**212 516 932**
Investment income	4 957 138	30 797 186	13 687 313	11 310 747	82 759 599	32 511 543	22 632 415	9 388 049	2 401 395	1 310 952	**211 756 335**
Scheme	4 904 194	26 162 106	10 441 994	8 997 759	57 274 477	24 505 825	16 364 110	8 421 411	2 362 283	1 310 426	**160 744 583**
Personal medical savings account trust monies invested	52 944	4 635 080	3 245 319	2 312 988	25 485 122	8 005 719	6 268 305	966 638	39 113	526	**51 011 753**
Other operating income	23 205	123 791	49 408	42 575	271 006	115 954	77 430	39 848	11 178	6 201	**760 597**
Other expenditure	**(528 077)**	**(7 169 745)**	**(4 256 972)**	**(3 184 719)**	**(31 034 050)**	**(10 379 919)**	**(7 853 710)**	**(1 782 530)**	**(267 977)**	**(127 484)**	**(66 585 184)**
Interest paid on personal medical savings trust accounts	(52 944)	(4 635 080)	(3 245 319)	(2 312 988)	(25 485 122)	(8 005 719)	(6 268 305)	(966 638)	(39 113)	(526)	**(51 011 753)**
Asset management fees	(160 029)	(853 697)	(340 733)	(293 606)	(1 868 926)	(799 650)	(533 978)	(274 799)	(77 084)	(42 761)	**(5 245 262)**
Own facility expenditure	(267 631)	(1 427 712)	(569 839)	(491 024)	(3 125 571)	(1 337 327)	(893 019)	(459 572)	(128 914)	(71 512)	**(8 772 121)**
Finance costs	(47 474)	(253 257)	(101 081)	(87 101)	(554 432)	(237 223)	(158 409)	(81 521)	(22 867)	(12 686)	**(1 556 048)**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**26 873 777**	**89 260 950**	**22 006 100**	**21 625 749**	**225 509 647**	**(17 148 219)**	**7 329 105**	**(15 294 099)**	**(7 962 659)**	**(2 507 283)**	**349 693 067**

* The Scheme offered thirteen benefit options for the year under review, ten original options and three Efficiency Discounted Options (EDOs). The EDOs namely Beat1 Network, Beat2 Network and Beat3 Network are included in the original ten options for reporting purposes.

35. SURPLUS/(DEFICIT) PER BENEFIT OPTION (CONTINUED)

	Beat1*	Beat2*	Beat3*	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
	R	R	R	R	R	R	R	R	R	R	R
2018											
Average members for the financial year	**5 687**	**25 202**	**7 144**	**4 421**	**29 405**	**9 977**	**5 613**	**2 662**	**2 818**	**705**	**93 635**
Risk contribution income	**153 272 443**	**656 983 087**	**281 607 186**	**282 648 302**	**1 491 094 636**	**716 291 358**	**471 185 282**	**292 053 986**	**87 335 990**	**46 666 156**	**4 479 138 426**
Relevant healthcare expenditure	**(129 430 033)**	**(518 340 240)**	**(258 669 942)**	**(245 879 053)**	**(1 242 872 474)**	**(699 498 330)**	**(452 924 234)**	**(305 943 265)**	**(85 213 740)**	**(50 552 523)**	**(3 989 323 832)**
Net claims incurred	(129 643 980)	(519 288 407)	(258 121 430)	(247 025 956)	(1 248 939 179)	(701 950 126)	(455 267 027)	(306 708 646)	(84 058 152)	(50 434 488)	**(4 001 437 391)**
Risk claims incurred	(123 264 359)	(492 056 960)	(250 723 748)	(243 016 522)	(1 218 906 989)	(691 262 049)	(449 045 558)	(303 968 725)	(81 275 790)	(49 631 863)	**(3 903 152 564)**
Third party claims recoveries	111 911	1 537 574	757 948	1 037 559	3 535 536	701 571	186 445	299 177	434 627	1 599	**8 603 947**
Accredited managed healthcare services	(6 491 532)	(28 769 021)	(8 155 630)	(5 046 993)	(33 567 726)	(11 389 648)	(6 407 914)	(3 039 098)	(3 216 990)	(804 224)	**(106 888 775)**
Net income/(expenses) on risk transfer arrangements	213 947	948 166	(548 512)	1 146 903	6 066 706	2 451 796	2 342 793	765 382	(1 155 588)	(118 035)	**12 113 559**
Risk transfer arrangement premiums paid	(1 707 028)	(7 565 168)	(8 789 449)	(5 439 270)	(36 176 776)	(12 274 908)	(6 905 968)	(3 275 311)	(3 467 030)	(866 732)	**(86 467 640)**
Recoveries from risk transfer arrangements	1 920 976	8 513 334	8 240 937	6 586 173	42 243 481	14 726 704	9 248 761	4 040 693	2 311 442	748 697	**98 581 199**
Gross healthcare result	**23 842 411**	**138 642 847**	**22 937 244**	**36 769 249**	**248 222 163**	**16 793 028**	**18 261 048**	**(13 889 279)**	**2 122 250**	**(3 886 367)**	**489 814 594**
Broker service fees and other distribution fees	(3 840 449)	(18 505 393)	(5 663 632)	(2 003 209)	(28 856 078)	(7 038 826)	(5 745 402)	(1 509 935)	(1 641 766)	(27 035)	**(74 831 727)**
Administration and other operative expenses	(19 495 533)	(86 399 847)	(24 493 194)	(15 157 256)	(100 811 440)	(34 205 677)	(19 244 407)	(9 127 094)	(9 661 344)	(2 415 266)	**(321 011 058)**
Net impairment losses on healthcare receivables	(184 727)	(951 250)	(407 986)	(399 929)	(2 243 360)	(1 014 126)	(667 243)	(362 530)	(105 217)	(56 199)	**(6 392 567)**
Net healthcare result	**321 701**	**32 786 357**	**(7 627 569)**	**19 208 855**	**116 311 285**	**(25 465 602)**	**(7 396 004)**	**(24 888 838)**	**(9 286 078)**	**(6 384 866)**	**87 579 243**
Other income	**3 344 878**	**20 636 872**	**10 006 756**	**9 273 460**	**61 678 533**	**25 095 684**	**17 829 391**	**7 282 039**	**1 908 787**	**1 004 465**	**158 060 866**
Investment income	3 307 283	20 443 279	9 923 725	9 192 068	61 221 977	24 889 295	17 693 598	7 208 259	1 887 374	993 028	**156 759 886**
Scheme	3 262 204	16 798 656	7 204 863	7 062 566	39 616 757	17 909 023	11 783 220	6 402 129	1 858 095	992 444	**112 889 957**
Personal medical savings account trust monies invested	45 079	3 644 623	2 718 862	2 129 502	21 605 220	6 980 272	5 910 378	806 130	29 279	584	**43 869 929**
Other operating income	37 595	193 593	83 031	81 391	456 556	206 389	135 794	73 780	21 413	11 437	**1 300 980**
Other expenditure	**(451 923)**	**(5 739 656)**	**(3 617 412)**	**(3 010 305)**	**(26 545 996)**	**(9 213 784)**	**(7 379 913)**	**(1 604 567)**	**(261 010)**	**(124 354)**	**(57 948 920)**
Interest paid on personal medical savings trust accounts	(45 079)	(3 644 623)	(2 718 862)	(2 129 502)	(21 605 220)	(6 980 272)	(5 910 378)	(806 130)	(29 279)	(584)	**(43 869 929)**
Asset management fees	(170 604)	(878 522)	(376 794)	(369 352)	(2 071 844)	(936 591)	(616 229)	(334 813)	(97 173)	(51 902)	**(5 903 824)**
Own facility expenditure	(232 950)	(1 199 569)	(514 490)	(504 328)	(2 828 978)	(1 278 859)	(841 423)	(457 167)	(132 684)	(70 868)	**(8 061 316)**
Other losses	(3 290)	(16 942)	(7 266)	(7 123)	(39 954)	(18 062)	(11 884)	(6 457)	(1 874)	(1 000)	**(113 852)**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**3 214 656**	**47 683 574**	**(1 238 225)**	**25 472 009**	**151 443 823**	**(9 583 701)**	**3 053 474**	**(19 211 366)**	**(7 638 301)**	**(5 504 754)**	**187 691 189**

