BESTMED MEDICAL SCHEME
(Registration Number: 1252)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

BESTMED MEDICAL SCHEME
(Registration Number: 1252)

(REGISTERED UNDER THE MEDICAL SCHEMES ACT 131 OF 1998, AS AMENDED)

FINANCIAL STATEMENTS

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CONTENTS **PAGE**

BESTMED MEDICAL SCHEME
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STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Board of Trustees is responsible for the preparation, integrity and fair presentation of the financial statements of Bestmed Medical Scheme. The financial statements presented on pages 19 to 65 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 15 to 18.

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 18 May 2023 and are signed on its behalf:

CHAIRPERSON
CM MOWATT

GS DU PLESSIS
VICE-CHAIRPERSON

LB DLAMINI
PRINCIPAL OFFICER

BESTMED MEDICAL SCHEME
(Registration Number: 1252)

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

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

BOARD OF TRUSTEES

The Board of Trustees consists of member representatives, who are nominated and elected by the members of the Scheme, and appointed members, who are elected by members of the Board of Trustees. The Board meets regularly and monitors the performance of the Scheme, their own performance and that of the Board 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
PRINCIPAL OFFICER

BESTMED MEDICAL SCHEME
(Registration Number: 1252)

REPORT OF THE BOARD OF TRUSTEES

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

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
Rhythm1
Rhythm2

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:

Beat1	None
Beat1 Network - EDO	None
Beat2	16%
Beat2 Network - EDO	16%
Beat3	16%
Beat3 Network - EDO	16%
Beat4	14%
Pace1	19%
Pace2	14%
Pace3	14%
Pace4	3%
Rhythm1	None
Rhythm2	None

Savings 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.

1.3 Savings Plan (continued)

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 year's 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 2022:

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 R7,295,670 (2021: net income R9,349,585).

Preferred Provider Negotiators provided members on the Beat3, Beat4 and all of the Pace and Rythm options 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 R836,157 (2021: R12,768,488).

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 per principal member and the contract was terminated on 31 July 2021. The net expense on the risk transfer arrangement was nil (2021: R3,205,069)

Europ Assistance provided international transportation or emergency medical response to the Scheme's members. The Scheme contracted with Europ Assistance at a rate of R5.90 per member. The net expense on the risk transfer arrangement was R7,355,771 (2021: 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	**Term of Office**	
A Hartzenberg	2022 - 2026	
MJ Joubert	2018 - 2022	Term of office ended 23 June 2022
E Marx	2020 - 2024	
C Lombard	2020 - 2024	
M Slabbert	2022 - 2026	Term of office commenced 23 June 2022
L De Vries	2022 - 2026	Term of office commenced 23 June 2022

2.1.2 Board-appointed Trustees	**Term of Office**	
GS du Plessis - CA(SA) (Vice-Chairperson)	2022 - 2026	
S Stevens	2018 - 2022	Term of office ended 23 June 2022
BE Legobye	2022 - 2026	
CM Mowatt - CA(SA) (Chairperson)	2020 - 2024	
LD Jordaan	2020 - 2024	
DK Smith - FASSA	2022 - 2026	Deceased 30 January 2023*

*The Board is currently in the process of recruiting a replacement for DK Smith.

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
FSP number: 2545

Postnet Suite 154
Private Bag x 1
Melrose Arch
2076

2.5 Investment Managers

M&G Investment Managers (Pty) Ltd
7th Floor
Protea Place
30 Dreyer Street
Claremont
7708
FSP number: 45199

PO Box 44813
Claremont
Cape Town
7735

Allan Gray Life Limited
1 Silo Square
V&A Waterfront
Cape Town
8001
FSP number: 6663

PO Box 51318
V & A Waterfront
Cape Town
8002

Ninety One Fund Managers SA (RF) (Pty) Ltd
36 Hans Strijdom Avenue
Foreshore
Cape Town
8001
FSP number: 587

