



Bestmed Medical Scheme

Annual **Financial** Statements

For the year ended 31 December 2021

2021

bestMed
personally yours





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*What we want
is progress,
development,
realisation.*

Swami Vivekananda

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Statement of responsibility by the Board of Trustees



The development of a tree depends on where it is planted.

Edward Joyner

The Board of Trustees is responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of Bestmed Medical Scheme.

The Board of Trustees is responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of Bestmed Medical Scheme. The financial statements presented on pages 32 to 97 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 25 to 29.

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 21 April 2022 and are signed on its behalf:

CM Mowatt
Chairperson

GS Du Plessis
Vice-Chairperson

LB Dlamini
Chief Executive Officer /
Principal Officer

Statement of Corporate Governance by the Board of Trustees



Growth is never by mere chance; it is the result of forces working together.

James Cash

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 sub-committees, 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 the Scheme's 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
Chairperson

GS Du Plessis
Vice-Chairperson

LB Dlamini
Chief Executive Officer /
Principal Officer



Report of the Board of Trustees

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Organisation is not only directly linked to unity, but a natural development of that unity.

Paulo Freire



The Board of Trustees hereby presents its report for the year ended 31 December 2021.

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%

BENEFIT OPTION	PERCENTAGE
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 are 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 members' funds.

If 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 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 2021:

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 R9,349,585 (2020: net expense R1 348 568).

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 R12,768,488 (2020: R3 506 163).

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 R5.50 (2020: R4.00) per principal member and the contract was terminated on 31 July 2021. The net expense on the risk transfer arrangement was R3,205,069 (2020: Nil).

Europ Assistance provided international transportation or emergency medical response to the Scheme's members. The Scheme contracted with Europ Assistance at a rate of R6.72 per member effective 1 August 2021. The net expense on the risk transfer arrangement was R2,736,330.

Refer to Note 15 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

MEMBER	TERM OF OFFICE
A Hartzenberg	2018 - 2022
MJ Joubert	2018 - 2022
DK Smith - FASSA	2020 - 2022
E Marx	2020 - 2024
C Lombard	2020 - 2024

2.1.2 BOARD APPOINTED TRUSTEES

TRUSTEE	TERM OF OFFICE
GS du Plessis CA(SA) (Vice-Chairperson)	2018 - 2022
S Stevens	2018 - 2022
BE Legobye	2018 - 2022
CM Mowatt - CS(SA) (Chairperson)	2020 - 2024
LD Jordaan	2020 - 2024

2.2 Principal Officer

LB Dlamini

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

Willis 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

M&G Investment Managers (Pty) Ltd

7th Floor
Protea Place
30 Dreyer Street
Claremont
7708

PO Box 44813
Claremont
Cape Town
7735

FSP number: 45199

Allan Gray Life Limited

1 Silo Square
V&A Waterfront
Cape Town
8001

PO Box 51318
V&A Waterfront
Cape Town
8002

FSP number: 6663

Ninety One Fund Managers SA (RF) (Pty) Ltd & Investec Assurance Limited

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
Bryanston East
2152

Private Bag X 75
Bryanston
2021

FSP Number: 46196

27four Life Limited (ABAX)

Building 2, Ground Floor
Cavendish Links
1 Cavendish Street,
Claremont
7708

FSP Number: 10899

Sanlam Investment Management (Pty) Ltd

55 Willie Van Schoor Road
Bellville
Cape Town
7530

Private Bag X8
Tyger Valley
Bellville
7536

FSP number: 579

STANLIB Collective Investments (RF) (Pty) Ltd

17 Melrose Boulevard
Melrose Arch
2076

P O Box 202
Melrose Arch
2076

FSP Number: 590

2.6 Actuaries

Insight Actuaries & Consultants

Second Floor Gateway West
22 Magwa Cres
Waterval City
Midrand
2066

Private Bag X17
Halfway House
1685

2.7 Auditors

Deloitte & Touche

5 Magwa Cres
Waterval City
Midrand
2090

Private Bag X6
Gallo Manor
2052

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 maximum returns are achieved. 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 limited 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. As part of the Investment Committee's mandate, the Committee constantly review returns achieved and alters the investment decisions in the best interests of the members.

The strategic decision by the Investment Committee in the prior financial year was to hold a larger portion of the investments in cash either directly by the Scheme or via the Investment Managers given the uncertainty of COVID-19. In the current financial year, upon review of the available cash, by the Committee, new investments were entered into with Sanlam Investment Management and Stanlib in order to diversify the investment portfolio.

4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Solvency Ratio

The accumulated funds ratio is calculated as follows:

	2021	Restated* 2020
	R'000	R'000
Total members' funds per statement of financial position	3 363 399	3 005 609
Less: Cumulative unrealised investment gains	(444 310)	(285 449)
Accumulated funds as per Regulation 29	2 919 089	2 720 160
Gross annual contribution income	6 389 833	6 150 430
Accumulated funds ratio calculated as the ratio of Accumulated funds/gross annual contributions x 100	45.68%	44.23%

*Refer to Note 32

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 is of the opinion 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 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 11 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. RELATED PARTY TRANSACTIONS

Refer to related parties disclosure in Note 29 to the financial statements, and trustee remuneration disclosure in Note 28 to the financial statements.

7. 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.

During 2021, 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 Principal Officer and other members of senior management. Further information on each committee of the Board is provided below:

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 three "in committee" meetings and one special meeting, 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 five times during the year and comprised the following members:

GS du Plessis - CA(SA)	Trustee member
G Nzalo - CA(SA)	Independent member - Chairperson
H Wolmarans - CA(SA)	Independent member
DK Smith - FASSA	Trustee 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

7. CORPORATE GOVERNANCE (CONTINUED)

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:

BE Legobye	Trustee member
CM Mowatt - CA(SA)	Trustee member
S Stevens	Trustee member - Chairperson
LD Jordaan	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, Senior Management and Willis Towers Watson 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
A Hartzenberg	Trustee member
MJ Joubert	Trustee member
C Lombard	Trustee member

REMUNERATION AND HUMAN RESOURCES COMMITTEE

The role of the Committee is to ensure 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 four times during the year and comprised the following members:

Prof PA Delpont	Independent member - Chairperson
CM Mowatt - CA(SA)	Trustee member
E Marx	Trustee member
S Stevens	Trustee member

DISPUTES 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 no medical aid related disputes were referred for review. The committee comprised of the following members:

Dr D Kapp	Independent member
J van Heerden	Independent member
H van Rooyen	Independent member

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
BE Legobye	Trustee member - Chairperson
MJ Joubert	Trustee member

8. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

No material events took place between the Statement of Financial Position as at 31 December 2021 and the date of this report.

9. AMALGAMATIONS

In 2020, an amalgamation between Bestmed Medical Scheme and Grintek Electronics Medical Aid Scheme (Registration number 1523) was confirmed effective from 1 July 2020 in terms of Circular 55 of 2020 issued by the Council for Medical Schemes on 16 June 2020. The amalgamation involved the assets, liabilities and members' funds of Grintek Electronics Medical Aid Scheme being transferred to Bestmed, effective 1 July 2020, for no cash consideration.

No amalgamations occurred in 2021.

10. COVID-19

The Scheme has remained at the forefront of developments within the industry since it saw its first positive case of COVID-19 on 5 March 2020.

The focus for 2021 for the Scheme, while still dealing with members affected by COVID-19, was to support our members within the COVID-19 vaccination programme. The programme was rolled out in 2021 and the Scheme incurred R66.8 million in vaccination costs.

The Scheme incurred a further R720.4m (2020: R230.8m) for hospitalisation, testing and out-of-hospital COVID-19 related costs and as result, the average claims ratio for 2021 was 90.7% which is significantly higher than the previous year's ratio 76.7% and more aligned to the pre-COVID levels.

11. 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 28 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	A	B
GS du Plessis - CA(SA)	7	7	5	5			4	4				
A Hartzenberg	7	7					4	4			2	2
MJ Joubert	7	7					4	4			2	2
BE Legobye	7	7			4	4					2	2
E Marx	7	7							4	4	2	2
CM Mowatt	7	7			4	4	0*	1	4	4		
S Stevens	7	7			4	4			4	4		
LD Jordaan	7	7			4	4						
C Lombard	7	7					4	4				
DK Smith	7	7	5	5								

* Attended as an invitee

Independent members	Audit Committee		Risk Committee		Remuneration Committee	
	A	B	A	B	A	B
G Nzalo - CA(SA) Chairperson of Audit committee	5	5	4	4		
H Wolmarans - CA(SA)	5	5				
S Thomas - CA(SA)	5	5				
PA Delpont					4	3

Apologies were received in instances where Trustees and Independent Members were unable to attend a meeting.

12. OPERATIONAL STATISTICS PER BENEFIT OPTION

2021	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	8 088	35 611	7 493	3 043	28 789	8 439	4 935	1 940	1 896	455	100 689
Average number of members for the accounting period	7 616	34 143	7 448	3 138	29 096	8 587	5 001	1 999	1 960	490	99 478
Dependants at 31 December	8 393	36 821	7 666	3 214	42 053	5 811	4 320	854	1 039	69	110 240
Average number of dependants for the accounting period	8 016	35 146	7 619	3 332	42 482	5 981	4 445	897	1 084	81	109 082
Average beneficiaries for the accounting period	15 631	69 290	15 067	6 470	71 577	14 568	9 446	2 896	3 044	571	208 559
Ratio of average dependants at 31 December	1,05	1,03	1,02	1,06	1,46	0,70	0,89	0,45	0,55	0,16	1,10
Average age of beneficiaries for the accounting period	36,24	31,03	37,62	45,90	34,82	56,35	56,08	66,37	49,03	78,95	37,28
Ratio of beneficiaries older than 65 years	9,31%	3,97%	12,81%	22,57%	10,13%	43,26%	42,47%	63,56%	30,80%	90,08%	13,36%
Risk contribution per average member per month	2 720	2 655	4 005	6 576	5 291	7 252	8 593	11 043	3 173	6 872	4 550
Risk contribution per average beneficiary per month	1 325	1 308	1 980	3 189	2 151	4 275	4 550	7 621	2 043	5 902	2 170
Healthcare expenditure per average member per month	2 380	2 370	3 598	6 038	4 494	7 179	8 051	11 486	3 619	6 146	4 127
Healthcare expenditure per average beneficiary per month	1 160	1 168	1 779	2 929	1 827	4 232	4 263	7 927	2 330	5 278	1 968
Relevant healthcare expenditure as a percentage of risk contributions	87,5%	89,3%	89,8%	91,8%	84,9%	99,0%	93,7%	104,0%	114,1%	89,4%	90,7%
Non-healthcare expenditure per average member per month	364	371	383	351	396	378	409	369	357	311	380
Non-healthcare expenditure per average beneficiary per month	177	183	189	170	161	223	216	254	230	268	181
Non-healthcare expenditure as a percentage of risk contributions	13,38%	13,99%	9,57%	5,33%	7,48%	5,22%	4,75%	3,34%	11,26%	4,53%	8,35%

2020	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	6 990	31 626	7 316	3 343	29 317	8 904	5 093	2 124	2 101	521	97 335
Average number of members for the accounting period	6 605	30 542	7 345	3 446	29 405	9 078	5 152	2 179	2 182	554	96 489
Dependants at 31 December	7 446	32 200	7 622	3 578	42 977	6 327	4 672	981	1 164	97	107 064
Average number of dependants for the accounting period	6 988	31 058	7 629	3 683	42 941	6 520	4 740	1 015	1 217	107	105 898
Average beneficiaries for the accounting period	13 592	61 600	14 974	7 129	72 346	15 598	9 892	3 194	3 399	661	202 386
Ratio of average dependants at 31 December	1,06	1,02	1,04	1,07	1,46	0,72	0,92	0,47	0,56	0,19	1,10
Average age of beneficiaries for the accounting period	35,26	30,46	37,52	45,30	34,39	55,37	54,79	65,13	48,41	76,72	37,33
Ratio of beneficiaries older than 65 years	8,32%	3,63%	13,32%	21,47%	9,52%	41,52%	40,63%	61,19%	29,40%	89,81%	13,56%
Risk contribution per average member per month	2 638	2 548	3 877	6 344	5 098	7 032	8 317	10 694	3 055	6 723	4 517
Risk contribution per average beneficiary per month	1 282	1 263	1 902	3 067	2 072	4 093	4 332	7 296	1 961	5 634	2 154
Healthcare expenditure per average member per month	1 944	1 824	2 846	4 839	3 550	6 234	6 985	9 623	2 982	6 809	3 465
Healthcare expenditure per average beneficiary per month	945	905	1 396	2 339	1 443	3 628	3 638	6 565	1 914	5 705	1 652
Relevant healthcare expenditure as a percentage of risk contributions	73,7%	71,6%	73,4%	76,3%	69,6%	88,7%	84,0%	90,0%	97,6%	101,3%	76,7%
Non-healthcare expenditure per average member per month	376	382	391	354	404	384	413	372	367	320	389
Non-healthcare expenditure per average beneficiary per month	183	189	192	171	164	223	215	253	236	268	185
Non-healthcare expenditure as a percentage of risk contributions	14,25%	15,00%	10,09%	5,58%	7,93%	5,46%	4,97%	3,47%	12,03%	4,76%	8,61%

OPERATIONAL STATISTICS FOR THE SCHEME

	2021	2020
Average accumulated funds per average member at 31 December	33 256	31 292
Average accumulated funds per average beneficiary at 31 December	15 862	14 919
Return on investments as a percentage of investments	6,51%	4,08%
Administration and other operative expenses as a percentage of gross contributions	5,61%	5,91%

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

CONTRIBUTIONS

Non-compliance with Scheme rule 13.2.1 and Sections 26(7) and 32 of the Medical Schemes Act - Contributions not received within three days of becoming due

Nature and cause:

Section 26(7) of the Medical Schemes Act states that Contributions must be 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.

The SASSA grant payment dates changed as from May 2020 when it was published that disability and older persons grants will be paid from the fourth day of a month and all other grants on the sixth of a month.

The Scheme did not receive a section 8(h) exemption from the CMS to permit contributions owing from SASSA pension grant members to be due upon SASSA grant payment dates.

Management action:

Employer group discrepancies are actively monitored and rectified on a monthly basis.