* The Scheme offered thirteen benefit options for the year under review, ten original options and three Efficiency Discounted Options (EDOs). The EDOs namely Beat1 Network, Beat2 Network and Beat3 Network are included in the original ten options for reporting purposes.

36. INSURANCE RISK MANAGEMENT REPORT

Nature and extent of risks arising from insurance contracts

The primary insurance activity of the Scheme is to indemnify covered members and their dependants against the risk of loss arising as the result of the occurrence of a health related event. The Scheme is exposed to the uncertainty surrounding the timing and severity of claims. Insurance events are by nature random and the actual number and size of events during one year may vary from those estimated using established techniques.

Insurance risk - description of benefit options

The types of benefits offered by the Scheme in return for monthly contributions are:

Hospital benefits

The hospital benefit covers medical expenses for admission to hospital, provided that the Scheme has authorised the treatment, except in the case of a medical emergency where all admissions are covered.

Chronic illness benefit

Approved medication for 45 listed conditions of which 27 conditions on the Chronic Disease List (CDL) are covered by this benefit. These include conditions such as asthma, cholesterol and hypertension.

Day-to-day benefits

The day-to-day benefits include both the Joint Benefit Account and an insurance risk element - Protocol Treatment and Above Threshold Benefits (ATB). These benefits cover healthcare services where the cost occurs outside the hospital, such as visits to general practitioners and dentists. It also covers the cost of prescribed non-chronic medicine.

The primary insurance activity carried out by the Scheme assumes risks related to the health of the Scheme members and their registered dependants. As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal.

Risk management objectives and policies for mitigating insurance risk

When assessing and managing insurance risk the Scheme takes the following main factors into account:

1. The size and composition of the risk pool for each type of contract

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome is likely to be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Scheme has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and the demographics of members covered.

2. Frequency and severity of claims

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 principal risk is that the frequency and severity of claims are greater than expected.

For insurance contracts issued, climatic and seasonal changes, as well as the spread of pandemics give rise to more frequent and severe claims. However, the data shows that the frequency and severity of claims stay relatively stable year-on-year. The quality and availability of effective private healthcare services further reduces the risk of sudden severe claim patterns.

3. Benefit utilisation

The Scheme manages this risk through pre-authorisation and case management for hospitalisation, approval of registration for chronic medicine benefits, applying medicine formularies as well as various disease management programmes for high-risk/high-cost diseases such as cancer.

Various data sets are used to monitor utilisation. These include:

Hospitalisation

Hospitalisation accounts for more than 50% of the risk benefits paid by the Scheme. When the cost of service providers caring for patients in hospital is added, the percentage of risk benefits covered increases to 70%. This risk is managed through pre-authorisation of procedures and case management, the objective being to provide appropriate and cost-effective care for members of the Scheme.

In managing this risk the average cost per admission, number of admissions per 1 000 lives, average cost per 1 000 lives and average number of bed days per admission are monitored on a monthly basis.

Medicine

Medicine for chronic diseases accounts for 10% of the risk benefits paid. This risk is managed through pre-authorisation of utilisation and the use of a medicine formulary. Members are also required to re-apply for medicine after a prescribed period thus ensuring that the clinical necessity of continuing with the treatment is frequently assessed.

Average cost per beneficiary, average number of items per prescription and average cost per item are monitored on a monthly basis.

Claims ratio

Claims paid expressed as a percentage of contributions received, is an important indicator of the stability of the risk pool and the ability of the Scheme to fulfil its obligation under the insurance contract it sells.

4. Impact of legislation and regulation

The medical scheme industry is governed by the Medical Schemes Act. The governance under the Medical Schemes Act is fulfilled by a statutory body, the Council for Medical Schemes. Various legislative measures restrict the Scheme to fully manage its insurance risk, the main factor being the fact that the Scheme is not allowed to risk rate its members at all. This severely increases the risk in a risk pool with a too high load of above average claimers.