PO Box 1655
Cape Town
8000

Aluwani Capital Partners (Pty) Ltd
EPPF Office Park
24 Georgian Crescent East
Bryanston East
2152
FSP Number: 46196

Private Bag X 75
Bryanston
2021

2.5 Investment Managers (continued)

27four Life Limited (ABAX)
Cavendish Links Building 2
1 Cavendish Street,
Claremont
7708
FSP Number: 856

P O Box 522417
Saxonworld
Johannesburg
2132

Sanlam Investment Management (Pty) Ltd
55 Willie Van Schoor Road
Bellville
Cape Town
7530
FSP number: 579

Private Bag X8
Tyger Valley
Bellville
7536

STANLIB Collective Investments (RF) (Pty) Ltd
17 Melrose Boulevard
Melrose Arch
2076
FSP Number: 590

P O Box 202
Melrose Arch
2076

2.6 Actuaries

Insight Actuaries & Consultants
2nd Floor Gateway West
22 Magwa Cres
Waterval City
Midrand
2066

Private Bag X17
Halfway House

2.7 Auditors

Deloitte & Touche
5 Magwa Crescent
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.

4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Solvency Ratio

The accumulated funds ratio is calculated as follows:

	2022 R'000	2021 R'000
Total members' funds per statement of financial position	3,367,222	3,363,399
Less: Cumulative unrealised investment gains	(478,060)	(444,310)
Accumulated funds as per Regulation 29	2,889,161	2,919,089
Gross annual contribution income	6,924,200	6,389,833
Accumulated funds ratio calculated as the ratio of Accumulated funds/gross annual contributions x 100	**41.73%**	**45.68%**

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 33 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 33 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 28 to the financial statements, and trustee remuneration disclosure in Note 27 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 2022, 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:

7. CORPORATE GOVERNANCE (continued)

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 four 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	Deceased 30 January 2023
S Thomas - CA(SA)	Independent member	

RISK MANAGEMENT COMMITTEE

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

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

BE Legobye	Trustee member	
CM Mowatt - CA(SA)	Trustee member	
S Stevens	Trustee member - Chairperson	Term of office ended 23 June 2022
LD Jordaan	Trustee member - Chairperson	Effective 23 June 2022
G Nzalo - CA(SA)	Independent member	
M Slabbert	Trustee member	Effective 23 June 2022

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	Term of office ended 23 June 2022
C Lombard	Trustee member	
DK Smith - FASSA	Trustee member	Deceased 30 January 2023

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 three times during the year and comprised the following members:

Prof PA Delport	Independent member - Chairperson	
CM Mowatt - CA(SA)	Trustee member	
E Marx	Trustee member	
S Stevens	Trustee member	Term of office ended 23 June 2022
C Lombard	Trustee member	Effective 23 June 2022
LD Jordaan	Trustee member	Effective 23 June 2022

7. CORPORATE GOVERNANCE (continued)

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 met once during the year and comprised the following members:

C Green-Thompson	Independent member	Effective 11 October 2022
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	Term of office ended 23 June 2022
L de Vries	Trustee member	Effective 23 June 2022

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 2022 and the date of this report.

9. DISCONTINUED OPERATIONS - OWN FACILITIES

Following the section 189 of the Labour Relations Act process and the subsequent recommendation from management illustrating the consistent losses and attempts to salvage the Medical Centres, the Board resolved to close the Centres effective December 31, 2022. This decision was taken having considered all aspects including attempts to minimise the adverse impact this process had on affected staff members. The attempts included benefits and terms in excess of the minimum provided for in legislation, flexibility in accommodating the individual needs of the affected members etc.

All contracts (lease, employment, service providers etc) have been terminated taking into account the contractual provisions of each agreement. This has in some instances necessitated extended notice period particularly with regards to some lease agreements, however none of these go beyond 31 March 2023. The Scheme will henceforth investigate the establishment of a regional office in the Free State. This will be similar to the offices established in other provinces intended to ensure its presence in providing support to the members located within the Free State province.