From January to October 2021, the Scheme continued to submit separate debit order files on the 7th of each month (no changes in SASSA grant payment dates). As from November 2021, no further ACB files were effected separately for SASSA.

Non-compliance with Scheme rules 4.43 and 13.5.1, rules 4.1.3, 4.1.7 and 4.2.2 of Annexure B.4 to the Scheme rules and Section 32 and Regulation 10(3) of the Medical Schemes Act - Utilization of accumulated savings to off-set contributions

Nature and cause:

Section 32 of the Medical Schemes Act states that The rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming.

Regulation 10(3) of the Medical Schemes Act prohibits the utilisation of accumulated savings to off-set contributions.

Furthermore, Section 8(h) of the Medical Schemes

Act states that a medical scheme may submit written application to the Council from complying with any provision of this Act.

The Scheme did not receive a section 8(h) exemption from the CMS, despite making an application for exemption, for the utilisation of accumulated savings to off-set contributions. The Scheme made monthly contributions deductions from the members accumulated savings for the period January to March 2021.

Management action:

The Scheme subsequently stopped this practice to ensure compliance with legislation.

OPTION SELF-SUFFICIENCY

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.

Nature and cause:

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 Beat 1 and 2, Pulse1, Pace 2 and 4, incurred a net healthcare deficit. The different financial results reflect the different disease burdens in each option, amongst other factors.

Management action:

The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The strategy on sustainability of options must 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.

BORROWINGS

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

Nature and cause:

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.

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

One of the Scheme bank accounts (ABSA account number: 0610000061) was in an overdraft position of R270k as at 31 December 2021.

Management action:

The Scheme obtained CMS exemption for guarantees in respect of the building lease (until 31 December 2022) and FSCA (until 28 February 2025) respectively. The bank overdraft was as a consequence of timing differences and the bank account is no longer in an overdraft position. Measures have been put in place to avoid re-occurrence of any overdraft position.

INVESTMENTS

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

Nature and cause:

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 groups.

Management action:

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.

BROKER SERVICES AND COMMISSION

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

Nature and cause:

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." Internal Audit noted an instance where a broker commission was paid to a broker whose CMS accreditation expired.

Management action:

The exception has been noted and system enhancements have been implemented (effective 01 April 2021).

Non-compliance with Regulation 28(1) to the Medical Schemes Act

Nature and cause:

Regulation 28 (1) to the Medical Schemes Act states that "No person may be compensated by a medical scheme in terms of section 65 for acting as a broker unless such person enters into a prior written agreement with the medical scheme concerned." Internal Audit noted two instances where brokerage agreements were signed by the Brokerage Representative, however, at the time were not signed by the Scheme.

Management action:

These were isolated instances and were signed by the Scheme by 31 August 2021.

Non-compliance with Regulation 28(5) to the Medical Schemes Act

Nature and cause:

Section 28 (5) of the Medical Schemes Act indicates that "Payment by a medical scheme to a broker in terms of sub regulation (2) shall be made on a monthly basis and upon receipt by the Scheme of the relevant monthly contribution in respect of that member."

Internal Audit noted the following:

- A member was not linked to a broker resulting in commission not being paid; and
- A member was linked to an incorrect broker as a result of an incorrect broker code (payments to incorrect broker).

Management action:

All instances were noted and broker codes were corrected.

NATIONAL DEPARTMENT OF HEALTH (NDOH) CLAIMS

Non-compliance with Regulation 6(1) and (2) to the Medical Schemes Act

Nature and cause:

The Council for Medical Schemes (CMS) via Circular 55 of 2021 appraised the industry that it has granted an exemption to the National Department of Health (NDOH) to ensure that all COVID-19 vaccine claims are eventually paid despite these claims being submitted outside the ambit of Regulation 6 of the Medical Schemes Act (131 of 1998) (MSA).

Medical schemes were therefore authorised to process claims received on or before 210 days. Furthermore, the NDOH is allowed to submit claims after 120 days as required by regulation 6(1) and (2) but must do so within 210 days.

The exemption will be valid for a period of three years or

will expire once the NDOH has recovered all vaccine-related costs on all insured members of medical schemes.

Management action:

The Scheme has complied with Circular 55 of 2021.

CLAIMS

Non-compliance with the CMS guidelines 7.1.3 and 7.1.4 – COVID 19 claims paid from savings

Nature and cause:

The Council for Medical Schemes (CMS) published funding guidelines (dated 5 May 2020) on 8 May 2020 which stated the following:

7.1.3 Testing for COVID-19 is PMB level of care upon referral from a health care worker who has screened a patient. Patients to be tested include individuals who meet the criteria for a person under investigation and those classified as high risk”.

7.1.4 The test should be funded from the risk benefit irrespective of the RT-PCR result”.

There were instances where COVID-19 (PMB) claims were paid from savings.

Management action:

The detected claims were reassessed to ensure alignment to the CMS PMB Guidelines. Corrections were made and manual interventions implemented to ensure that claims are paid in accordance with the CMS published funding guidelines.

Non-compliance with Section 59(2) of the Medical Schemes Act -Claims not paid within 30 days

Nature and cause:

Section 59 (2) of the Act states: “A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme”.

An instance was identified where a portion of a claim was paid after 30 days.

Management action:

Claims are paid bi-weekly and where further investigation is required, this could result in the claim being paid after 30 days from notification.

PMB

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

Nature and cause:

Regulation 8 to 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 PMB claims were incorrectly paid from savings.

Management action:

Reversals to savings were subsequently effected.



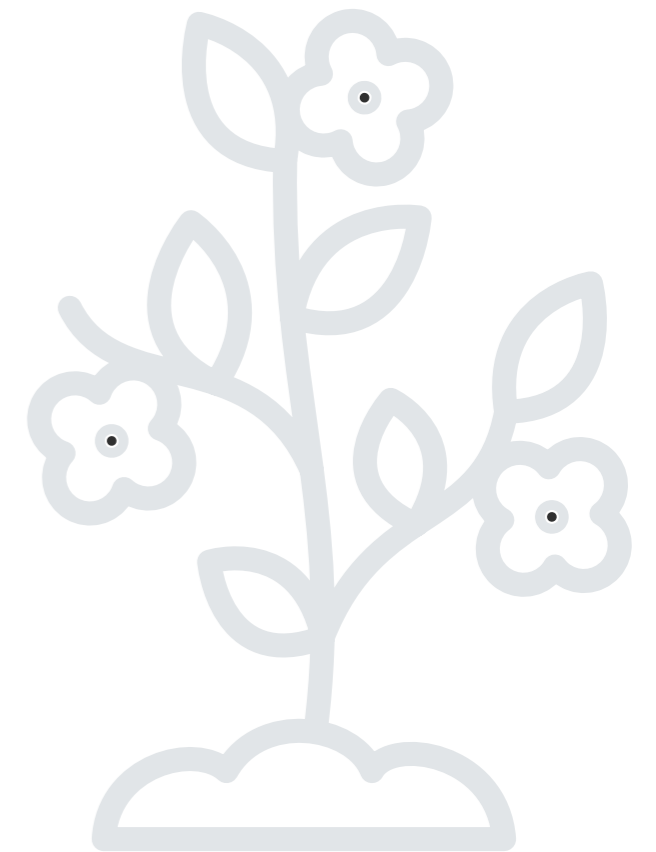


Independent Auditor's Report

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Sustainability has to be a way of life to be a way of business.

Anand Mahindra



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BESTMED MEDICAL SCHEME

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bestmed Medical Scheme (the Scheme) set out on pages 32 to 97, which comprise the statement of financial position as at 31 December 2021, 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 the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bestmed Medical Scheme as at 31 December 2021, 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 Statements* section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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.

Key Audit Matter	How the matter was addressed in the audit
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Outstanding claims provision	
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As disclosed in note 11, the carrying amount of the Outstanding Claims Provision ("IBNR") at year end was R198 713 885 (2020: R139 574 345). The determination of the IBNR requires the Scheme's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date.	
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We obtained an understanding from the Scheme's actuaries regarding the process to calculate the Outstanding Claims Provision. The actuarial method applied by the Scheme (Chain Ladder) is generally applied within the medical schemes industry.	
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The IBNR calculation is based on a number of factors which include:	
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|---|--|
| <ul style="list-style-type: none"> • Previous experience in claims 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; • Variations in the nature and average cost per claim; and • Other factors such as expectations of future events that are believed to be reasonable to be taken into account in the valuation of the IBNR at year end. | |
|---|--|

In evaluating the valuation of the IBNR, we audited the calculations approved by the Board of Trustees and performed various procedures including the following:	
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- | | |
|---|--|
| <ul style="list-style-type: none"> • Assessed the design and implementation of key controls within the IBNR process; • Tested the integrity of the information used in the calculation of the IBNR by performing substantive procedures; • With the assistance of our internal actuarial specialists we performed an independent calculation of the estimate of the provision using historical claims data and trends, and using this estimate as a basis of assessing the reasonableness of the Scheme's estimate of the provision; • Performed a retrospective review of the IBNR raised in the 2020 financial year based on actual claims paid in 2021 to verify the assumptions applied to determine the IBNR is reasonable; and • Assessed the presentation and disclosure in respect of the IBNR and considered whether the disclosures reflect the risks inherent in the accounting for the IBNR. | |
|---|--|

Certain of the abovementioned factors require judgement and assumptions to be made by the Scheme's Trustees and therefore accordingly, for the purposes of our audit, we identified the valuation of the IBNR as representing a key audit matter.	
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The assumptions applied in the IBNR are appropriate and we are satisfied that the movement of the IBNR in the Statement of Comprehensive Income and the related disclosure of the IBNR balance and assumptions are appropriate.	
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National Executive: *R Redfearn Chief Executive Officer *GM Berry Chief Operating Officer JW Eshun Managing Director Businesses LN Mahluza Chief People Officer *N Sing Chief Risk Officer AP Theophanides Chief Sustainability Officer *NA le Riche Chief Growth Officer *ML Tshabalala Audit & Assurance AM Babu Consulting TA Odukoza Financial Advisory G Rammego Risk Advisory DI Kubeka Tax & Legal DP Ndlovu Chair of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Other Information

The Scheme's Trustees are responsible for the other information. The other information comprises the information included in the document titled "Bestmed Medical Scheme Annual Financial Statements for the year ended 31 December 2021" which includes the Statement of Responsibility by the Board of Trustees, Statement of Corporate Governance by the Board of Trustees and the Report of the Board of Trustees. 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 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.

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

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 that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, that have come to our attention during the course of the audit.

Audit tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that Deloitte & Touche has been the auditor of Bestmed Medical Scheme for 1 year.

The engagement partner, Jan van Staden, has been responsible for Bestmed Medical Scheme's audit for 1 year.

DocuSigned by:

8552D5E5DF5243A...
Deloitte & Touche
Registered Auditors
Per: Jan van Staden
Partner
10 June 2022

5 Magwa Crescent
Waterfall City
2090

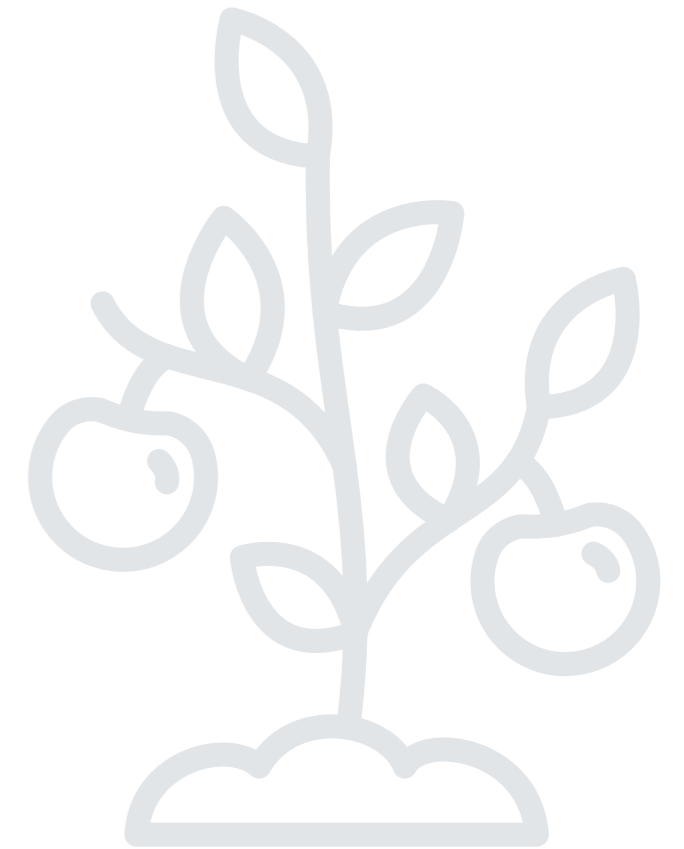


2021 Financial Statements

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Without continual growth and progress, such words as improvement, achievement, and success have no meaning.