Managed care initiatives such as disease management programmes and preventative programmes such as a training programme for potential cardiovascular patients are implemented to reduce risk.

Sensitivity to insurance risk

The Scheme's profitability, reserves and, consequently, its solvency are sensitive to variables that arise from contribution increases relative to medical inflation and changes in the level of insurance events as well as the composition of the risk pool, all of which could have a material impact on the business of the Scheme.

Over and above daily and monthly management information on claims ratios and composition of the risk pool, the Scheme also makes use of the monitoring of the relative insurance events by the Scheme's actuaries. The actuaries provide estimates based on statistical models, on the probability of the occurrence of future events, thus predicting the profitability to year-end.

The accumulation of claims to the next claims payment run is monitored on a daily basis, both by volume and value. This ensures that any unexpected increase in utilisation is reported timeously. Furthermore, all severe cases of hospital admissions are monitored daily to ensure that treatment is done as effectively as possible. This also ensures that the Scheme is informed of possible high-value hospital claims in time.

The Scheme also has an independent monthly analysis of claims which is done by its actuaries. The actuaries also provide the Scheme with a monthly prediction of the outcome for the remainder of the financial year. This analysis is done based on the available data for the year together with the data for the past three years. The combined data set is run through a stochastic model which takes into account the expected behaviour of each beneficiary of the Scheme. The assumptions in the stochastic model are based on the past behaviour patterns of beneficiaries from different Schemes that participated in the same programme, thus ensuring the reliability of the outcome.

36. INSURANCE RISK MANAGEMENT REPORT (CONTINUED)

Sensitivity to insurance risk (continued)

The table below summarises the concentration of insurance risk, with reference to net claims incurred, by age group and type of benefits provided.

Age group	General Practitioners	Specialists	Pathology	Medicines	Hospitals	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2019							
<30	17 426	86 575	31 279	43 571	307 161	79 971	**565 983**
30-39	11 223	67 774	26 426	40 755	198 195	54 800	**399 173**
40-49	12 330	68 704	30 142	57 371	182 713	72 807	**424 066**
50-59	16 432	108 305	39 477	91 533	283 476	103 425	**642 648**
60-69	16 503	150 236	47 648	105 404	392 110	135 008	**846 907**
70 +	22 251	185 816	67 914	118 198	547 600	174 948	**1 116 727**
Total	**96 165**	**667 410**	**242 884**	**456 832**	**1 911 255**	**620 959**	**3 995 505**
2018							
<30	18 136	86 667	31 706	41 488	312 296	77 829	**568 122**
30-39	10 948	62 924	24 203	39 269	190 803	51 283	**379 430**
40-49	11 697	67 735	28 188	55 291	188 146	69 907	**420 964**
50-59	16 250	106 252	38 843	89 555	292 065	106 416	**649 381**
60-69	16 025	133 350	42 937	97 350	354 124	122 233	**766 018**
70 +	20 872	168 742	60 144	111 812	497 846	152 637	**1 012 052**
Total	**93 927**	**625 670**	**226 020**	**434 766**	**1 835 280**	**580 305**	**3 795 967**

General Practitioners benefits cover the cost of all visits by members to and of the procedures performed by them, both in and out-of-hospital.

Specialists benefits cover the cost of all visits by members to specialists and of the procedures performed by them, both in and out-of-hospital.

Pathology benefits cover the cost of pathology tests performed, mainly in hospital but also out-of-hospital where a specific option covers such benefits from the risk pool.

Medicine benefits cover the costs of chronic medicine benefits as well as acute medicine where a specific option covers such benefits from the risk pool.

Hospital benefits cover all costs incurred by members, while they are in hospital to receive pre-authorised treatment for certain medical conditions.

Risk transfer arrangements

The Scheme entered into various capitation agreements with medical service providers (refer Note 16). These risk transfer arrangements spread the risk and minimise the effect of losses and are on annually renewable terms. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances to maximum limits on the basis of characteristics of coverage.

According to the terms of the risk transfer arrangements, the third party agrees to reimburse the ceded amount in the event the claim is paid. According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to the Scheme members, as and when required by the members.

The Scheme does, however, remain liable to its members if any supplier fails to meet the obligations it assumes. When selecting suppliers, the Scheme considers their relative security and their ability to provide the relevant service. The security of the supplier is assessed from public rating information and from internal investigations such as considering capital adequacy, solvency, capacity and appropriate resources.

The following tables summarises the concentration of insurance risk transferred, with reference to the amount of the insurance claims incurred by option and in relation to the type of risk covered/benefits provided:

	Optometry	Emergency evacuation
2019 Options		
Beat1	-	100%
Beat2	-	100%
Beat3	100%	100%
Beat4	100%	100%
Pace1	100%	100%
Pace2	100%	100%
Pace3	100%	100%
Pace4	100%	100%
Pulse1	100%	100%
Pulse2	100%	100%

Claims development

Claims development tables are not presented as the uncertainty regarding the amount and timing of claim payments is typically resolved within one year and in the majority of cases within four months. At year-end, a provision is made for those claims outstanding that are not yet reported at that date.

Underwriting risk

Underwriting risk is the risk that the actual exposure of the Scheme in respect of outstanding claims will exceed best estimates of the amounts provided for the cash flows required to settle them. External actuaries have been consulted in setting these estimates at year-end, including the estimate for those claims outstanding at year-end, which had not yet been reported.

The Scheme participates in Insight Actuaries & Consultants risk management model. The model was developed by the Scheme's external actuaries and is a stochastic risk management model that was specifically designed and developed for medical schemes. Insight Actuaries & Consultants runs on detailed beneficiary-level demographic data and claims data on claim-line level. The database is updated on a monthly basis and reconciled to the Scheme's financial statements. Actual claims experience is compared to Insight Actuaries & Consultants' projected claims experience every month to ensure that the model provides a reliable basis from which to project expected claims experience. Allowance is made within the setup of Insight Actuaries & Consultants for inflation (both the severity and utilisation of claims) and seasonal variation of claim patterns. The impact that demographic changes are expected to have on claims incurred is automatically incorporated in all projected results.