10. AMALGAMATIONS

No amalgamations occurred in 2022.

11. COVID-19 and the Vaccine Roll Out

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 2022 remained the effective treatment of members affected by COVID-19 in addition to the continued facilitating of access to COVID-19 vaccinations. The Scheme incurred costs of R141.1m (2021: R720.4m) related costs for testing, hospitalisation and out of hospital activities in addition to R16.6m (2021: R66.8m) for vaccination costs.

12. Council for Medical Schemes: Annual Financial Statements and Annual Return Submission

In accordance with the provisions of the Act, the Scheme is required to furnish the Registrar of Medical Schemes with an Annual Statutory Return comprising information from the financial statements and additional historical financial information extracted from the underlying accounting records within four months of the Scheme's financial year end. The CMS issued a Circular 16 of 2023 on 26 April 2023 advising that due to delays caused by issues with their IT system, an extension would be granted to schemes for submission of the Financial Statements and Annual Statutory Return. Circular 19 of 2023 was subsequently issued on 15 May 2023 providing medical schemes extension to 9 June 2023. At the date of this report, the Scheme was in the process of completing its submission and is confident that it would be able to submit all required documentation to CMS on/before 9 June 2023 .

12. TRUSTEE MEETING ATTENDANCE

The following schedule sets out Board of Trustees meeting attendances and attendances by members of Board subcommittees. Trustee remuneration is disclosed in Note 27 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 Committee		Social and Ethics Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
GS du Plessis	**7**	6	**4**	4			**4**	4				
A Hartzenberg	**7**	7					**4**	4			**2**	2
LD Jordaan	**7**	7			**4**	4			**1**	1		
M Joubert	**4**	4					**2**	2			**1**	1
BE Legobye	**7**	7			**4**	4					**2**	2
C Lombard	**7**	7					**4**	4	**1**	1		
E Marx	**7**	7							**3**	3	**2**	2
CM Mowatt	**7**	7			**4**	4			**3**	3		
DK Smith	**7**	7	**4**	2			**2**	1				
S Stevens	**4**	4			2	**2**			**2**	2		
L de Vries	**4**	3									1	**1**
M Slabbert	**4**	4			2	**2**						

Independent members	Audit Committee		Risk Committee		Remuneration Committee		Dispute Committee	
	A	B	A	B	A	B	A	B
G Nzalo - CA(SA) Chairperson of Audit comm	**4**	4	**4**	4				
H Wolmarans - CA(SA)	**4**	4						
S Thomas - CA(SA)	**4**	4						
PA Delport					**3**	3		
C Green-Thompson							**1**	1
H van Rooyen - Chairperson of Dispute committee							**1**	1
J van Heerden							**1**	0