Benjamin Franklin



STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	Notes	2021	2020
		R	R
ASSETS			
Non-current assets			
		2 678 394 103	1 922 240 125
Property and equipment	2	15 291 959	12 832 440
Intangible assets	3	12 512 107	11 040 516
Lease assets	5	63 226 538	80 981 300
Financial assets at fair value through profit or loss	4(a)	1 977 505 329	1 645 210 895
Financial assets at fair value through other comprehensive income	4(b)	609 858 170	172 174 974
Current assets			
		2 100 478 638	2 389 304 884
Financial assets at fair value through profit or loss		1 645 116 869	2 001 043 992
Scheme	4(a)	905 024 214	1 292 763 870
Personal medical savings account trust monies invested	4(a)	740 092 654	708 280 122
Trade and other receivables	6	164 524 315	118 005 284
Cash and cash equivalents		290 837 454	270 255 608
Scheme	8	65 723 285	82 551 499
Personal medical savings account trust monies invested	8	225 114 169	187 704 109
Total assets		4 778 872 741	4 311 545 009
FUNDS AND LIABILITIES			
Members' Funds			
		3 363 399 169	3 005 608 874
Accumulated funds		3 308 226 747	3 019 349 271
Revaluation Reserve - Financial assets at fair value through other comprehensive income		55 172 422	(13 740 397)
Non-current liabilities			
		62 575 461	79 135 608
Retirement benefit obligations	9	9 751 370	11 540 087
Lease liability	5	52 824 091	67 595 521
Current liabilities			
		1 352 898 111	1 226 800 527
Personal medical savings account trust liability	10	997 188 196	928 285 868
Outstanding claims provision	11	198 713 885	139 574 345
Lease liability	5	15 935 791	15 745 333
Trade and other payables	12	141 060 237	143 194 981
Total funds and liabilities		4 778 872 741	4 311 545 009

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		R	R
RISK CONTRIBUTION INCOME			
	13	5 432 003 474	5 230 271 100
Relevant healthcare expenditure			
		(4 926 304 945)	(4 012 054 332)
Net claims incurred	14	(4 942 481 619)	(4 014 211 928)
Risk claims incurred	14	(4 806 496 443)	(3 894 220 088)
Third party claims recoveries	14	3 407 348	7 859 760
Accredited managed healthcare services	14	(139 392 523)	(127 851 599)
Net income/(expense) on risk transfer arrangements		16 176 674	2 157 595
Risk transfer arrangement premiums paid	15	(98 914 697)	(93 366 725)
Recoveries from risk transfer arrangements	15	115 091 371	95 524 320
Gross healthcare result		505 698 529	1 218 216 768
Broker service fees and other distribution fees	16	(90 008 584)	(85 296 672)
Administration and other operative expenses	17	(358 247 024)	(363 202 226)
Net impairment losses on healthcare receivables	18	(5 481 014)	(1 937 887)
Net healthcare result		51 961 908	767 779 983
Other income			
		300 331 448	175 879 814
Investment income		294 342 667	166 772 580
Scheme	19	256 015 278	122 046 917
Personal medical savings account trust monies invested	19;23	38 327 389	44 725 663
Own facility income	24	3 397 491	3 050 868
Sundry income	20	2 591 290	6 056 366
Other expenditure		(63 415 880)	(65 669 215)
Interest paid on personal medical savings trust accounts	21	(38 327 389)	(44 725 663)
Interest expense	22	(5 110 423)	(3 079 452)
Asset management fees	23	(6 997 904)	(5 268 705)
Own facility expenditure	24	(12 980 165)	(12 575 115)
Other losses	25	-	(20 279)
NET SURPLUS FOR THE YEAR		288 877 476	877 990 583
Other comprehensive income			
		68 912 819	(12 065 885)
Items that will not be reclassified to profit or loss			
Equity investments at fair value through other comprehensive income	19(c)	68 912 819	(12 065 885)
Realised (gains)/loss on financial assets at fair value through other comprehensive income	19(c)	-	8 344 618
Reclassification adjustment on realised gains/(loss)	19(c)	-	(8 344 618)
Items that will be reclassified to profit or loss		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		357 790 295	865 924 698

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Accumulated Funds	Revaluation Reserve - OCI	Total Members' Funds
		R	R	R
Balance as at 31 December 2019		2 132 167 527	(10 019 130)	2 122 148 397
Net surplus for the year		877 990 583	-	877 990 583
Additional amounts recognised from business combinations during the year	31	17 535 780	-	17 535 780
Other comprehensive income		(8 344 618)	(3 721 267)	(12 065 885)
Equity investments at fair value through other comprehensive income		-	(12 065 885)	(12 065 885)
Realised (losses)/gains on financial assets at fair value through other comprehensive income	19(c)	(8 344 618)	8 344 618	-
Balance as at 31 December 2020		3 019 349 271	(13 740 397)	3 005 608 874
Net surplus for the year		288 877 476	-	288 877 476
Other comprehensive income		-	68 912 819	68 912 819
Equity investments at fair value through other comprehensive income	19(c)	-	68 912 819	68 912 819
Balance as at 31 December 2021		3 308 226 747	55 172 422	3 363 399 169

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	Restated* 2020
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts from members - Contributions	27	5 386 349 387	5 241 483 299
Cash Receipts from members and providers	27	(6 999 966)	(6 960 846)
Cash Receipts from members and providers - Other loans and Receivables	27	654 009	(2 238 826)
Cash paid to providers and employees - claims	27	(4 872 111 550)	(4 081 972 980)
Cash paid to providers and employees - non healthcare expenditure	27	(434 211 777)	(434 149 386)
Increase in personal savings account liabilities		68 902 328	122 733 070
Cash generated from operations		142 582 431	838 894 331
Interest paid		(43 437 812)	47 805 115
Scheme	22	(5 110 423)	(3 079 452)
Interest paid on members' personal medical savings account trust monies	21	(38 327 389)	(44 725 663)
Net cash flows from operating activities		99 144 619	791 089 216
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of investments*		(4 607 110 270)	(3 768 160 437)
Proceeds on disposal of investments*		4 429 000 000	2 929 193 121
Increase in financial assets at fair value through profit or loss due to business combinations	31	-	5 030 942
Proceeds from disposal of financial assets due to business combinations	31	-	1 773 709
Increase in personal medical savings trust financial assets		(31 812 532)	(40 299 792)
Purchase of property and equipment	2	(8 763 021)	(6 833 465)
Proceeds from disposal of property and equipment	2;25	(36 031)	(60 997)
Increase in intangible assets	3	(3 125 133)	(2 957 723)
Interest income		143 369 591	128 028 708
Scheme*	19	105 042 202	83 303 045
Interest received on personal medical savings account trust monies invested	19;23	38 327 389	44 725 663
Dividend income*	19	15 856 973	6 494 980
Net cash flows utilised in investing activities		(62 620 424)	(747 790 954)
CASH FLOW FROM FINANCING ACTIVITIES			
Principal element of lease payments	5	(15 942 349)	(16 507 684)
Net cash flows from financing activities		(15 942 349)	(16 507 684)
Net increase in cash and cash equivalents		20 581 846	26 790 578
Cash and cash equivalents at beginning of year	8	270 255 608	231 412 963
Cash and cash equivalents from business combinations during the year	31	-	12 052 067
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	290 837 454	270 255 608
CASH AND CASH EQUIVALENTS			
Scheme		65 723 285	82 551 499
Personal medical savings account trust monies invested		225 114 169	187 704 109

*Refer to Note 32

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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.

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 30.

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.

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 2021 year-end

Number	Effective date	Executive summary	Impact
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2).	1 January 2021	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.	The Scheme has financial instruments, insurance contracts and lease arrangements and no material impact has been noted.

International Financial Reporting Standards and amendments issued but not effective for 31 December 2021 year-end relevant to the Scheme

Number	Effective date	Executive summary	Impact
Amendments to IFRS 3, "Conceptual Framework".	1 January 2022	Amendments to update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	Not material to the Scheme.
Amendments to Illustrative Example 13 accompanying IFRS 16.	1 January 2022	The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how the lease incentives are illustrated in that example.	Not material to the Scheme.
Amendment to IFRS 3, 'Business combinations'	1 January 2022	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.	Applicable to the Scheme's possible future business combinations.
Amendment to IAS 1 'Classification of Liabilities as Current or Non-current'	1 January 2023	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	Not material to the Scheme.
IFRS 17, 'Insurance contracts'	1 January 2023	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provide a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goals of a consistent, principle-based-accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.	The Scheme is in the process of determining the impact on the financial statements.
IFRS 17, 'Insurance contracts' Amendments	1 January 2023	Amendments addresses concerns and implementation challenges that were identified after IFRS 17 'Insurance Contracts' was published in 2017. This includes the deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023.	The Scheme is in the process of determining the impact on the financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION (CONTINUED)

International Financial Reporting Standards and amendments issued but not effective for 31 December 2021 year-end relevant to the Scheme

Number	Effective date	Executive summary	Impact
Amendment to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies'	1 January 2023	The amendments requires that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and example to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	Not material to the Scheme.
Amendment to IAS 8 'Definition of Accounting Estimates'	1 January 2023	The amendments replace the definition of a change in accounting estimate with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement of uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	Not material to the Scheme.

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 expensed 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 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; and
- 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.

1.4 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.

1.5 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 (FVTPL)

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 FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL 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.

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).

(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). Impairment losses are presented as separate line item in the statement of profit or loss.

1. ACCOUNTING POLICIES (CONTINUED)

(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 non-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.

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 at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement

Despite the foregoing, 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 FVTPL 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 FVTOCI are not reported separately from other changes in fair value.

Impairment of financial assets

Debt instruments that are measured subsequently at amortised cost 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 trade and receivables.

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.

1.6 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 6 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 1.9, is still applied.

1.7 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 twelve months or less from the date of acquisition.

1.8 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, 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 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 through OCI. 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.

1.9 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.

1.10 LEASES

IFRS 16 established the principles for the recognition, measurement, presentation and disclosure of all lease arrangements within the scope of the standard. Under the 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.

The lease payments are discounted using the incremental borrowing rate. Incremental borrowing rate is the rate that the Scheme would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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.

Agreements where the counterparty retains control of the underlying asset are classified as leases. The Scheme leases various offices and office equipment. 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.

1.11 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 profit and loss. 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 IFRS 9 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.

1.12 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.

1.13 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 14 and 15.

1.14 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 net 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.

1.15 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 third parties; and
- Discount received from service providers.

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.

1.16 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.

1.17 BROKER SERVICE FEES AND OTHER DISTRIBUTION FEES

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

1.18 ADMINISTRATION AND OTHER OPERATIVE EXPENSES

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

1.19 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.

Investment income is disclosed as cash flows from investing activities in the statement of cashflows.

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

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.

1.21 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.

1.22 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.

1.23 EMPLOYEE BENEFITS

Pension obligations

All the employees of the Scheme contribute towards a defined contribution fund. A defined contribution fund is a pension fund 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 staff costs as incurred.

1.24 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.

1.25 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; and
- 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 other distribution fees; and
- Administration and other operative expenses.

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

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

1.26 BUSINESS COMBINATIONS

The Scheme amalgamation are accounted for by applying the acquisition method.

The cost of an amalgamation is measured as the fair value of the assets transferred and liabilities incurred or assumed at the date of exchange.

When an entity is amalgamated into the Scheme, all

identifiable assets, liabilities and members' funds are accounted for at their fair values at the acquisition date. No consideration is paid for these transactions and they are recognised as from the transaction date.

Section 63(14) of the Act prescribes that relevant assets and liabilities of the party effecting the transfer shall vest in and become binding upon the party to which transfer is affected.

The Scheme recognises the net assets from amalgamated schemes as a direct addition to reserves in its Statement of Change in Funds and reserves.

No goodwill is recognised on the amalgamation of other schemes by acquisition. Acquisition-related costs are expensed as incurred.

2. PROPERTY AND EQUIPMENT

	OWNED ASSETS					LEASED ASSETS	TOTAL
	Furniture	Leasehold improvements	Computer, office and medical equipment	Motor vehicles	Security and telephone system	Right-of-use assets	
	R	R	R	R	R	R	R
Year ended 31 December 2021							
Cost							
At the beginning of the year	10 060 294	10 337 265	36 105 822	1 031 823	5 371 107	-	62 906 311
Additions	75 007	642 752	7 642 068	-	403 195	-	8 763 021
Disposals	(201 650)	-	(3 130 762)	-	-	-	(3 332 412)
At the end of the year	9 933 651	10 980 017	40 617 128	1 031 823	5 774 301	0	68 336 920
Accumulated depreciation							
At the beginning of the year	6 855 504	9 221 862	29 402 322	679 820	3 914 362	-	50 073 870
Disposals	(184 978)	-	(3 098 044)	-	-	-	(3 283 022)
Depreciation charges	840 464	398 579	4 384 022	88 000	543 049	-	6 254 113
At the end of the year	7 510 990	9 620 441	30 688 299	767 819	4 457 411	-	53 044 961
Carrying amount at the end of the year	2 422 661	1 359 576	9 928 829	264 003	1 316 890	0	15 291 959
	OWNED ASSETS					LEASED ASSETS	TOTAL
	Furniture	Leasehold improvements	Computer, office and medical equipment	Motor vehicles	Security and telephone system	Right-of-use assets	
	R	R	R	R	R	R	R
Year ended 31 December 2020							
Cost							
At the beginning of the year	10 099 194	11 154 265	40 366 356	591 823	3 949 247	30 103 340	96 264 226
Additions	75 442	1 127 720	3 768 444	440 000	1 421 860	-	6 833 465
Disposals	(114 341)	(1 944 720)	(8 028 978)	-	-	-	(10 088 039)
Transfer to lease assets (Note 5)*	-	-	-	-	-	(30 103 340)	(30 103 340)
At the end of the year	10 060 294	10 337 265	36 105 822	1 031 823	5 371 107	0	62 906 311
Accumulated depreciation							
At the beginning of the year	6 065 180	10 087 073	32 574 592	591 820	3 106 644	16 759 888	69 185 197
Disposals	(89 373)	(1 944 720)	(8 013 228)	-	-	-	(10 047 321)
Depreciation charges	879 697	1 079 510	4 840 958	88 000	807 718	-	7 695 883
Transfer to lease assets (Note 5)*	-	-	-	-	-	(16 759 888)	(16 759 888)
At the end of the year	6 855 504	9 221 862	29 402 322	679 820	3 914 362	-	50 073 870
Carrying amount at the end of the year	3 204 790	1 115 402	6 703 501	352 003	1 456 744	0	12 832 440

*Depreciation expenditure to the value of R1,365,249 (2020: R1,348,969) 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 24).

3. INTANGIBLE ASSETS

	2021	2020
	R	R
Year ended 31 December 2021		
Cost		
At the beginning of the year	14 728 820	11 771 097
Additions	3 125 133	2 957 723
At the end of the year	<u>17 853 953</u>	<u>14 728 820</u>
Accumulated amortisation		
At the beginning of the year	(3 688 304)	(2 412 315)
Amortisation for the year	(1 653 541)	(1 275 990)
At the end of the year	<u>(5 341 846)</u>	<u>(3 688 304)</u>
Carrying value at the end of the year	<u>12 512 107</u>	<u>11 040 516</u>

The intangible asset consists of development costs incurred for the member administration IT system.