Insight Actuaries & Consultants estimates claims incurred by service date based on the Scheme's actual demographic structure and past claims. It has been used by the Scheme for more than seven years, and has proven to be a reliable predictor of claims incurred. Results from Insight Actuaries & Consultants are reconciled with the actual claims paid on a monthly basis and adjustments are made where necessary to ensure that the results remain accurate. By comparing the claims predicted by Insight Actuaries & Consultants to actual claims paid by the Scheme, the actuaries are able to calculate an appropriate provision for outstanding claims. The outstanding claims provision is calculated using traditional "chain ladder" methods based on claims development patterns derived from a period of 12 months prior to the calculation date.

The outstanding claims provision is calculated after considering the results of both Insight Actuaries & Consultants' model and the chain ladder techniques. In general terms, chain ladder methods tend to be reliable when claims administration processes are stable, whether or not this is the case for beneficiaries' claims propensities. Conversely, using methodology based on Insight Actuaries & Consultants' projections (which bear some similarity to traditional Loss Ratio methods) tend to be more reliable when beneficiaries' claims propensities are stable, whether or not this is the case for administrative processes. Insight Actuaries & Consultants' model also adjusts for demographic and benefit changes, whereas these are not automatically reflected by traditional chain ladder methods.

Finally, consideration was given to claims already paid after the reporting date, specifically claims processed between January 2020 and March 2020 for 2019 services. A significant portion of the claims incurred in 2019 are therefore expected to have been paid. The chain ladder method has therefore been used to estimate claims for future payment months.

36. INSURANCE RISK MANAGEMENT REPORT (CONTINUED)

Underwriting risk (continued)

As opposed to claims for 2019 that have already been paid, the claims for 2019 estimated to be paid in future payment months are still subject to uncertainty. The table below illustrates the effect of a 10% increase and decrease in this amount.

	Claims for 2019 services paid from Jan 2020 to Mar 2020	2019 Claims estimated at that time to be paid after Mar 2020	Outstanding claims provision	% Change in outstanding claims provision
	R	R	R	%
2019 Scenario				
Base scenario	133 139 357	19 368 856	152 508 213	
10% increase	133 139 357	21 305 742	154 445 099	1.27%
10% decrease	133 139 357	17 431 970	150 571 327	(1.27%)

37. FINANCIAL RISK MANAGEMENT REPORT

Financial risk factors

The Scheme's activities expose it to a variety of financial risks as its financial assets include the effects of changes in equity market prices, creditworthiness and interest rates. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, interest rate risk, market risk and liquidity risk. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members.

The Board of Trustees has overall responsibility for the establishment and oversight of the risk management framework of the Scheme. The carrying amounts of the financial assets and financial liabilities per category are disclosed in the statement of financial position.

Risk management and investment decisions are made under the guidance and policies approved by the Investment Committee and Board of Trustees. The Investment Committee identifies, evaluates and economically hedges (where appropriate) financial risks associated with the Scheme's investment portfolio. The Investment Committee provides a statement of investment principles for approval by the Board of Trustees.

Investment risk

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

The Scheme's Investment Committee invests funds in line with the Medical Schemes Act 131 of 1998, as amended. Expert advice is obtained from Willis Towers Watson to assist in developing an appropriate investment strategy and portfolio.

Given that the central purpose of the Scheme is to provide medical benefits to members rather than to maximise investment returns, a moderate risk appetite is adopted. The Committee believes that the primary objective that the Scheme needs to manage is to earn a sufficient investment return in excess of inflation over a five-year period, without losing focus on downside protection over a one-year period. The Committee believes that risk should be managed in part by holding a diversified portfolio, with a significant proportion of the assets providing returns that offer protection against inflation over the longer term.

In appointing active managers, the Committee believes that the better investment strategy is to select fundamental research orientated managers with a long-term focus, where the focus is on assessing the intrinsic value of an asset, or buying shares that have strong "value" characteristics (i.e. low price/earnings ratio, high dividend yield, low price to book ratio).

To achieve this goal, the Board has identified that an amount not exceeding the reserves of the Scheme as defined by Regulation 29, will be allocated to a strategic investment portfolio which will be managed by an Investment Committee in conjunction with the Scheme's appointed investment advisors. The balance of the available cash is held in cash and short-term investments to meet the daily operational needs of the Scheme.

The Investment Committee monitors the performance of the Scheme's investments in conjunction with the Scheme's investment advisors to ensure that maximum returns are achieved.

Personal medical savings trust investment risk is the risk that the investment balances and returns on the trust monies will not be sufficient to cover the trust liability. The trust monies are not a direct Scheme risk as these monies belong to the members and are held through trust accounts. However, the Scheme still has an obligation to oversee the investment performance of these trust assets to ensure that the personal medical savings liabilities towards members are sufficiently covered. The Scheme has adopted a conservative investment approach in this regard by investing in low risk bank accounts and money market funds.

Breakdown of investments

The investments managed by the Investment Committee are split between the following categories in the financial statements:

* Investment property;
* Financial assets investments; and
* Cash and cash equivalents.

Financial assets investments

The Scheme invests in equity through units in a linked insurance fund policy with a registered long-term insurer with underlying assets in domestic equity and through segregated portfolios with financial institutions. The performance of the investments are measured against the Consumer Price Index (CPI) with the objective to outperform CPI as follows over any rolling five-year period:

* Domestic only portfolios - CPI + 3%
* Domestic with global components portfolios - CPI + 4%

To better understand the risks associated with these investments, the following disclosure is presented under each category.

	2019	2018
	R	R
Scheme		
Financial assets at fair value through Other comprehensive income:		
- Listed equity	150 756 860	137 893 153
- SA listed properties	25 821 611	29 675 370
	176 578 471	**167 568 522**
Financial assets at fair value through profit or loss:		
Scheme		
- Money Market instruments	1 732 442	1 943 345
- Listed bonds	75 313 273	73 191 693
Linked insurance policies	773 754 048	717 201 480
Collective investment schemes	1 224 860 684	874 316 839
	2 075 660 448	**1 666 653 357**
Personal medical savings account trust monies invested		
Segregated portfolio	297 388 278	251 081 060
- Money Market instruments	297 388 278	251 081 060
Linked insurance policies	370 592 052	268 953 493
Total	**667 980 330**	**520 034 553**

37. FINANCIAL RISK MANAGEMENT REPORT (CONTINUED)

Market risk

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

The insurance liabilities of the Scheme are settled within one year. No insurance liabilities are discounted and therefore changes in market interest rates would not affect the Scheme's surplus or deficit.