4. FINANCIAL ASSETS

	2021	2020
	R	R
(a) Financial assets at fair value through profit or loss represent investments in:		
Scheme:		
Money market funds	-	3 083 252
Listed bonds	184 405 537	76 740 989
Linked insurance policies	905 024 214	792 104 957
Collective investment schemes	1 793 099 792	2 066 045 566
	<u>2 882 529 543</u>	<u>2 937 974 765</u>
Non-current	1 977 505 329	1 645 210 895
Current	905 024 214	1 292 763 870
	<u>2 882 529 543</u>	<u>2 937 974 765</u>
Personal medical savings investments:		
Money market funds	327 953 708	314 374 034
Linked insurance policies	412 138 946	393 906 088
	<u>740 092 654</u>	<u>708 280 122</u>
Non-current	-	-
Current	740 092 654	708 280 122
	<u>740 092 654</u>	<u>708 280 122</u>
(b) Financial assets at fair value through other comprehensive income represent investments in:		
- Listed equities	571 510 371	155 680 889
- SA Listed properties	38 347 799	16 494 085
	<u>609 858 170</u>	<u>172 174 974</u>

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 funds and Linked insurance policies. The effective interest rate on the investments was 4.45% (2020: 6%).

5. LEASES

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 disclosed separately 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.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce the constant periodic rate of interest on the remaining balance of the liability for each period. The weighted average of the incremental borrowing rate applied to the lease liabilities on 31 December 2021 was 7.2% (2020: 6.6%).

IMPACT ON STATEMENT OF FINANCIAL POSITION

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

	2021	2020
	R	R
The carrying amount of lease assets and new lease assets during the reporting period are presented in the table below:		
Lease assets		
Carrying amount of Right-of-use assets:		
Buildings:		
Opening Balance	80 981 300	-
Transfer from PPE (Note 2)	-	13 343 452
Cost	-	30 103 340
Accumulated Depreciation	-	(16 759 888)
Additions to the right-of use of assets ¹	1 361 377	84 666 452
Depreciation	(19 116 139)	(17 028 605)
Total	63 226 538	80 981 300

¹New leases entered into and lease extensions during the financial year.

	2021	2020
	R	R
Lease liabilities		
Opening Balance	83 340 854	15 182 086
Cash movements		
Principal element of lease payments	(15 942 349)	(16 507 684)
Non-cash movements		
New leases entered into and lease extensions during the year	1 361 377	84 666 452
Lease liability at the end of the year	68 759 882	83 340 854
Current	15 935 791	15 745 333
Non-current	52 824 091	67 595 521
Total	68 759 882	83 340 854

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income includes the following amounts relating to leases:

	2021	2020
	R	R
Depreciation charge of right-of-use assets:		
Buildings (Note 17)	19 116 139	17 028 605
Interest expense on lease liabilities	5 110 423	3 079 452
Expenses relating to short-term leases of low-value assets ¹	4 244 394	4 551 840
	<u>28 470 955</u>	<u>24 659 897</u>

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

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

31 December 2021	Within 1 year	1 – 5 years	Total
	R	R	R
Lease liability	21 457 658	55 943 251	77 400 909

31 December 2020	Within 1 year	1 – 5 years	Total
	R	R	R
Lease liability	20 820 440	76 078 940	96 899 380

6. TRADE AND OTHER RECEIVABLES

	2021	2020
	R	R
Insurance receivables		
Contributions outstanding	132 410 860	86 756 774
Recoveries from providers	1 425 209	1 680 867
Recoveries from members	13 734 141	10 121 587
Personal medical savings account advances (Note 10)	3 046 996	3 682 917
	<u>150 617 206</u>	<u>102 242 144</u>
Less: Provision for impairment	(12 329 725)	(9 530 654)
Total receivables arising from insurance contracts	<u>138 287 481</u>	<u>92 711 490</u>
Other loans and receivables		
Prepaid expenses and deposits	11 341 572	12 463 460
Accrued interest	8 402 085	6 734 092
Sundry accounts receivable	1 579 292	2 779 405
	<u>21 322 949</u>	<u>21 976 957</u>
Recovery under risk transfer arrangements outstanding claims provisions	4 913 885	3 316 837
Total trade and other receivables	164 524 315	118 005 284

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.

7. 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 actual claims recovered amounted to R3.4M (2020: R7.8M).

8. CASH AND CASH EQUIVALENTS

	2021	2020
	R	R
Scheme		
Call accounts	49 924 999	64 234 230
Current accounts	15 798 286	18 317 269
	<u>65 723 285</u>	<u>82 551 499</u>

The weighted average effective interest rate on short-term cash deposits was 2.46% (2020: 3.08%) and had an average maturity of 30.4 days (2020: 30.5 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 19 for the total interest earned on the bank accounts and fixed deposits which are included in investment income in the statement of comprehensive income.

	2021	2020
	R	R
Personal medical savings account		
Current account	225 114 169	187 704 109
	<u>225 114 169</u>	<u>187 704 109</u>

The weighted average effective interest rate on the short-term cash was 3.4% (2020: 3.4%) and the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term nature of these assets.

9. RETIREMENT BENEFIT OBLIGATIONS

Pension Fund

All the employees of the Scheme contribute towards a defined contribution fund. A defined contribution fund is a pension fund 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 16 (2020: 19) pensioners as this liability is unfunded. The total present value of the liability based on a projected-unit-credit basis as at 31 December 2021 is R9,751,380 (2020: R11,540,087).

2021 2020

The independent actuarial assumptions and valuation at year-end were:

Number of pensioner members	16	19
Future long-term medical inflation	8.7% p.a.	7.5% p.a.
Expected yield on assets	10.3%	9.4%

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	14.35	14.01
Female	18.12	17.58

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 2022 used in the valuation of the contributions liability are as follows:

	Income Band	Principal Member	Adult Dependand	Child Dependand
		R	R	R
Pace1	All	4 242	2 980	1 071
Pace2	All	6 026	5 909	1 329
Pace4	All	8 642	8 642	2 025
Beat2 Network	All	1 919	1 491	807

2021 2020

R R

The reconciliation of the value recognised in the statement of financial position is:

Liability at 1 January	11 540 087	11 903 902
Actual Disbursements	(1 015 828)	(1 105 993)
Interest cost	1 037 024	1 021 581
Actuarial (gain)/loss	(1 809 913)	(279 403)
Liability at year-end in the statement of financial position	<u>9 751 370</u>	<u>11 540 087</u>

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 9.4% per annum was used for the year ended 31 December 2021 (2020: 9%).

9. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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 gain of R1,809,913 (2020: gain of R279 403) is reported over the past year in the statement of comprehensive income. This gain is due to the following factors:

	2021	2020
	R	R
▪ Demographic experience (including option changes) and that assumed in the previous valuation gave rise to an actuarial (gain)/loss.	(918 496)	(216 074)
▪ Changes made to assumptions, the increase in the discount rate from 9.4% to 10.30% (2020: 9.0% to 9.4%) and a increase in the medical cost inflation assumption from 7.5% to 8.7% (2020: 7.3% to 7.5%).	193 953	(185 225)
▪ Actual contribution increases on 1 January 2022 were 4% as opposed to the assumption of 7.5% used (2020: 7.6% vs 6.5%).	(1 064 174)	94 088
▪ (Lower)/higher than expected disbursements paid during the year.	(21 196)	27 808
	(1 809 913)	(279 403)

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
2021					
Liability at 1 January 2021	11 540 087	11 540 087	11 540 087	11 540 087	11 540 087
Disbursements	(1 015 828)	(1 015 828)	(1 015 828)	(1 015 828)	(1 015 828)
Interest cost	1 037 024	1 037 024	1 037 024	1 037 024	1 037 024
Actuarial loss/(gain)	(1 809 913)	(1 027 019)	(1 429 950)	(2 507 109)	(2 168 481)
Liability as at 31 December 2021	9 751 370	10 534 265	10 131 334	9 054 174	9 392 802
	Base	Inflation plus 1%	Inflation plus 0.5%	Inflation minus 1%	Inflation minus 0.5%
	R	R	R	R	R
2022					
Liability at 1 January 2021	9 751 370	10 534 264	10 131 334	9 054 174	9 392 802
Disbursements	(808 763)	(808 763)	(808 763)	(808 763)	(808 763)
Interest cost	962 740	1 043 378	1 001 876	890 929	925 807
Liability as at 31 December 2022	9 905 347	10 768 879	10 324 446	9 136 340	9 509 846

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.

10. PERSONAL MEDICAL SAVINGS ACCOUNT TRUST LIABILITY

	2021	2020
	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	928 285 868	805 552 798
Less		
Advances on personal medical savings accounts (Note 6)	(3 682 916)	(3 941 507)
Balance on personal medical savings account liability at the beginning of the year	924 602 952	801 611 291
Add		
Personal medical savings account contributions received or receivable (Note 13)	957 829 990	920 159 556
Personal medical savings account balances received from other Schemes	813 922	1 077 589
Interest on personal medical savings account trust funds invested paid to members (Note 19)	39 074 396	45 440 265
Advances on personal medical savings accounts written off or in debt recovery process	8 086 328	2 496 644
Less		
Personal medical savings claims paid on behalf of members (Note 14)	(907 454 429)	(814 408 413)
Transfers to other schemes	(1 130 207)	-
Refunds on death or resignations	(26 639 342)	(26 852 251)
Personal medical savings payable to the Guardians Fund	-	-
Bank charges and management fees (Note 23)	(747 007)	(714 602)
Contributions relief payment from savings	(295 402)	(4 207 128)
Add		
Advances on personal medical savings accounts (Note 6)	3 046 996	3 682 917
Balances due to members on personal medical savings accounts held in trust at the end of the year	997 188 196	928 285 868

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 enrolls 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.

The difference between the personal medical savings account trust liability and the personal savings trust account assets (Note 4 and 8), is attributable to the timing of the collection of savings contributions versus the transfer of funds from the Scheme's bank account to the Personal medical savings account.

11. OUTSTANDING CLAIMS PROVISION

	Covered by risk transfer arrangements	Not covered by risk transfer arrangements	Total
	R	R	R
2021			
Provision for outstanding claims incurred but not reported	4 913 885	193 800 000	198 713 885
Analysis of movements in outstanding claims			
Balance at the beginning of the year	3 316 837	136 257 508	139 574 344
Payments in respect of the prior year	(3 541 591)	(134 698 243)	(138 239 834)
(Under)/over provision in the prior year	(224 754)	1 559 265	1 334 511
Adjustment for the current year	5 138 639	192 240 735	197 379 374
Balance at end of the year	4 913 885	193 800 000	198 713 885
2020			
Provision for outstanding claims incurred but not reported	3 316 837	136 257 508	139 574 344
Analysis of movements in outstanding claims			
Balance at the beginning of the year	(2 427 786)	152 500 000	150 072 214
Payments in respect of the prior year	(3 170 667)	(142 208 709)	(145 379 377)
(Under)/over provision in the prior year	(5 598 453)	10 291 291	4 692 838
Adjustment for the current year	8 915 290	125 966 217	134 881 507
Balance at end of the year	3 316 837	136 257 508	139 574 345

Process used to determine the assumptions

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 2021 and 2020 benefit years.

Sensitivity analysis

The following table illustrates the impact of a 1.5 % increase and decrease in the outstanding claims provision:

	Base	Inflation +1.5%	% Change	Inflation -1.5%	% Change
	R	R	%	R	%
2021					
Liability as at 31 December 2021	198 713 885	201 694 593	1,50%	195 733 177	(1,50%)

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.

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.

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

	Claims for 2021 services paid from Jan 2022 to Mar 2022	2021 Claims estimated at that time to be paid after Mar 2022	Outstanding claims provision	% Change in outstanding claims provision
	R	R	R	%
2021 Scenario				
Base scenario	163 094 473	30 739 751	193 834 224	
10% increase	163 094 473	33 813 726	196 908 199	1,59%
10% decrease	163 094 473	27 665 776	190 760 249	(1,59%)
	Claims for 2020 services paid from Jan 2021 to Mar 2021	2020 Claims estimated at that time to be paid after Mar 2021	Outstanding claims provision	% Change in outstanding claims provision
	R	R	R	%
2020 Scenario				
Base scenario	155 462 970	12 779 407	168 242 377	
10% increase	155 462 970	14 057 348	169 520 318	0,76%
10% decrease	155 462 970	11 501 466	166 964 436	(0,76%)

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.

12. TRADE AND OTHER PAYABLES

	2021	2020
	R	R
Insurance liabilities		
Contributions received in advance	34 667 198	36 355 290
Unclaimed payments	15 237 089	7 836 341
Reported claims not yet paid	18 888 119	32 124 851
	<u>68 792 406</u>	<u>76 316 482</u>
Financial liabilities		
Other payables and accrued expenses	34 617 687	41 501 525
Trade creditors payable	24 677 595	12 302 587
	<u>59 295 282</u>	<u>53 804 113</u>
Provisions		
Leave provision at the beginning of the year	13 074 386	9 046 013
Movement for the year	(101 837)	4 028 373
Leave provision at the end of the year	<u>12 972 549</u>	<u>13 074 386</u>
Total trade and other payables	<u>141 060 237</u>	<u>143 194 981</u>
Reported claims not yet paid		
Balance at beginning of year	32 124 851	95 693 261
Net movement for the year	(13 236 732)	(63 568 410)
Balance at end of year	<u>18 888 119</u>	<u>32 124 851</u>

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

13. RISK CONTRIBUTION INCOME

	2021	2020
	R	R
Gross contributions	6 389 833 464	6 150 430 656
Less: Personal medical savings account contributions (Note 10)	(957 829 990)	(920 159 556)
	<u>5 432 003 474</u>	<u>5 230 271 100</u>

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 a trust on behalf of the members of the Scheme.