Risks identified per investment and cash instrument	Currency Risk	Price Risk	Interest Rate Risk
Segregated portfolio			
- Listed equity	-	Yes	-
- Money Market instruments	-	-	Yes
- Listed bonds	-	-	Yes
- SA listed properties	-	Yes	-
- Exchange traded funds	-	Yes	-
Money Market Funds	Yes	-	Yes
Collective investment schemes	-	Yes	Yes
Cash and cash equivalents	-	-	Yes

Currency risk

The benefits of the Scheme are Rand-denominated and therefore the Scheme does not have any significant net currency risk on its benefits. The Scheme is exposed to net currency risk through its foreign investment in bonds and international fixed interest funds of which the impact is insignificant.

Price risk

The Scheme is indirectly exposed to equity securities price risk, SA properties and commodities because of investments via Linked Insurance Policies. To manage the risk arising from investments in equity securities, the Scheme invests in equities via a Linked Insurance Fund Policy with a long-term insurer with approval to enter into Linked Insurance Policies as defined in Section 1 and Schedule 2 of the Long-term Insurance Act 52 of 1998.

Equity securities, SA properties and commodities are classified as financial assets investments and market gains/losses would increase/decrease the Financial assets fair value reserve of the Scheme.

This risk is managed by the mandates issued to the investment managers which are utilised by the Scheme. Investment managers are required to invest within the restrictions of Regulation 30 of the Medical Schemes Act. Furthermore, investment risks and exposure are reviewed and assessed on a regular basis by the Investment Committee of the Scheme, management as well as by the Scheme's Investment Advisors - Willis Towers Watson.

Sensitivity analysis table

Effect on equity if the Listed Equities index strengthens/weakens by 10%

	Carrying value at year-end	Effect on equity if the Listed Equities index strengthens/ (weakens) by 10%
	R	R
2019		
Listed equities	150 756 860	15 075 686
SA listed properties	25 821 611	2 582 161
2018		
Listed equities	137 893 153	13 789 315
SA listed properties	29 675 370	2 967 537

Sensitivity analysis

The Scheme acquired units in linked insurance funds with exposure to assets in domestic equity. The value of each unit is calculated as the aggregate market value of all underlying assets at the end of the day, with due allowances being made where applicable for accrued interest and dividend income. From the aggregate market value is deducted any direct costs the manager may incur in the management of the portfolio. The resultant net aggregate market value is then divided by the number of units to derive the Unit Price. The table below shows the effect of changes in the market on the Unit Price.

	Percentage effect on amount of Accumulated Funds					
	% Decrease in market			% Increase in market		
	30%	15%	5%	5%	15%	30%
31 December 2019	(232 126 214)	(116 063 107)	(38 687 702)	38 687 702	116 063 107	232 126 214
31 December 2018	(215 160 444)	(107 580 222)	(35 860 074)	35 860 074	107 580 222	215 160 444

Interest rate risk

The Scheme is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate combination of fixed and floating rate investments as well as fixed deposit investments. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

This risk is managed by regular reviews by the Investment Committee of the Scheme, management as well as by the Scheme's Investment Advisors - Willis Towers Watson. The performance of the investments are measured against the Consumer Price Index (CPI) with the objective to outperform CPI over any rolling five-year period.

Sensitivity analysis table

The following table summarises the Scheme's cash and cash equivalents and financial assets investments that are exposed to interest rate risks, disclosed at carrying amounts and categorised by the earlier of contractual repricing or maturity dates.

	1 - 3 months	4 - 12 months	1 - 5 years	Carrying value at year-end Total	Effect if interest rate increase by 1%
	R	R	R	R	R
As at 31 December 2019					
Money Market Instruments					
Scheme	1 732 442	-	-	1 732 442	17 324
Personal medical savings account trust monies invested	27 820 382	269 567 897	-	297 388 278	2 973 883
Listed bonds					
Scheme	-	306 250	75 007 023	75 313 273	753 133
Collective investment schemes:	494 457 577	-	730 403 107	1 224 860 684	12 248 607
Cash and cash equivalents					
Scheme	117 911 183	-	-	117 911 183	1 179 112
Personal medical savings account trust monies invested	113 501 780	-	-	113 501 780	1 135 018
Total	**755 423 363**	**269 874 147**	**805 410 131**	**1 830 707 641**	**18 307 076**

Sensitivity analysis table (continued)

	1 - 3 months	4 - 12 months	1 - 5 years	Carrying value at year-end Total	Effect if interest rate increase by 1%
	R	R	R	R	R
As at 31 December 2018					
Money Market instruments					
Scheme	1 943 345	-	-	1 943 345	19 433
Personal medical savings account trust monies invested	35 024 010	216 057 050	-	251 081 060	2 510 811
Listed Bonds					
Scheme	-	3 149 100	70 042 593	73 191 693	731 917
Collective investment schemes:	353 221 269	-	521 095 570	874 316 839	8 743 168
Cash and cash equivalents					
Scheme	16 775 115	-	-	16 775 115	167 751
Personal medical savings account trust monies invested	200 332 418	-	-	200 332 418	2 003 324
Total	**607 296 157**	**219 206 151**	**591 138 163**	**1 417 640 471**	**14 176 405**

The table below summarises the effective interest rate at year-end by major currencies across applicable Scheme financial assets.

	2019	2018
	%	%
Financial Assets		
Scheme	8.3%	4.9%
Personal medical savings account trust monies invested	8.2%	8.2%
Cash and cash equivalents		
Scheme	2.6%	2.9%
Personal medical savings account trust monies invested	2.6%	2.6%

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Scheme's principal financial assets are cash and cash equivalents, trade and other receivables and investments. The Scheme's credit risk is primarily attributable to accounts receivables by members and service providers.

Trade and other receivables

Trade and other receivables consist of insurance receivables and loans and receivables.