14. NET CLAIMS INCURRED

	2021	2020
	R	R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current-year claims as per Registered Rules	5 417 776 821	4 496 099 514
Movement in outstanding claims provision	192 240 735	125 966 217
(Over)/Under provision in prior year	(1 559 265)	(10 291 291)
Adjustment for current year	193 800 000	136 257 508
Claims paid from personal medical savings accounts	(907 454 429)	(814 408 413)
	<u>4 702 563 127</u>	<u>3 807 657 318</u>
Claims incurred in respect of risk transfer arrangements		
Current-year claims incurred in respect of risk transfer arrangements (Note 15)	109 952 731	95 524 320
Recovery under risk transfer arrangements	-	(8 915 290)
Movement in outstanding claims provision	5 138 639	8 915 290
Under provision in prior year	224 754	5 598 453
Adjustment for current year	4 913 885	3 316 837
	<u>115 091 370</u>	<u>95 524 320</u>
Services provided to members in own facilities	1 876 378	1 821 545
Hospital discount received	(13 034 432)	(10 783 095)
Third party claims recoveries	(3 407 348)	(7 859 760)
Accredited managed healthcare services	139 392 523	127 851 599
Hospital benefit management services	35 851 730	32 493 465
Pharmacy benefit management services	74 245 170	67 454 833
Managed care network management services & risk management	10 621 171	10 226 132
Active disease risk management	18 674 452	17 677 169
Net claims incurred per the statement of comprehensive income	<u>4 942 481 619</u>	<u>4,014,211,928</u>

15. RISK TRANSFER ARRANGEMENTS

	Europ Assistance	Bryte Insurance	ER24	Preferred Provider Negotiators	Total
		R	R	R	R
2021					
Capitation fees paid	3 381 830	3 804 620	32 595 477	59 132 770	98 914 697
Recoveries received	(645 500)	(599 551)	(41 945 062)	(71 901 258)	(115 091 371)
Net (income)/expense on risk transfer arrangement	2 736 330	3 205 069	(9 349 585)	(12 768 488)	(16 176 674)

	Bryte Insurance	ER24	Preferred Provider Negotiators	Total
	R	R	R	R
2020				
Capitation fees paid	4 633 132	30 535 464	58 198 129	93 366 725
Recoveries received	(4 633 132)	(29 186 896)	(61 704 292)	(95 524 320)
Net (income)/expense on risk transfer arrangement	-	1 348 568	(3 506 163)	(2 157 595)

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.

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 Europ Assistance, Bryte Insurance Company, ER24 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 R5.50 (2020: R4.00) per member with Bryte Insurance Company. The total travel insurance paid to Bryte for 2021 was R3.8M (2020: R4.6M). The Scheme terminated the contract with Bryte on 31 July 2021.

Europ Assistance

The Scheme took out insurance for International Travel at a rate of R6.72 per member with Europ Assistance effective 1 August 2021. The total travel insurance paid to Europ Assistance for 2021 was R3.4M.

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.

16. BROKER SERVICE FEES AND OTHER DISTRIBUTION FEES

	NOTES	2021	2020
		R	R
Brokers' fees		90 008 584	85 296 672
		90 008 584	85 296 672

17. ADMINISTRATION EXPENSES

Managed care management services		6 062 552	4 879 437
Wellness and preventative care		4 175 908	3 048 637
Maternity programme		1 886 644	1 830 800
Actuarial fees		2 370 834	2 296 319
Audit fees		1 910 700	2 468 046
External audit services for previous year's audit		1 238 342	1 585 533
External audit services for current year audit		415 000	882 513
Other		257 359	-
Bank charges		6 281 977	5 254 506
Consultation fees		6 723 397	7 624 604
Debt collection fees		1 016 573	1 934 681
Amalgamation expenses	31	114 695	1 141 871
Amortization		1 653 541	1 275 990
Depreciation	2; 5	24 005 001	23 375 519
Employee benefit expenses	26	172 176 663	167 695 001
Employee recruitment, training and development		3 718 779	4 336 182
Insurance premiums		958 851	771 928
Information Technology		46 827 226	44 724 836
IT maintenance		3 230 522	3 069 245
License fees		14 467 712	16 505 533
Legal fees		648 836	1 049 516
Marketing and advertising expenses		28 930 233	34 695 763
Rent paid	5	4 244 394	4 551 840
Building expenses		3 630 269	4 847 969
Other expenses		3 723 773	5 648 001
Principal Officers' fees	26	6 662 755	6 490 869
Printing and stationery expenses		3 548 555	4 751 628
Registrar's levies and other fees		4 290 403	3 694 573
Telephone and postage fees		6 092 071	5 344 254
Total trustee remuneration and travel and accommodation expenses	28	2 645 011	2 553 932
Trustees vetting expenses		-	781 578
Travel, accommodation and conferences		2 311 696	1 438 605
		358 247 024	363 202 226

18. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

	2021	2020
	R	R
Trade and other receivables		
Members' and service providers' portions that are not recoverable		
Movement in provision	3 197 986	891 169
Bad debts recovered	(494 130)	(499 836)
Bad debts written off	2 777 157	1 546 555
	5 481 014	1 937 887

19. INVESTMENT INCOME

	2021	2020
		Restated*
	2021	2020
Scheme		
Financial assets at fair value through profit or loss:		
- Interest income*	104 452 662	82 187 932
- Dividend income*	-	-
Income from financial assets at fair value through other comprehensive income:		
- Dividend income	15 856 973	6 494 980
Cash and cash equivalents - interest income	589 540	1 115 113
Net realised gains on financial assets at fair value through profit or loss	31 427 311	6 499 422
Net unrealised gains/(loss) on financial assets at fair value through profit or loss*	103 688 793	25 749 470
	256 015 278	122 046 917

*Refer to Note 32 for restatement detail

Personal medical savings account trust monies invested

Financial assets at fair value through profit or loss:		
- Interest income	31 777 149	42 827 434
Cash and cash equivalents - interest income	7 297 247	2 612 831
	39 074 396	45 440 265

(a) Net realised gains/(losses) on financial assets at fair value through profit or loss

- Listed bonds	758 991	(1 068 512)
- Linked insurance policies	28 630 032	-
- Collective investment schemes	2 038 288	7 567 934
	31 427 311	6 499 422

(b) Net unrealised gains/(losses) on financial assets at fair value through profit or loss

- Listed bonds	13 654 372	10 456 571
- Linked insurance policies	86 933 071	20 952 862
- Collective investment schemes	3 101 350	(5 659 963)
	103 688 793	25 749 470

NOTES

2021

2020

R

R

(c) 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	-	(8 344 618)
- Equity investments at fair value through other comprehensive income	68 912 819	(12 065 885)

20. SUNDRY INCOME

Unclaimed cheques and credits written off	2 577 931	6 056 366
Net profit on disposal of fixed assets	13 360	-
	2 591 290	6 056 366

21. INTEREST PAID ON PERSONAL MEDICAL SAVINGS TRUST ACCOUNTS

Net Interest paid on members' personal medical saving account balances	10	38 327 389	44 725 663
		38 327 389	44 725 663

22. INTEREST EXPENSE

Finance costs - lease liability	5	5 110 423	3 079 452
		5 110 423	3 079 452

23. ASSET MANAGEMENT FEES

Scheme			
Expenses for asset management services rendered	4	6 997 904	5 268 705
		6 997 904	5 268 705
Personal medical savings account trust monies invested			
Expenses for asset management services rendered	10	747 007	714 602
		747 007	714 602

24. OWN FACILITY NET EXPENDITURE

	2021	2020
	R	R
Income		
Income from medical services rendered in own facilities	(3 397 491)	(3 050 868)
	<u>(3 397 491)</u>	<u>(3 050 868)</u>
Expenditure in operating own facility		
Total healthcare provider costs	9 520 112	9 304 968
Changes in inventories	672 963	572 008
Administration expenses	340 740	328 942
Information Technology	338 658	324 552
Facilities expenditure	2 107 691	2 044 645
	<u>12 980 165</u>	<u>12 575 115</u>
Deficit on Own Facility	<u>9 582 674</u>	<u>9 524 246</u>

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.

25. OTHER LOSSES

	NOTES	2021	2020
		R	R
Net loss on disposal of fixed assets	2	-	20 279
		<u>-</u>	<u>20 279</u>

26. EMPLOYEE BENEFIT EXPENSES

Salaries and Bonuses		139 752 339	137 627 036
Retirement benefits		18 587 044	12 022 486
Medical and other benefits		14 981 617	14 892 053
Increase in leave pay accrual		4 745 529	8 902 117
Retirement benefit obligations		772 889	742 178
		<u>178 839 418</u>	<u>174 185 870</u>
Less: Principal Officer's compensation and benefits	29	(6 662 755)	(6 490 869)
- Salary		(3 415 862)	(3 418 879)
- Bonuses paid and provided for		(2 507 027)	(2 482 244)
- Retirement benefits		(406 919)	(261 096)
- Medical and other benefits		(332 948)	(328 650)
		<u>172 176 663</u>	<u>167 695 001</u>

27. CASH FLOWS FROM OPERATING ACTIVITIES

	NOTES	2021	2020
		R	R
Net contribution income	13	5 432 003 474	5 230 271 100
(Increase)/Decrease in insurance receivables	6	(45 654 087)	11 212 198
Cash Receipts from members - Contributions		<u>5 386 349 387</u>	<u>5 241 483 299</u>
(Increase)/Decrease in Insurance receivables - Other	6	(2 720 975)	5 117 076
Less: Provision for impairment	18	(2 681 942)	(6 333 299)
Recovery under risk transfer arrangements outstanding claims provisions	6	(1 597 048)	(5 744 623)
Cash Receipts from members and providers		<u>(6 999 966)</u>	<u>(6 960 846)</u>
Cash Receipts from members and providers - Other loans and Receivables	6	654 009	(2 238 826)
Relevant healthcare expenditure	14;15	(4 926 304 945)	(4 012 054 332)
(Decrease)/Increase in insurance liabilities	12	(7 524 076)	(65 477 143)
Increase/(Decrease) in outstanding claims provision	11	59 139 540	(10 497 870)
Unclaimed cheques and credits write off	20	2 577 931	6 056 366
Cash paid to providers and employees - claims		<u>(4 872 111 550)</u>	<u>(4 081 972 980)</u>
Cash paid to providers and employees - non healthcare expenditure	16;17;23;24	(464 836 185)	(463 291 850)
Eliminate non cash items:			
Depreciation	2	25 370 251	24 724 488
Amortisation of intangible assets	3	1 653 541	1 275 990
Increase provision for leave	12	(101 837)	4 028 373
(Decrease)/Increase in provision for retirement benefit obligation	9	(1 788 717)	(363 815)
Increase/(Decrease) in trade and other payables	12	5 491 170	(522 572)
Cash paid to providers and employees - non healthcare expenditure		<u>(434 211 777)</u>	<u>(434 149 386)</u>

28. 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
2021							
GS Du Plessis	144 110	40 716	200 109	384 935	-	-	384 935
A Hartzenberg	120 094	-	110 585	230 679	-	3 200	233 879
MJ Joubert	120 094	-	110 585	230 679	-	-	230 679
BE Legobye	120 094	-	108 759	228 853	-	3 200	232 053
E Marx	120 094	-	110 585	230 679	-	-	230 679
CM Mowatt	180 141	57 000	171 204	408 345	-	-	408 345
S Stevens	120 094	-	145 373	265 467	-	-	265 467
LD Jordaan	120 094	-	105 138	225 232	1 681	-	226 913
C Lombard	120 094	-	90 032	210 126	-	-	210 126
DK Smith	120 094	-	101 841	221 935	-	-	221 935
	1 285 003	97 716	1 254 211	2 636 930	1 681	6 400	2 645 011

Annual retainer fees are amounts paid in accordance with the provisions of the Trustee Remuneration Policy

	Fees for attending Board meetings	Annual Retainer Fees	Fees for attending subcommittee meetings	Total Remuneration	Travel & Accommodation	Total Considerations
	R	R	R	R	R	R
2020						
RF Camphor	105 585	27 225	69 148	201 958	-	201 958
GS Du Plessis	151 172	9 984	128 115	289 271	-	289 271
A Hartzenberg	144 460	-	99 249	243 709	-	243 709
L Heyl	69 024	-	42 706	111 730	-	111 730
M Joubert	144 460	-	90 085	234 545	7 946	242 491
PM Kennedy	84 280	-	86 275	170 555	12 811	183 366
T Legobye	127 678	-	85 503	213 181	-	213 181
E Marx	144 460	-	90 085	234 545	-	234 545
CM Mowatt	207 010	52 092	185 047	444 149	7 946	452 095
S Stevens	113 948	-	81 837	195 785	6 418	202 203
L Jordaan	33 564	-	20 160	53 724	1 681	55 405
C Lombard	46 874	-	36 800	83 674	3 362	87 036
DK Smith	16 782	-	20 160	36 942	-	36 942
	1 389 297	89 301	1 035 170	2 513 768	40 164	2 553 932

The 2021 and 2020 amounts are disclosed as per the 2021 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.

29. 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:

	2021	2020
	R	R
Board of Trustees		
Gross medical scheme contributions received	556 429	548 410
Medical scheme contributions received - risk portion	480 726	469 236
Medical scheme contributions received - personal medical savings portion	75 703	79 174
Gross benefits paid out	615 627	527 453
Benefits paid from risk pool	529 261	452 645
Benefits paid from personal medical savings available	86 367	74 808
Saving available at year-end	30 993	40 203
Trustee remuneration and travel and accommodation expenses (Note 28)	2 645 011	2 553 932
Trustee other expenses	23 976	58 853
Principal Officer		
Gross medical scheme contributions received	246 408	236 472
Medical scheme contributions received - risk portion	239 016	229 344
Medical scheme contributions received - personal medical savings portion	7 392	7 128
Gross benefits paid out	68 794	120 604
Benefits paid from risk pool	64 309	118 193
Benefits paid from personal medical savings available	4 485	2 410

	2021	2020
	R	R
Saving available at year-end	7 946	4 781
Principal Officer's compensation (Note 26)	6 662 755	6 490 869
Leave provision at end of year	326 692	202 419
Key management		
Gross medical scheme contributions received	559 214	527 832
Medical scheme contributions received - risk portion	462 598	436 812
Medical scheme contributions received - personal medical savings portion	96 616	91 020
Gross benefits paid out	224 667	197 317
Benefits paid from risk pool	138 216	111 781
Benefits paid from personal medical savings available	86 451	85 536
Saving available at year-end	249 458	229 698
Compensation to key management personnel	25 629 658	26 615 700
Leave provision at end of year	1 421 147	1 421 232
Service providers connected to key management and Board of Trustees		
Gross benefits paid to related party service providers for consultation	-	19 781

30. 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) Outstanding claims provision

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. Provisions for such liabilities are made by the Actuaries, and derived as the claims process develops. All estimates are revised and adjusted at year-end by management. Refer to Note 11 for assumptions made.

(b) Impairment provision on debtors

Detailed disclosure of the annual impairment review of the Scheme is disclosed under Note 6 and 37.

(c) Risk transfer arrangement assumptions

Detailed disclosure of the risk transfer arrangement assumptions is made under Note 15.

(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 9.