The main components of insurance receivables are:

- Receivables for contributions due from members; and
- Receivables for amounts recoverable from service providers and members in respect of claims debt.

The Scheme manages credit risk by:

- Suspending benefits on all member accounts when contributions have not been received for 30 days;
- Terminating benefits on all member accounts when contributions have not been received for 60 days;
- Ageing and pursuing unpaid accounts on a monthly basis;
- Details of the process to estimate impairment provisions are included elsewhere in Note 37; and
- Actively pursuing all contributions not received after three days of becoming due, as required by Section 26(7) of the Medical Schemes Act 131 of 1998, as amended.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019	2018
	R	R
Financial assets at fair value through profit or loss	2 743 640 778	2 186 687 911
Scheme	2 075 660 448	1 666 653 357
Personal medical savings account trust monies invested	667 980 330	520 034 553
Financial assets at fair value through Other comprehensive income	176 578 471	167 568 522
Trade and other receivables	121 955 698	265 762 863
Insurance receivables	104 645 353	79 147 529
Other loans and receivables	19 738 131	186 439 297
Recovery under risk transfer arrangements outstanding claims provisions	(2 427 786)	176 037
Cash and cash equivalents	231 412 963	217 107 533
Scheme	117 911 183	16 775 115
Personal medical savings account trust monies invested	113 501 780	200 332 418
	3 273 587 909	**2 837 126 829**

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

	2019	2018
	R	R
The maximum credit exposure to member and service provider claims receivables was:		
Member claim receivables	14 899 771	8 732 085
Service provider claim receivables	1 761 167	1 832 224
	16 660 938	**10 564 308**
Trade and other receivables disclosed by a quantitative analysis and maximum credit exposure at the end of the year:		
Financial assets that are neither past due nor impaired	17 310 345	186 615 334
Financial assets that are past due but not yet impaired	104 645 353	79 147 529
Financial assets that are impaired	13 926 065	12 974 491
Provision for impairment	(13 926 065)	(12 974 491)
Total credit exposure	**121 955 698**	**265 762 863**

37. FINANCIAL RISK MANAGEMENT REPORT (CONTINUED)

Impairment losses

The movement in the provision for impairment, for each class of financial asset, during the year was as follows:

	Trade and other receivables			
	Insurance receivables			
	Contribution debtors	Member and service provider debtors	Personal medical savings account advances	Total
	R	R	R	R
Balance at 1 January 2018	215 944	4 749 438	2 728 584	7 693 965
Increase/(decrease) in provision for impairment	(154 262)	2 813 038	2 621 750	5 280 526
Balance at 31 December 2018	**61 682**	**7 562 476**	**5 350 334**	**12 974 491**
Balance at 1 January 2019	61 682	7 562 476	5 350 334	12 974 491
Increase/(decrease) in provision for impairment	(35 373)	6 337 280	(5 350 334)	951 574
Balance at 31 December 2019	**26 309**	**13 899 756**	**0**	**13 926 065**

Investments

Transactions are limited to high-quality financial institutions and the amount of exposure to any one financial institution is limited.

The Scheme limits its exposure to credit risk by investing in liquid securities and only with counterparties that have a credit rating of no less than AA(Zaf) as rated by Fitch's Ratings. Owing to these high credit ratings the Board of Trustees does not expect any counterparty to fail to meet its obligations. Credit limits per institution are prescribed by Annexure B of the Regulations to the Medical Schemes Act 131 of 1998, as amended, which reduces the risk per individual institution. The utilisation of these credit limits are regularly monitored.

The table below shows the credit limit and balance of cash and cash equivalents as well as Money Market funds held at five major counterparties at year-end. No credit limits as per Regulation 30 were exceeded during the reporting period and the Board of Trustees does not expect any losses from non-performance of these counterparties.

		2019		2018	
Counterparty	Credit rating	Credit limit	Balance	Credit limit	Balance
		R	R	R	R
Nedbank	AA(Zaf)	1 158 509 002	249 322 104	1 005 030 755	194 267 531
ABSA	AA(Zaf)	1 158 509 002	311 833 170	1 005 030 755	211 570 980
Standard Bank	AA(Zaf)	1 158 509 002	157 996 288	1 005 030 755	114 576 154
FNB	AA(Zaf)	1 158 509 002	208 813 648	1 005 030 755	190 848 834
Investec	AA(Zaf)	1 158 509 002	57 011 562	1 005 030 755	80 496 432

AA(Zaf) means highest short-term credit quality on the Fitch's national scale. It indicates the strongest intrinsic capacity for the timely payment of financial commitments.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (where available) or to historical information about counterparty default rates.

	2019	2018
	R	R
Insurance receivables		
Counterparties without external credit rating		
Contribution debtors	97 968 972	72 715 159
Member claims debtors	14 899 771	8 732 085
Provider claims debtors	1 761 167	1 832 224

Contribution debtors are normally collected in the following month by way of a double debit order whilst member and provider claim debtors are collected from any future benefits that are due.

	2019	2018
Cash and cash equivalents		
Counterparties with external credit ratings (Fitch)		
AA(Zaf)	231 412 963	217 107 533
	231 412 963	217 107 533

The Scheme applies the National Scale Short-Term Issue Credit Ratings for its short-term obligations. The rating relates to the capacity of the Scheme to meet its financial obligations.

AA(Zaf) means highest short-term credit quality on Fitch's national scale. It indicates the strongest intrinsic capacity for the timely payment of financial commitments.

Financial assets

The credit ratings of financial assets are linked to the underlying investment instruments within the segregated portfolios, linked insurance policy and the money market funds. The Scheme's investment portfolios managed by Investec, Allan Gray, Coronation and Prudential are all managed in compliance with Annexure B of Regulation 30 of the Medical Schemes Act. As such the per issuer limits per Annexure B applies to all the mandates. The credit rating exposures are monitored by the Scheme's Investment Advisor, Willis Towers Watson, which ensures mandate compliance.