(e) Covid 19

The Scheme has remained at the forefront of developments within the industry since it saw its first positive case of COVID-19 on 5 March 2020.

The focus for 2021 for the Scheme, while still dealing with members affected by COVID-19, was to support our members within the COVID-19 vaccination programme. The programme was rolled out in 2021 and the Scheme incurred R66.8 million in vaccination costs.

The Scheme incurred a further R720.4m (2020: R230.8m) for hospitalisation, testing and out-of-hospital COVID-19 related costs and as result, the average claims ratio for 2021 90.7% which is significantly higher than the previous year's ratio 76.7% and more aligned to the pre-COVID levels.

31. AMALGAMATION

No amalgamations occurred in 2021.

2020

Grintek Electronics Medical Aid Scheme amalgamated with Bestmed Medical Scheme with effect from 1 July 2020 and the name of the amalgamated scheme is Bestmed Medical Scheme. The amalgamation was approved by the Council for Medical Scheme on 16 June 2020, as required by Section 63 of the Medical Schemes Act 131 of 1998, as amended, and the Competition Commission approved the amalgamation on 17 March 2020.

The amalgamation did not have a material effect on the operations of Bestmed Medical Scheme and the current Board of Trustees of Bestmed Medical Scheme has control over the amalgamated scheme.

On the date of the amalgamation 1 076 beneficiaries of which 487 were principal members joined Bestmed Medical Scheme. Grintek Electronics Medical Aid Scheme members had the option to join one of the existing options of the Scheme and the Grintek Electronics Medical Aid Scheme option was closed.

Bestmed Medical Scheme assumed full responsibility for all assets and liabilities including future commitments of Grintek Electronics Medical Aid Scheme at 1 July 2020, at which date the operations of Grintek Electronics Medical Aid Scheme were terminated. Universal Healthcare Administrators (Pty) Ltd, managed the Grintek Electronics Medical Aid Scheme winddown after amalgamation.

No purchase consideration was paid and no goodwill was recognised as a result of this transaction.

The disclosures provided below have been provided to enable users to evaluate the nature and financial effect of the amalgamation.

STATEMENT OF FINANCIAL POSITION

The acquisition date fair value of the total consideration transferred and the acquisition date fair value of each major class of assets and liabilities was:

	1 July 2020
	R
GRINTEK ELECTRONICS MEDICAL AID SCHEME	
Reserves effectively transferred:	
(Acquisition date fair value of Grintek members' interest)	17 535 780
Net recognised values of Grintek identifiable assets and liabilities	17 535 780
Assets	
Non-current assets	5 030 942
Financial assets at fair value through profit or loss	5 030 942
Current assets	15 155 521
Trade and other receivables	3 103 454
Cash and cash equivalents	12 052 067
Liabilities	
Current liabilities	(2 650 683)
Outstanding claims provision	(1 500 000)
Trade and other payables	(1 150 683)
Net recognised values of Grintek identifiable assets and liabilities	17 535 780
Amalgamation expenses (Note 17)	(1 141 871)
Total funds and liabilities	16 393 909

	1 July 2020	1 July 2020
	R	R
Trade and other receivables acquired	Fair Value	Gross Contractual value
Insurance Receivables	2 906 235	3 305 153
Contribution debts receivable	3 135 147	3 135 147
Members co-payments receivable	123 572	123 572
Provider debts receivable	46 434	46 434
Provision for impairment	(398 918)	-
Other accounts receivables	197 219	197 219
Prepaid Expenses	8 340	8 340
Accrued Interest	188 879	188 879
	3 103 454	3 502 372

STATEMENT OF CASHFLOW

Cash and cash equivalents from business combinations during the year	12 052 067
Increase in financial assets at fair value through profit or loss due to business combinations	5 030 942

32. RESTATEMENT

(a) Solvency and investment income

Interest and dividends earned within the Allan Gray insurance policy was not reflected as unrealised gains.

The following table summaries the impact on the 2020 solvency.

31 December 2020	As previously reported	Restatement	Restated balance
	R	R	R
Total members' funds per statement of financial position	3 005 608 874	-	3 005 608 874
Less: Cumulative unrealised investment gains	(96 772 699)	(188 676 351)	(285 449 050)
Accumulated funds as per Regulation 29	2 908 836 175	(188 676 351)	2 720 159 824
Gross annual contribution income	6 150 430 656	-	6 150 430 656
Restated accumulated funds ratio (Accumulated funds/ gross annual contributions x 100)	47,29%		44,23%

The following table summarises the impact on investment income as disclosed in note 19:

31 December 2020	As previously reported	Restatement	Restated amount
	R	R	R
Financial assets at fair value through profit or loss:			
- Interest income	102 079 450	(19 891 518)	82 187 932
- Dividend income	10 182 082	(10 182 082)	-
Net unrealised gains/(loss) on financial assets at fair value through profit or loss	(4 324 131)	30 073 601	25 749 470
	107 937 402	-	107 937 402

The following table summarises the impact on the statement of cash flows:

31 December 2020	As previously reported	Restatement	Restated amount
	R	R	R
CASH FLOW FROM INVESTING ACTIVITIES			
Interest income			
- Scheme	103 194 563	(19 891 518)	83 303 045
Dividend income	16 677 062	(10 182 082)	6 494 980
	119 871 626	(30 073 600)	89 798 025

(b) Additions and disposals of investments

The additions and disposals of investments were historically shown as a net number in the statement of cash flows within investing activities. The amounts have been split into additions and disposals retrospectively in line with the requirements of IAS 7.

The following table summarises the impact of the above on the statement of cash flows.

31 December 2020	As previously reported	Restatement	Restated balance
	R	R	R
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of investments	(869 040 916)	(2 929 193 121)	(3 798 234 037)
Proceeds on disposal of investments	-	2 929 193 121	2 929 193 121
	(869 040 916)	-	(869 040 916)

33. EVENTS AFTER REPORTING PERIOD

No material events took place between the Statement of Financial Position as at 31 December 2021 and the date of this report.

34. MATTERS OF NON-COMPLIANCE

CONTRIBUTIONS

Non-compliance with Scheme rule 13.2.1 and Sections 26(7) and 32 of the Medical Schemes Act - , contributions to be due upon receipt of their pension grants from SASSA.

Nature and cause:

Section 26(7) of the Medical Schemes Act states that Contributions must be 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.

The SASSA grant payment dates changed as from May 2020 when it was published that disability and older persons grants will be paid from the fourth day of a month and all other grants on the sixth of a month.

The Scheme did not receive a section 8(h) exemption from the CMS to permit contributions owing from SASSA pension grant members to be due upon SASSA grant payment dates.

Management action:

Employer group discrepancies are actively monitored and rectified on a monthly basis.

From January to October 2021, the Scheme continued to submit separate debit order files on the 7th of each month (no changes in SASSA grant payment dates). As from November 2021, no further ACB files were effected separately for SASSA.

Non-compliance with Scheme rules 4.43 and 13.5.1, rules 4.1.3, 4.1.7 and 4.2.2 of Annexure B.4 to the Scheme rules and Section 32 and Regulation 10(3) of the Medical Schemes Act - Utilization of accumulated savings to off-set contributions

Nature and cause:

Section 32 of the Medical Schemes Act states that The rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming.

Regulation 10(3) of the Medical Schemes Act prohibits the utilisation of accumulated savings to off-set contributions.

Furthermore, Section 8(h) of the Medical Schemes Act states that a Medical Scheme may submit written application to the Council from complying with any provision of this Act.

The Scheme did not receive a section 8(h) exemption from the CMS, despite making an application for exemption, for the utilisation of accumulated savings to off-set contributions. The Scheme made monthly contributions deductions from the members accumulated savings for the period January to March 2021.

Management action:

The Scheme subsequently stopped this practice to ensure compliance with legislation.

OPTION SELF-SUFFICIENCY

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.

Nature and cause:

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 Beat 1 and 2, Pulse 1, Pace 2 and 4, incurred a net healthcare deficit. The different financial results reflect the different disease burdens in each option, amongst other factors.

Management action:

The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The strategy on sustainability of options must 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.

BORROWINGS

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

Nature and cause:

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.
- The terms of the Scheme building lease agreement required a guarantee to an amount of R2,3 million.
- One of the Scheme bank accounts (ABSA account number: 0610000061) was in an overdraft position of R270k as at 31 December 2021.

Management action:

The Scheme obtained CMS exemption for guarantees in

respect of the building lease (until 31 December 2022) and FSCA (until 28 February 2025) respectively. The bank overdraft was as a consequence of timing differences and the bank account is no longer in an overdraft position. Measures have been put in place to avoid re-occurrence of any overdraft position.

INVESTMENTS

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

Nature and cause:

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 groups.

Management action:

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

BROKER SERVICES AND COMMISSION

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

Nature and cause:

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.

Internal Audit noted an instance where a broker commission was paid to a broker whose CMS accreditation expired.

Management action:

The exception has been noted and system enhancements have been implemented (effective 01 April 2021).

Non-compliance with Regulation 28(1) to the Medical Schemes Act

Nature and cause:

Regulation 28 (1) to the Medical Schemes Act states that "No person may be compensated by a medical scheme in terms of section 65 for acting as a broker unless such person enters into a prior written agreement with the medical scheme concerned.

Internal Audit noted two instances where brokerage agreements were signed by the Brokerage Representative, however, at the time were not signed by the Scheme.

Management action:

These were isolated instances and were signed by the Scheme by 31 August 2021.

Non-compliance with Regulation 28(5) to the Medical Schemes Act

Nature and cause:

Section 28 (5) of the Medical Schemes Act indicates that "Payment by a medical scheme to a broker in terms of sub regulation (2) shall be made on a monthly basis and upon receipt by the Scheme of the relevant monthly contribution in respect of that member.

Internal Audit noted the following:

- A member was not linked to a broker resulting in commission not being paid; and
- A member was linked to an incorrect broker as a result of an incorrect broker code (payments to incorrect broker).

Management action:

All instances were noted and broker codes were corrected.

NATIONAL DEPARTMENT OF HEALTH (NDOH) CLAIMS

Non-compliance with Regulation 6(1) and (2) to the Medical Schemes Act

Nature and cause:

The Council for Medical Schemes (CMS) via Circular 55 of 2021 appraised the industry that it has granted an exemption to the National Department of Health (NDOH) to ensure that all COVID-19 vaccine claims are eventually paid despite these claims being submitted outside the ambit of Regulation 6 of the Medical Schemes Act (131 of 1998) (MSA).

Medical schemes were therefore authorised to process claims received on or before 210 days. Furthermore, the NDOH is allowed to submit claims after 120 days as required by regulation 6(1) and (2) but must do so within 210 days.

The exemption will be valid for a period of three years or will expire once the NDOH has recovered all vaccine-related costs on all insured members of medical schemes.

Management action:

The Scheme has complied with Circular 55 of 2021.

CLAIMS

Non-compliance with the CMS guidelines 7.1.3 and 7.1.4 – COVID 19 claims paid from savings

Nature and cause:

The Council for Medical Schemes (CMS) published funding guidelines (dated 5 May 2020) on 8 May 2020 which stated the following:

7.1.3 Testing for COVID-19 is PMB level of care upon referral from a health care worker who has screened a patient. Patients to be tested include individuals who meet the criteria for a person under investigation and those classified as high risk.

7.1.4 The test should be funded from the risk benefit irrespective of the RT-PCR result.

There were instances where COVID-19 (PMB) claims were paid from savings.

Management action:

The detected claims were reassessed to ensure alignment to the CMS PMB Guidelines. Corrections were made and manual interventions implemented to ensure that claims are paid in accordance with the CMS published funding guidelines.

Non-compliance with Section 59(2) of the Medical Schemes Act - Claims not paid within 30 days

Nature and cause:

Section 59 (2) of the Act states: "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.

An instance was identified where a portion of a claim was paid after 30 days.

Management action:

Claims are paid bi-weekly and where further investigation is required, this could result in the claim being paid after 30 days from notification.

PMB

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

Nature and cause:

Regulation 8 to 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 PMB claims were incorrectly paid from savings.

Management action:

Reversals to 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
2021											
Average members for the financial year	7 616	34 143	7 448	3 138	29 096	8 587	5 001	1 999	1 960	490	99 478
Risk contribution income	248 585 042	1 087 614 264	358 010 620	247 620 011	1 847 329 929	747 268 628	515 702 562	264 836 962	74 622 907	40 412 549	5 432 003 474
Relevant healthcare expenditure	(217 500 436)	(971 089 464)	(321 598 070)	(227 365 222)	(1 569 098 768)	(739 776 876)	(483 160 794)	(275 457 510)	(85 116 033)	(36 141 772)	(4 926 304 944)
Net claims incurred	(217 761 352)	(972 259 240)	(323 524 758)	(228 089 552)	(1 575 090 335)	(742 787 406)	(485 289 252)	(275 953 156)	(85 508 191)	(36 218 377)	(4 942 481 619)
Risk claims incurred	(207 181 167)	(925 071 837)	(313 087 848)	(224 070 705)	(1 536 113 874)	(730 947 570)	(478 435 865)	(273 218 417)	(82 837 508)	(35 531 652)	(4 806 496 443)
Third party claims recoveries	91 082	655 632	-	378 364	1 793 342	193 086	154 218	65 758	75 866	-	3 407 348
Accredited managed healthcare services	(10 671 267)	(47 843 034)	(10 436 909)	(4 397 211)	(40 769 804)	(12 032 922)	(7 007 606)	(2 800 497)	(2 746 549)	(686 725)	(139 392 523)
Net income/(expenses) on risk transfer arrangements	260 915	1 169 775	1 926 688	724 330	5 991 568	3 010 530	2 128 458	495 646	392 159	76 605	16 176 674
Risk transfer arrangement premiums paid	(3 045 526)	(13 654 162)	(8 643 192)	(4 856 026)	(44 223 922)	(12 015 530)	(7 536 401)	(2 829 982)	(1 600 706)	(509 249)	(98 914 697)
Recoveries from risk transfer arrangements	3 306 441	14 823 938	10 569 880	5 580 356	50 215 490	15 026 060	9 664 859	3 325 629	1 992 864	585 854	115 091 371
Gross healthcare result	31 084 605	116 524 800	36 412 550	20 254 789	278 231 162	7 491 752	32 541 768	(10 620 548)	(10 493 126)	4 270 777	505 698 529
Broker service fees and other distribution fees	(5 609 347)	(28 118 011)	(7 060 477)	(1 659 181)	(31 523 155)	(7 331 841)	(5 991 607)	(1 406 164)	(1 276 559)	(32 243)	(90 008 584)
Administration and other operative expenses	(27 425 786)	(122 959 426)	(26 823 473)	(11 301 091)	(104 780 806)	(30 925 322)	(18 009 961)	(7 197 442)	(7 058 793)	(1 764 923)	(358 247 024)
Net impairment losses on healthcare receivables	(213 217)	(1 108 110)	(365 068)	(246 866)	(1 955 431)	(745 161)	(514 289)	(234 199)	(64 008)	(34 665)	(5 481 014)
Net healthcare result	(2 163 744)	(35 660 747)	2 163 532	7 047 651	139 971 770	(31 510 571)	8 025 911	(19 458 352)	(18 892 486)	2 438 945	51 961 908
Other income	10 245 930	57 116 673	19 938 810	13 303 667	112 990 911	41 326 140	28 793 461	11 878 075	3 080 385	1 657 395	300 331 448
Investment income	10 012 961	55 905 906	19 539 922	13 033 931	110 854 326	40 511 946	28 231 527	11 622 180	3 010 448	1 619 519	294 342 667
Scheme	9 959 239	51 759 252	17 052 131	11 530 992	91 337 155	34 806 072	24 022 187	10 939 303	2 989 777	1 619 171	256 015 278
Personal medical savings account trust accounts	53 722	4 146 654	2 487 791	1 502 939	19 517 171	5 705 874	4 209 341	682 877	20 671	349	38 327 389
Own facility income	132 166	686 879	226 293	153 024	1 212 104	461 899	318 790	145 172	39 676	21 487	3 397 491
Other operating income	100 804	523 888	172 595	116 712	924 480	352 294	243 144	110 724	30 261	16 389	2 591 290
Other expenditure	(1 029 688)	(9 218 857)	(4 158 833)	(2 632 931)	(28 467 853)	(9 116 733)	(6 563 420)	(1 754 886)	(313 657)	(159 021)	(63 415 880)
Interest paid on personal medical savings trust accounts	(53 722)	(4 146 654)	(2 487 791)	(1 502 939)	(19 517 171)	(5 705 874)	(4 209 341)	(682 877)	(20 671)	(349)	(38 327 389)
Asset management fees	(272 225)	(1 414 784)	(466 102)	(315 187)	(2 496 603)	(951 387)	(656 621)	(299 014)	(81 722)	(44 258)	(6 997 904)
Own facility expenditure	(504 941)	(2 624 232)	(864 556)	(584 630)	(4 630 862)	(1 764 694)	(1 217 943)	(554 631)	(151 584)	(82 093)	(12 980 165)
Finance costs	(198 800)	(1 033 187)	(340 384)	(230 175)	(1 823 217)	(694 778)	(479 516)	(218 364)	(59 680)	(32 321)	(5 110 423)
NET SURPLUS/(DEFICIT) FOR THE YEAR	7 052 498	12 237 069	17 943 509	17 718 387	224 494 827	698 836	30 255 951	(9 335 163)	(16 125 758)	3 937 319	288 877 476

* The Scheme offered thirteen benefit options for the year under review, ten original options and three Efficiency Discounted Options (EDO's). The EDO's 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
2020											
Average members for the financial year	6 605	30 542	7 345	3 446	29 405	9 078	5 152	2 179	2 182	554	96 489
Risk contribution income	209 061 480	933 790 111	341 711 076	262 343 226	1 798 871 621	766 017 135	514 187 502	279 637 218	79 980 837	44 670 895	5 230 271 100
Relevant healthcare expenditure	(154 065 620)	(668 686 117)	(250 829 241)	(200 112 729)	(1 252 487 616)	(679 086 266)	(431 837 426)	(251 629 885)	(78 082 689)	(45 236 744)	(4 012 054 332)
Net claims incurred	(153 973 310)	(668 259 244)	(251 430 818)	(200 344 543)	(1 252 361 266)	(680 050 857)	(432 456 939)	(251 701 735)	(78 380 544)	(45 252 674)	(4 014 211 928)
Risk claims incurred	(145 735 877)	(631 027 060)	(241 881 710)	(195 778 114)	(1 214 552 296)	(669 126 996)	(426 535 016)	(248 814 467)	(76 249 509)	(44 519 042)	(3 894 220 088)
Third party claims recoveries	514 143	3 237 711	183 331	-	1 154 241	1 105 318	904 808	-	760 208	-	7 859 760
Accredited managed healthcare services	(8 751 575)	(40 469 895)	(9 732 438)	(4 566 428)	(38 963 211)	(12 029 179)	(6 826 730)	(2 887 268)	(2 891 243)	(733 632)	(127 851 599)
Net income/(expenses) on risk transfer arrangements	(92 311)	(426 873)	601 577	231 814	(126 349)	964 590	619 513	71 850	297 854	15 930	2 157 595
Risk transfer arrangement premiums paid	(2 407 327)	(11 132 198)	(8 095 736)	(5 015 846)	(42 229 649)	(12 006 178)	(7 373 041)	(2 901 253)	(1 642 484)	(563 013)	(93 366 725)
Recoveries from risk transfer arrangements	2 315 016	10 705 325	8 697 313	5 247 660	42 103 299	12 970 768	7 992 554	2 973 103	1 940 338	578 943	95 524 320
Gross healthcare result	54 995 860	265 103 994	90 881 836	62 230 497	546 384 006	86 930 868	82 350 076	28 007 333	1 898 147	(565 849)	1 218 216 768
Broker service fees and other distribution fees	(4 856 618)	(24 735 579)	(6 700 548)	(1 581 349)	(31 240 142)	(7 379 672)	(5 968 743)	(1 422 744)	(1 381 656)	(29 622)	(85 296 672)
Administration and other operative expenses	(24 861 572)	(114 967 320)	(27 648 018)	(12 972 359)	(110 687 116)	(34 172 623)	(19 393 450)	(8 202 182)	(8 213 475)	(2 084 110)	(363 202 226)
Net impairment losses on healthcare receivables	(65 865)	(349 494)	(127 972)	(96 063)	(699 337)	(280 641)	(188 404)	(90 837)	(25 201)	(14 075)	(1 937 887)
Net healthcare result	25 211 806	125 051 601	56 405 298	47 580 725	403 757 411	45 097 932	56 799 479	18 291 570	(7 722 184)	(2 693 655)	767 779 983
Other income	4 536 922	28 161 157	11 536 825	8 370 321	69 798 065	25 885 780	17 929 205	6 972 069	1 731 293	958 177	175 879 814
Investment income	4 227 386	26 518 687	10 935 414	7 918 867	66 511 483	24 566 888	17 043 790	6 545 175	1 612 859	892 031	166 772 580
Scheme	4 148 115	22 010 892	8 059 566	6 049 985	44 043 796	17 674 603	11 865 535	5 720 839	1 587 152	886 433	122 046 917
Personal medical savings account trust accounts	79 271	4 507 795	2 875 848	1 868 881	22 467 687	6 892 285	5 178 255	824 336	25 707	5 598	44 725 663
Own facility income	103 693	550 217	201 469	151 235	1 100 985	441 821	296 609	143 007	39 675	22 159	3 050 868
Other operating income	205 843	1 092 252	399 942	300 220	2 185 597	877 071	588 807	283 887	78 760	43 988	6 056 366
Other expenditure	(791 098)	(8 284 918)	(4 258 890)	(2 907 074)	(30 025 711)	(9 925 290)	(7 214 410)	(1 806 046)	(298 066)	(157 712)	(65 669 215)
Interest paid on personal medical savings trust accounts	(79 271)	(4 507 795)	(2 875 848)	(1 868 881)	(22 467 687)	(6 892 285)	(5 178 255)	(824 336)	(25 707)	(5 598)	(44 725 663)
Asset management fees	(179 072)	(950 199)	(347 928)	(261 175)	(1 901 349)	(763 004)	(512 229)	(246 966)	(68 517)	(38 267)	(5 268 705)
Own facility expenditure	(427 401)	(2 267 894)	(830 418)	(623 361)	(4 538 056)	(1 821 104)	(1 222 566)	(589 447)	(163 532)	(91 334)	(12 575 115)
Other losses	(689)	(3 657)	(1 339)	(1 005)	(7 318)	(2 937)	(1 972)	(951)	(264)	(147)	(20 279)
Finance costs	(104 664)	(555 372)	(203 357)	(152 651)	(1 111 300)	(445 960)	(299 388)	(144 347)	(40 047)	(22 366)	(3 079 452)
NET SURPLUS/(DEFICIT) FOR THE YEAR	28 957 630	144 927 840	63 683 234	53 043 973	443 529 765	61 058 422	67 514 275	23 457 593	(6 288 958)	(1 893 190)	877 990 583

* The Scheme offered thirteen benefit options for the year under review, ten original options and three Efficiency Discounted Options (EDO's). The EDO's 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 46% 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 71%. 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 7.2% 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 131 of 1998, as amended. 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 program, 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
2021							
<30	19 769	100 851	53 262	51 304	308 812	91 638	625 636
30-39	15 840	89 611	48 281	49 248	232 707	69 286	504 972
40-49	16 635	82 689	52 138	63 116	237 311	84 635	536 524
50-59	19 723	130 793	68 574	102 708	380 860	129 508	832 165
60-69	20 256	165 607	71 032	117 823	445 942	157 392	978 052
70 +	25 132	215 337	86 851	136 546	549 539	197 243	1 210 648
Total	117 354	784 887	380 139	520 745	2 155 170	729 702	4 687 998
2020							
<30	12 458	76 321	32 888	40 451	244 642	68 819	475 578
30-39	10 910	69 497	33 667	40 694	190 389	53 260	398 417
40-49	11 256	67 795	36 707	55 921	183 120	68 382	423 181
50-59	14 706	104 681	47 125	93 416	267 721	98 187	625 835
60-69	15 563	146 150	52 713	109 610	354 217	133 630	811 883
70 +	20 704	180 865	70 636	123 527	494 397	165 813	1 055 942
Total	85 596	645 308	273 735	463 619	1 734 486	588 091	3 790 836

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 15). 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
2021 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 2022 and March 2022 for 2021 services. A significant portion of the claims incurred in 2021 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 2021 that have already been paid, the claims for 2021 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 2021 services paid from Jan 2022 to Mar 2022	2021 Claims estimated at that time to be paid after Mar 2022	Outstanding claims provision	% Change in outstanding claims provision
	R	R	R	%
2021 Scenario				
Base scenario	163 094 473	30 739 751	193 834 224	
10% increase	163 094 473	33 813 726	196 908 199	1,59%
10% decrease	163 094 473	27 665 776	190 760 249	(1,59%)

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:

- Financial assets investments; and
- Cash and cash equivalents.

Financial assets investments

The Scheme invests in various asset classes through linked insurance policies with a registered long-term insurers and through segregated portfolios. 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.

	2021	2020
	R	R
Scheme		
Financial assets at fair value through other comprehensive income:		
SA listed equity	571 510 371	155 680 889
SA listed properties	38 347 799	16 494 085
	609 858 170	172 174 974
Financial assets at fair value through profit or loss:		
Scheme		
Money market funds	-	3 083 252
Listed bonds	184 405 537	76 740 989
Linked insurance policies	905 024 214	792 104 957
Collective investment schemes	1 793 099 792	2 066 045 566
	2 882 529 543	2 937 974 765
Personal medical savings account trust monies invested		
Money market funds	327 953 708	314 374 034
Linked insurance policies	412 138 946	393 906 088
Total	740 092 654	708 280 122

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			
- SA Listed equity	-	Yes	-
- Money market funds	-	-	Yes
- Listed bonds	-	-	Yes
- SA listed properties	-	Yes	-
- International fixed interest	Yes	-	Yes
Linked insurance policies	-	Yes	-
Money market funds	Yes	-	Yes
Collective investment schemes	-	Yes	Yes
Cash and cash equivalents	-	-	Yes

Currency risk

The majority benefits of the Scheme are Rand-denominated and therefore the Scheme does not have material net currency risk on its benefits. The Scheme is however exposed to net currency risk through its foreign investment in international fixed interest funds.

Price risk

The Scheme is indirectly exposed to equity securities price risk, SA properties and commodities because of investments via linked insurance policies.

The Scheme is directly exposed to equity price risk through its segregated portfolios.

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
2021		
SA Listed equities	571 510 371	57 151 037
SA Listed properties	38 347 799	3 834 780
2020		
SA Listed equities	155 680 889	15 568 089
SA Listed properties	16 494 085	1 649 409

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.

	Linked Funds	Percentage effect on amount of Accumulated Funds					
		% Decrease in market			% Increase in market		
		30%	15%	5%	5%	15%	30%
2021	905 024 214	(271 507 264)	(135 753 632)	(45 251 211)	45 251 211	135 753 632	271 507 264
2020	792 104 957	(237 631 487)	(118 815 744)	(39 605 248)	39 605 248	118 815 744	237 631 487

Interest rate risk

The Scheme is exposed to interest rate risk through various interest bearing investments. The cashflow interest rate risk is managed by maintaining an appropriate combination of fixed and floating rate investments.