Fair values of financial assets by hierarchy level

Assets measured at fair value: 2019	Level 1	Level 2	Level 3
	R	R	R
Financial assets			
Scheme			
Financial assets at fair value through Other comprehensive income:			
Listed shares	150 756 860	-	-
SA listed properties	25 821 611	-	-
Financial assets at fair value through profit or loss:			
Listed bonds	75 313 273	-	-
Money Market instruments	-	1 732 442	-
Linked insurance policies	-	773 754 048	-
Collective investment schemes	-	1 224 860 684	-
Personal medical savings account trust monies invested			
Financial assets at fair value through profit or loss:			
Money Market instruments	-	297 388 278	-
Linked insurance policies	-	370 592 052	-
	251 891 744	**2 668 327 504**	**-**

37. FINANCIAL RISK MANAGEMENT REPORT (CONTINUED)

Fair values of financial assets by hierarchy level (continued)

Assets measured at fair value: 2018	Level 1	Level 2	Level 3
	R	R	R
Financial assets			
Scheme			
Financial assets at fair value through Other comprehensive income:			
Listed shares	137 893 153	-	-
SA listed properties	29 675 370	-	-
Financial assets at fair value through profit or loss:			
Listed bonds	73 191 693	-	-
Money Market instruments	-	1 943 345	-
Linked insurance policies	-	717 201 480	-
Collective investment schemes	-	874 316 839	-
Personal medical savings account trust monies invested			
Financial assets at fair value through profit or loss:			
Money Market instruments	-	251 081 060	-
Linked insurance policies	-	268 953 493	-
	240 760 216	**2 113 496 217**	**-**

Analysis of carrying amounts of financial assets and financial liabilities per category

The Scheme invests in funds whose objectives range from achieving medium- to long-term capital growth and whose investment strategy does not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

	Cash and cash equivalents	Loans and receivables	Financial assets	Insurance receivables and payables	Total carrying amount
	R	R	R	R	R
2019					
Investments					
- Financial assets at fair value through Other comprehensive income	-	-	176 578 471	-	176 578 471
- Financial assets at fair value through profit or loss	-	-	2 075 660 448	-	2 075 660 448
Personal medical savings account trust investment					
- Financial assets at fair value through profit or loss	-	-	667 980 330	-	667 980 330
Cash and cash equivalents					
- Scheme	117 911 183	-	-	-	117 911 183
- Personal medical savings account trust investment	113 501 780	-	-	-	113 501 780
Trade and other receivables	-	19 738 131	-	102 217 567	121 955 698
Personal medical savings account trust liability	-	-	-	(805 552 798)	(805 552 798)
Outstanding claims provision	-	-	-	(150 072 214)	(150 072 214)
Trade and other payables	-	-	-	(205 166 323)	(205 166 323)
	231 412 963	**19 738 131**	**2 920 219 249**	**(1 058 573 770)**	**2 112 796 573**

	Cash and cash equivalents	Loans and receivables	Financial assets	Insurance receivables and payables	Total carrying amount
	R	R	R	R	R
2018					
Investments					
- Financial assets at fair value through other comprehensive income	-	-	167 568 522	-	167 568 522
- Financial assets at fair value through profit or loss	-	-	1 666 653 357	-	1 666 653 357
Personal medical savings account trust investment					
- Financial assets at fair value through profit or loss	-	-	520 034 553	-	520 034 553
Cash and cash equivalents					
- Scheme	16 775 115	-	-	-	16 775 115
- Personal medical savings account trust investment	200 332 418	-	-	-	200 332 418
Trade and other receivables	-	186 439 297	-	79 323 565	265 762 863
Personal medical savings account trust liability	-	-	-	(736 004 819)	(736 004 819)
Outstanding claims provision	-	-	-	(165 676 037)	(165 676 037)
Trade and other payables	-	-	-	(186 818 090)	(186 818 090)
	217 107 533	**186 439 297**	**2 354 256 433**	**(1 009 175 381)**	**1 748 627 883**

Analysis of carrying amounts of financial assets and financial liabilities per category

Insurance receivables and payables included amounts due from/to:

- Contribution debtors
- Brokers
- MVA recoveries
- Recoveries from members for co-payments
- Provider balances
- Member balances excluding balances arising from personal medical savings accounts
- Reported claims not yet paid

The Scheme's maximum exposure to loss from its interests in funds is equal to the total fair value of its investments in the funds. Once the Scheme has disposed of its shares in a fund, it ceases to be exposed to any risk from that fund.

Pooled Investment Funds

The Scheme's investments are subject to the terms and conditions of the respective fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of the funds. The investment manager makes investment decisions after extensive due diligence of the underlying funds, its strategy and the overall quality of the underlying fund's manager. All of the Scheme's funds in the investment portfolio are managed by portfolio managers who are compensated by the Scheme for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of the Scheme's investments in each of the funds.

37. FINANCIAL RISK MANAGEMENT REPORT (CONTINUED)

Pooled Investment Funds (continued)

The right of the Scheme to request redemption of its investments in funds ranges in frequency from weekly to annually. The exposure to investments in funds at fair value, by strategy employed, is disclosed in the following table:

Strategy	Number of investee funds	Weighted average of net asset value of investee funds during 2019	Fair value of asset investment at 31/12/2019 *	% of net assets attributable to holders of units **
		R	R	%
Allan Gray Linked Insurance Policy				
Absolute mandate portfolios investing in various instruments	1	419 740 055	431 267 372	16.99
Investec Money Market Fund Class F				
Conservative maturity profile investing in money market instruments	1	372 609 451	494 457 577	1.72
Investec High Income Fund Class A				
Conservative maturity profile investing in money market instruments	1	537 556 215	596 382 016	4.43
Investec Stable Money Market				
Stable returns over the medium term, with a focus on conservative money market instruments	1	3 734 861	5 274 201	0.40
		1 333 640 582	**1 527 381 165**	

Strategy	Number of investee funds	Weighted average of net asset value of investee funds during 2018	Fair value of asset investment at 31/12/2018 *	% of net assets attributable to holders of units **
		R	R	%
Allan Gray Linked Insurance Policy				
Absolute mandate portfolios investing in various instruments	1	402 607 746	405 378 620	17.62
Investec Money Market Fund Class F				
Conservative maturity profile investing in money market instruments	1	299 781 109	353 221 269	1.23
Investec High Income Fund Class A				
Conservative maturity profile investing in money market instruments	1	301 052 245	400 592 512	2.98
Investec Stable Money Market				
Stable returns over the medium term, with a focus on conservative money market instruments	1	1 288 122	1 445 891	0.11
		1 004 729 222	**1 160 638 293**	

*The fair value of financial assets is included in financial assets in the statement of financial position.