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
	R	R	R	R
As at 31 December 2021				
Money market funds				
Scheme	-	-	-	-
Personal medical savings account trust monies invested	195 127 239	345 414 382	199 551 032,93	740 092 654
Listed bonds				
Scheme	3 842 416	-	180 563 120	184 405 537
Linked Insurance Policies	-	-	905 024 214	905 024 214
Collective Investment Schemes	1 258 613 212	232 010 249	486 881 868	1 977 505 329
Cash and cash equivalents				
Scheme	65 723 285	-	-	65 723 285
Personal medical savings account trust monies invested	225 114 169	-	-	225 114 169
Total	1 748 420 322	577 424 631	1 772 020 236	4 097 865 189

36. FINANCIAL RISK MANAGEMENT REPORT (CONTINUED)

Sensitivity analysis table (continued)

A sensitivity analysis has been performed on the effect a 1% increase/decrease in the interest rate would have on the investment income recognised by the Scheme:

	1% increase in interest rate	1% decrease in interest rate		
	R	R		
Net impact on investment income for all portfolios	(31 591 080)	32 805 718		
	1 - 3 months	4 - 12 months	1 - 5 years	Carrying value at year-end Total
	R	R	R	R
As at 31 December 2020				
Money market funds				
Scheme	3 083 252	-	-	3 083 252
Personal medical savings account trust monies invested	136 549 231	177 824 802	-	314 374 034
Listed bonds				
Scheme	-	-	76 740 989	76 740 989
Linked insurance policies	-	-	792 104 957	792 104 957
Collective investment schemes	1 289 680 618	-	776 364 948	2 066 045 566
Cash and cash equivalents				
Scheme	82 551 499	-	-	82 551 499
Personal medical savings account trust monies invested	187 704 109	-	-	187 704 109
Total	1 699 568 710	177 824 802	1 645 210 895	3 522 604 407

A sensitivity analysis has been performed on the effect a 1% increase/decrease in the interest rate would have on the investment income recognised by the Scheme:

	1% increase in interest rate	1% decrease in interest rate		
	R	R		
Net impact on investment income for all portfolios	(26 284 318)	27 799 039		

Interest rate risk is presented to reflect the total interest rate risk exposure of the total portfolio (fair value and cash flow interest rate risk), considering the mix of floating and fixed rate instruments. The comparatives were re-represented to reflect this change.

	2021	2020
Summary of effective interest rate at year-end across applicable Scheme financial assets.	%	%
Financial Assets		
Scheme	5,2%	4.7%
Personal medical savings account trust monies invested	4,6%	6.0%
Cash and cash equivalents		
Scheme	2,5%	3.1%
Personal medical savings account trust monies invested	3,4%	3.4%

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 trade and other receivables, investments and cash and cash equivalents.

Exposure to credit risk

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

	2021	2020
	R	R
Financial assets at fair value through profit or loss	3 622 622 197	3 646 254 887
Scheme	2 882 529 543	2 937 974 765
Personal medical savings account trust monies invested	740 092 654	708 280 122
Trade and other receivables	164 524 315	118 005 284
Insurance receivables	138 287 481	92 711 490
Other loans and receivables	21 322 949	21 976 957
Recovery under risk transfer arrangements outstanding claims provisions	4 913 885	3 316 837
Cash and cash equivalents	290 837 454	270 255 608
Scheme	65 723 285	82 551 499
Personal medical savings account trust monies invested	225 114 169	187 704 109
Total	4 077 983 966	4 034 515 780

Financial assets at fair value through OCI are not exposed to credit risk and accordingly were retrospectively re-represented.

A. 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 36; 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.

The main components of insurance receivables are contribution receivables, personal medical saving advances, recoveries from member and service provider for claims. Contribution receivables are collected by means of debit orders or cash payments. Amounts which are past 120 days or more are considered impaired and are provided for.

Insurance receivables disclosed by quantitative analysis and maximum credit exposure at the end of the year:

	Insurance receivables	Other receivables*	Total
	R	R	R
2021			
Financial assets that are neither past due nor impaired	134 726 384	26 236 833	160 963 217
Financial assets that are impaired:			
Past due 30 days	1 813 776	-	1 813 776
Past due 60 days	952 083	-	952 083
Past due 90 days	742 325	-	742 325
Past due 120 days and more	12 382 637	-	12 382 637
	<u>150 617 206</u>	<u>26 236 833</u>	<u>176 854 039</u>
Impairment	(12 329 725)	-	(12 329 725)
	<u>138 287 481</u>	<u>26 236 833</u>	<u>164 524 314</u>

*Other receivables includes prepayments

2020

Financial assets that are neither past due nor impaired	89 742 207	19 695 341	109 437 548
Financial assets that are impaired:			
Past due 30 days	1 336 873	-	1 336 873
Past due 60 days	700 766	-	700 766
Past due 90 days	931 644	-	931 644
Past due 120 days and more	9 530 654	-	9 530 654
	<u>102 242 144</u>	<u>19 695 341</u>	<u>121 937 485</u>
Impairment	(9 530 654)	-	(9 530 654)
	<u>92 711 490</u>	<u>19 695 341</u>	<u>112 406 831</u>

*Other receivables includes prepayments

Impairment losses

The Scheme establishes an allowance for impairment that represents its estimate of expected credit losses (IFRS 7) in respect of insurance receivables. The provision for impairment at 31 December 2021 was determined in accordance with the guidelines of the simplified approach (lifetime expected losses) of the expected credit loss model as required by IFRS 7. It is in respect of contributions receivable, member and service provider debit balances and advances from savings plan accounts recoverable by management.

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

	Trade and other receivables		
	Insurance receivables		
	Contribution debtors	Member and service provider debtors	Total
	R	R	R
Balance at 1 January 2021	271 938	9 258 716	9 530 654
Increase/(decrease) in provision for impairment	(150 839)	2 949 911	2 799 071
Balance at 31 December 2021	<u>121 098</u>	<u>12 208 627</u>	<u>12 329 725</u>
Balance at 1 January 2020	26 309	13 899 756	13 926 065
Increase/(decrease) in provision for impairment	245 629	(4 641 040)	(4 395 411)
Balance at 31 December 2020	<u>271 938</u>	<u>9 258 716</u>	<u>9 530 654</u>

2021 **2020**

R R

Insurance receivables - neither due nor impaired:

Counterparties without external credit rating		
Contribution debtors	130 701 172	85 313 832
Member claims debtors	907 930	429 883
Provider claims debtors	203 971	353 722
Personal medical saving advances	2 913 311	3 682 917

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.

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.

B. 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 Aa1.za as rated by Moody'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 instruments 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.

Counterparty	Credit rating	2021	Balance	2020	Balance
		Credit limit		Credit limit	
		R		R	
Nedbank	Aa1.za	1 672 605 459	232 063 425	1 509 040 753	365 671 171
ABSA	Aa1.za	1 672 605 459	168 274 694	1 509 040 753	323 374 361
Standard Bank	Aa1.za	1 672 605 459	157 964 182	1 509 040 753	166 236 882
FNB	Aa1.za	1 672 605 459	184 676 569	1 509 040 753	79 898 856
Investec	Aa1.za	1 672 605 459	155 648 539	1 509 040 753	172 800 194

Aa1.za means highest short-term credit quality on the Moody's national scale. It indicates the strongest intrinsic capacity for the timely payment of financial commitments

2021 **2020**

R R

C. Cash and cash equivalents

Counterparties with external credit ratings (Moody's)		
Aa1.za	290 837 454	270 255 608
	<u>290 837 454</u>	<u>270 255 608</u>

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.

Aa1.za means highest short-term credit quality on Moody'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 Funds within the segregated portfolios, linked insurance policy and money market funds. The Scheme's investment portfolios managed by Investec, Allan Gray, Stanlib, Sanlam, NinetyOne, Precient and M&G Investments 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: 2021

	Level 1	Level 2	Level 3
	R	R	R
Financial assets			
Scheme			
Financial assets at fair value through other comprehensive income:			
Listed shares	571 510 371	-	-
SA Listed properties	38 347 799	-	-
Financial assets at fair value through profit or loss:			
Listed bonds	184 405 537	-	-
Money market funds	-	-	-
Linked insurance policies	-	905 024 214	-
Collective investment schemes	-	1 793 099 792	-
Personal medical savings account trust monies invested			
Financial assets at fair value through profit or loss:			
Money market funds	-	327 953 708	-
Linked insurance policies	-	412 138 946	-
	794 263 707	3 438 216 661	-

Fair values of financial assets by hierarchy level: 2020

	Level 1	Level 2	Level 3
	R	R	R
Financial assets			
Scheme			
Financial assets at fair value through other comprehensive income:			
Listed shares	155 680 889	-	-
SA Listed properties	16 494 085	-	-
Financial assets at fair value through profit or loss:			
Listed bonds	76 740 989	-	-
Money market funds	-	3 083 252	-
Linked insurance policies	-	792 104 957	-
Collective investment schemes	-	2 066 045 566	-
Personal medical savings account trust monies invested			
Financial assets at fair value through profit or loss:			
Money market funds	-	314 374 034	-
Linked insurance policies	-	393 906 088	-
	248 915 964	3 569 513 898	-

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
2021					
Investments					
- Financial assets at fair value through other comprehensive income	-	-	609 858 170	-	609 858 170
- Financial assets at fair value through profit or loss	-	-	2 882 529 543	-	2 882 529 543
Personal medical savings account trust investment					
- Financial assets at fair value through profit or loss	-	-	740 092 654	-	740 092 654
Cash and cash equivalents					
- Scheme	65 723 285	-	-	-	65 723 285
- Personal medical savings account trust investment	225 114 169	-	-	-	225 114 169
Trade and other receivables	-	21 322 949	-	143 201 366	164 524 315
Personal medical savings account trust liability	-	-	-	(997 188 196)	(997 188 196)
Outstanding claims provision	-	-	-	(198 713 885)	(198 713 885)
Trade and other payables	-	-	-	(141 060 237)	(141 060 237)
	290 837 454	21 322 949	4 232 480 368	(1 193 760 953)	3 350 879 818
2020					
Investments					
- Financial assets at fair value through other comprehensive income	-	-	172 174 974	-	172 174 974
- Financial assets at fair value through profit or loss	-	-	2 937 974 765	-	2 937 974 765
Personal medical savings account trust investment					
- Financial assets at fair value through profit or loss	-	-	708 280 122	-	708 280 122
Cash and cash equivalents					
- Scheme	82 551 499	-	-	-	82 551 499
- Personal medical savings account trust investment	187 704 109	-	-	-	187 704 109
Trade and other receivables	-	21 976 957	-	96 028 327	118 005 284
Personal medical savings account trust liability	-	-	-	(928 285 868)	(928 285 868)
Outstanding claims provision	-	-	-	(139 574 345)	(139 574 345)
Trade and other payables	-	-	-	(143 194 981)	(143 194 981)
	270 255 608	21 976 957	3 818 429 861	(1 115 026 866)	2 995 635 560

Analysis of carrying amounts of assets and 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 (Unconsolidated Structured Entities)

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.

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	Total pool of investee funds	Fair value of asset investment at 31 December 2021*	Weighted average of net asset value of investee funds during 2021	% of net assets attributable to holders of units **
2021	R	R	R	%
Allan Gray Linked Insurance Policy				
Absolute mandate portfolios investing in various instruments	2 879 223 025	450 059 600	424 511 540	15,63%
Prescient Linked Insurance Policy				
Absolute mandate portfolios investing in various instruments	96 774 313 673	449 103 824	418 960 163	0,46%
Investec Money Market Fund Class F				
Conservative maturity profile investing in money market instruments	39 773 785 311	596 472 055	867 260 741	1,50%
Investec High Income Fund Class A				
Conservative maturity profile investing in money market instruments	21 792 112 290	662 141 156	646 294 428	3,04%
Investec Stable Money Market				
Stable returns over the medium term, with a focus on conservative money market instruments	1 610 090 089	5 860 790	5 723 996	0,36%
Stanlib Unit Trusts				
	57 340 066 719	232 010 249	228 392 301	0,40%
	220 169 591 106	2 395 647 675	2 591 143 169	

Strategy	Total pool of investee funds	Fair value of asset investment at 31/12/2020 *	Weighted average of net asset value of investee funds during 2020	% of net assets attributable to holders of units **
2020	R	R	R	%
Allan Gray Linked Insurance Policy				
Absolute mandate portfolios investing in various instruments	2 420 723 013	436 108 501	414 293 450	18,02%
Prescient Linked Insurance Policy				
Absolute mandate portfolios investing in various instruments	88 898 294 204	350 392 741	336 168 857	0,39%
Investec Money Market Fund Class F				
Conservative maturity profile investing in money market instruments	37 894 300 943	1 289 680 618	821 208 696	3,40%
Investec High Income Fund Class A				
Conservative maturity profile investing in money market instruments	19 416 726 135	630 701 523	613 830 387	3,25%
Investec Stable Money Market				
Stable returns over the medium term, with a focus on conservative money market instruments	1 518 054 555	5 603 715	5 459 729	0,37%
	150 148 098 850	2 712 487 099	2 190 961 119	

*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 enrolls 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.

	2021	2020
	R	R
Collective investment schemes		
Scheme	1 793 099 792	2 066 045 566
Money market funds		
Personal medical savings account trust monies invested	740 092 654	708 280 122
	2 533 192 446	2 774 325 688

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 contractual maturities of liabilities at reporting date are tabled below.

As at 31 December 2021	1 - 3 months	4 - 12 months	1 - 5 years	Total
	R	R	R	R
LIABILITIES				
Personal medical savings account liability	-	997 188 196	-	997 188 196
Outstanding claims provision	167 974 133	30 739 752	-	198 713 885
Trade and other payables	141 060 237	-	-	141 060 237
Total liabilities	309 034 370	1 027 927 948	-	1 336 962 319

As at 31 December 2020	1 - 3 months	4 - 12 months	1 - 5 years	Total
	R	R	R	R
LIABILITIES				
Personal medical savings account liability	-	928 285 868	-	928 285 868
Outstanding claims provision	139 574 345	-	-	139 574 345
Trade and other payables	143 194 981	-	-	143 194 981
Total liabilities	282 769 325	928 285 868	-	1 211 055 193

In the prior year the liquidity risk analysis voluntarily disclosed financial assets which is not required per IFRS 7. The disclosure has accordingly been condensed to only included liabilities and the prior year comparatives have been adjusted accordingly.

	2021	2020
	R	R
Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Current accounts	240 912 455	206 021 378
Scheme	15 798 286	18 317 269
Personal medical savings account trust monies invested	225 114 169	187 704 109
Deposits on call account	49 924 999	64 234 230
Scheme	49 924 999	64 234 230
Total	290 837 454	270 255 608

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 2021 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 45.68% of gross contributions at 31 December 2021 and 44.23% at 31 December 2020.

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

	2021	Restated* 2020
	R	R
Total members' funds per statement of financial position	3 363 399 169	3 005 608 874
Less: Cumulative unrealised investment gains	(444 310 265)	(285 449 050)
Accumulated funds as per Regulation 29	<u>2 919 088 904</u>	<u>2 720 159 824</u>
Gross annual contribution income	6 389 833 464	6 150 430 656
Accumulated funds ratio (Accumulated funds/gross annual contributions x 100)	45.68%	44.23%

*Refer to Note 32



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