**This represents the entity's percentage interest in the total net assets of the investee funds.

The fair value of publicly traded financial instruments held as financial assets securities is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Scheme is the current bid price.

Owing to the short-term nature thereof the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The personal medical savings accounts of members contain a demand feature. Regulation 10 to the Medical Schemes Act 131 of 1998, as amended, determines that any credit balance on a member's personal medical savings account must be taken in cash on termination of membership except when the member enrols in another medical scheme with a similar feature. The carrying value of the personal medical savings accounts of members are therefore deemed to equal their fair value. The amounts were not discounted due to the demand features.

The mandate of the investment manager is for a managed South African Money Market portfolio that aims to provide moderate out-performance of the benchmark, whilst at the same time providing a high degree of capital security.

The performance of the portfolio is measured against the STEFI Composite Index with the objective of out-performing the benchmark by 0,25% per annum after deducting all fees and costs related to managing the portfolio.

The permitted assets of the portfolio are limited to:

SA "Money Market Instruments" as set out in Chapter 111 (12) of GN 2071 issued on 1 August 2003 in terms of the Collective Investment Control Act 45 of 2002 and investments in grade SA bonds, with a duration of shorter than two years.

	2019	2018
	R	R
Collective Investment Schemes		
Scheme	1 224 860 684	874 316 839
Money Market funds		
Personal medical savings account trust monies invested	667 980 330	520 034 553
	1 892 841 014	**1 394 351 392**

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to ensure that the Scheme has the ability to fund its day-to-day operations. The Scheme manages liquidity risk by monitoring forecast cash flows and ensuring that adequate free cash is available.

The Scheme has complied in all material respects with the requirements regarding the nature and categories of assets as prescribed by Section 35 and Regulation 30 of the Medical Schemes Act 131 of 1998, as amended.

Maturity analysis of financial assets and liabilities

The table below summarises the Scheme's exposure to liquidity risk.

As at 31 December 2019	1 - 3 months	4 - 12 months	1 - 5 years	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial assets investments				
Scheme	496 190 019	306 250	1 579 164 179	2 075 660 448
Personal medical savings account trust monies invested	27 820 382	269 567 897	370 592 052	667 980 330
Trade and other receivables	-	121 955 698	-	121 955 698
Cash and cash equivalents				
Scheme	117 911 183	-	-	117 911 183
Personal medical savings account trust monies invested	113 501 780	-	-	113 501 780
Total financial assets	**755 423 363**	**391 829 844**	**1 949 756 231**	**3 097 009 438**

37. FINANCIAL RISK MANAGEMENT REPORT (CONTINUED)

Maturity analysis of financial assets and liabilities (continued)

The table below summarises the Scheme's exposure to liquidity risk. (continued)

As at 31 December 2019	1 - 3 months	4 - 12 months	1 - 5 years	Total
	R	R	R	R
FINANCIAL LIABILITIES				
Personal medical savings account liability	-	805 552 798	-	805 552 798
Outstanding claims provision	150 072 214	-	-	150 072 214
Trade and other payables	205 166 323	-	-	205 166 323
Total financial liabilities	355 238 538	805 552 798	-	1 160 791 336
Net liquidity gap	**400 184 825**	**(413 722 954)**	**1 949 756 231**	**1 936 218 102**

As at 31 December 2018	1 - 3 months	4 - 12 months	1 - 5 years	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial assets investments				
Scheme	355 164 614	3 282 598	1 475 774 668	1 834 221 880
Personal medical savings account trust monies invested	35 024 010	216 057 050	-	251 081 060
Trade and other receivables	-	265 762 863	-	265 762 863
Cash and cash equivalents				-
Scheme	16 775 115	-	-	16 775 115
Personal medical savings account trust monies invested	200 332 418	-	-	200 332 418
Total financial assets	607 296 157	485 102 512	1 475 774 668	2 568 173 336
FINANCIAL LIABILITIES				
Personal medical savings account liability	-	736 004 819	-	736 004 819
Outstanding claims provision	165 676 037	-	-	165 676 037
Trade and other payables	186 818 090	-	-	186 818 090
Total financial liabilities	352 494 127	736 004 819	-	1 088 498 946
Net liquidity gap	**254 802 030**	**(250 902 307)**	**1 475 774 668**	**1 479 674 390**

	2019	2018
	R	R
Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Current accounts	134 141 550	213 501 765
Scheme	20 639 771	13 169 347
Personal medical savings account trust monies invested	113 501 780	200 332 418
Deposits on call account	97 271 413	3 605 768
Scheme	97 271 413	3 605 768
Personal medical savings account trust monies invested	-	-
Total	**231 412 963**	**217 107 533**

Legal risk

Legal risk is the risk that the Scheme will be exposed to contractual obligations which have not been provided for.
At 31 December 2019 the Scheme did not consider there to be any significant concentration of legal risk that had not been provided for.

Capital adequacy risk

The Scheme's objectives for managing capital are to maintain the capital requirements as prescribed by the Medical Schemes Act 131 of 1998, as amended, and to safeguard the ability of the Scheme to continue as a going concern for the benefit of its stakeholders.

Regulation 29(2) of the Medical Schemes Act 131 of 1998, as amended, requires a minimum solvency ratio of accumulated funds expressed as a percentage of gross contributions of 25%.

The solvency ratio was 35.43% of gross contributions at 31 December 2019 and 31.94% at 31 December 2018.

The calculation of the regulatory capital requirement is set out below.

	2019	2018
	R	R
Total members' funds per statement of financial position	2 122 148 397	1 771 305 337
Revaluation reserves	(107 596 252)	(75 773 987)
	2 014 552 145	1 695 531 350
Gross contributions	**5 686 678 044**	**5 308 251 202**
Solvency margin (accumulated funds / gross contributions x 100)	**35.43%**	**31.94%**

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