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

13. OPERATIONAL STATISTICS PER BENEFIT OPTION

2022	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Ryhthm1	Ryhthm2	Total Scheme
Members at 31 December	9,997	44,145	7,953	2,798	29,106	8,605	4,912	1,828	183	1,789	**111,316**
Average number of members for the accounting period	9,541	42,831	7,872	2,898	29,240	8,723	4,928	1,871	81	1,823	**109,806**
Dependants at 31 December	9,934	45,401	8,168	2,943	42,886	5,638	4,266	779	118	965	**121,098**
Average number of dependants for the accounting period	9,502	43,753	8,040	3,051	42,932	5,719	4,317	806	52	990	**119,162**
Average beneficiaries for the accounting period	19,043	86,584	15,912	5,949	72,171	14,441	9,245	2,677	133	2,814	**228,968**
Ratio of average dependants at 31 December	1.00	1.02	1.02	1.05	1.47	0.66	0.88	0.43	0.65	0.54	**1.09**
Average age of beneficiaries for the accounting period	36.69	31.09	38.00	46.31	35.13	57.64	56.71	66.92	29.47	49.35	**36.93**
Ratio of beneficiaries older than 65 years	9.52%	4.09%	13.06%	23.39%	10.70%	46.07%	44.43%	64.98%	7.64%	31.70%	**12.88%**
Risk contribution per average member per month	2,731	2,719	4,133	6,778	5,468	7,391	8,889	11,345	1,672	3,259	**4,464**
Risk contribution per average beneficiary per month	1,368	1,345	2,044	3,302	2,215	4,464	4,739	7,929	1,014	2,112	**2,141**
Healthcare expenditure per average member per month	2,428	2,446	3,841	6,630	4,746	7,738	9,495	12,969	1,187	4,042	**4,209**
Healthcare expenditure per average beneficiary per month	1,216	1,210	1,900	3,229	1,923	4,674	5,061	9,064	720	2,619	**2,018**
Relevant healthcare expenditure as a percentage of risk contributions	88.9%	89.9%	92.9%	97.8%	86.8%	104.7%	106.8%	114.3%	71.0%	124.0%	**94.3%**
Non-healthcare expenditure per average member per month	369	379	393	359	403	384	416	375	336	363	**387**
Non-healthcare expenditure per average beneficiary per month	185	187	194	175	163	232	222	262	204	235	**185**
Non-healthcare expenditure as a percentage of risk contributions	13.50%	13.93%	9.51%	5.30%	7.37%	5.19%	4.68%	3.31%	20.08%	11.13%	**8.66%**

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%**

OPERATIONAL STATISTICS FOR THE SCHEME

	2022	2021
Average accumulated funds per average member at 31 December	30,244	33,256
Average accumulated funds per average beneficiary at 31 December	14,504	15,862
Return on investments as a percentage of investments	5.42%	6.51%
Administration and other operative expenses as a percentage of gross contributions	5.79%	5.61%

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

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-Compliance with S26(7) of the Medical Schemes Act & Scheme Rule 13.2.1	Section 26(7) of the Medical Schemes Act states that Contributions must be received within three days of becoming due. Furthermore Scheme rule 13.2.1 stated that Subscriptions shall be due monthly in advance, or in arrears as shall be determined and approved by the Scheme, on the following dates: 13.2.1.1 On the 20th (twentieth); or 13.2.1.2 On the 25th (twenty-fifth); or 13.2.1.3 On the 1st (first); or 13.2.1.4 As agreed upon between the Scheme and an Employer, and be payable by not later than the 3rd (third) day after each respective due date of each month. There were instances whereby the Scheme, in absence of any agreement or understanding received contributions more than 3 days after due date.	Employer group discrepancies are actively monitored and rectified on a monthly basis.
Non-compliance with Regulation 6 of the Medical Schemes Act and Scheme Rule 15.3.1	Per Regulation 6 of the Medical Schemes Act, a medical scheme must not in its rules or in any other manner in respect of any benefit to which a member or former member of such medical scheme or a dependant of such member is entitled, limit, exclude, retain or withhold, as the case may be, any payment to such member or supplier of service as a result of the late submission or late re-submission of an account or statement, before the end of the fourth month— (a) from the last date of the service rendered as stated on the account, statement or claim; or (b) during which such account, statement or claim was returned for correction. Instances were identified where Covid-19 claims were received more than 120 days after treatment date and subsequently processed and paid by the Scheme. The Council for Medical Schemes (CMS) via Circular 56 of 2022 appraised the industry that it has granted an extended 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. The Scheme has complied with the Circular.	The Scheme has complied with Circular 56 of 2022.
Non-Compliance with Regulation 8 of the Medical Scheme Act & Scheme Rule 13.5.4	Regulation 8 of the Medical Schemes Act No 31 of 1998, as amended, states the following: “(1) Subject to the provisions of the regulation, any benefit option that is offered by a Medical Scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions”. Furthermore Rule 13.5.4 of the Scheme Rules states that: "The balance standing to the credit of a Member in terms of any option which provides for individual medical savings accounts shall be for the exclusive benefit of the Member and his Dependants: Provided that such savings account; shall not be used to pay for the costs of prescribed minimum benefits". Instances were identified where certain prescribed minimum benefit “PMB's” claims were incorrectly paid from savings.	Reversals to savings were subsequently effected.

14. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998, AS AMENDED (continued)

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Section 59(2) of the Medical Schemes Act & Scheme Rule 16.3	Section 59(2) of the Medical Schemes Act states the following: "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". Furthermore Scheme rule 16.3 states the following: Subject to the respective provisions of Rules 12.7, 17.2 and 17.4, the Scheme shall, where an account has been correctly rendered, pay any benefit that is due to a Member, either to that Member or to the supplier of the relevant health service who rendered the account, within 30 (thirty) days after the date of receipt of the claim pertaining to such benefit. Instances were identified where claims were paid 30 Days after the day on which the claim was received by the scheme.	Claims are paid bi-weekly and where further investigation is required, this could result in the claim being paid after 30 days from notification
Non-compliance with Section 33(2)(b) of the Medical Schemes Act	Section 33(2)(b) of the Medical Schemes Act states the following: The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option— (a) includes the prescribed benefits; (b) shall be self-supporting in terms of membership and financial performance; (c) is financially sound; and will not jeopardise the financial soundness of any existing benefit option within the medical scheme. During the year under review eight benefit options of the Scheme, namely Beat 1, Beat 2, Beat 3, Beat 4, Rhythm 2, Pace 2, Pace 3 and Pace 4 incurred a net healthcare deficit.	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 shortand long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs. The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not only on individual options.
Non-Compliance with S65 of the Medical Schemes Act	Section 65 of the Medical Schemes Act states the following: A medical scheme may compensate any person, in cash or otherwise, in accordance with its rules, for the introduction or admission of a member to that medical scheme. (2) The Minister may prescribe the amount of the compensation which, the category of persons to whom, the conditions upon which, and any other circumstances under which, a medical scheme may compensate any person in terms of subsection(1). Circular 19 of 2022, provides that the maximum amount payable in terms of s65 of the Medical Scheme Act is R122.19 plus VAT. Instances were identified, where Brokers were paid more than the regulated R122.19 plus VAT, as per Circular 19 of 2022 in accordance with S65 of the Medical Schemes Act.	This was an isolated incident and the amount was clawed back immediately after detection.
Non-Compliance with Section 28(5) of the Medical Schemes Act	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." Instances were identified where Scheme members were not linked to the correct Brokerage resulting in commission being paid incorrectly.	All instances were noted and corrections were made, where relevant, and the correct brokers will be paid going forward.

14. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998, AS AMENDED (continued)

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-Compliance with Regulation 28 & 28A of the Medical Schemes Act	Section 28 and 28A of the Medical Schemes Act states the following: S28: A medical scheme shall immediately discontinue payment to a broker in respect of services rendered to a particular member if the medical scheme receives notice from that member (or the relevant employer, in the case of an employer group), that the member or employer no longer requires the services of that broker. S28A: A medical scheme must not prevent a person from applying for membership of a medical scheme for the reason that that person is not using a broker to apply for such membership. Press release 17 of 2015, further reiterates that only scheme members are allowed to appoint Healthcare brokers of their choice. Instances were identified where a broker appointment letter, corporate broker appointment letter was not in place or it was outdated. Instances were identified where members were assigned to corporate appointed brokerages instead of selected brokers.	The exception has been noted and system enhancements have been implemented
Non-Compliance with Regulation 28(1)	Regulation 28(1) of the Medical Schemes Act states the following: 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. Instances were identified, where Brokerage Agreement could not be obtained or agreements were outdated and POPIA Addendum could not be obtained. Instances were identified where the BIT contract start date did not align with the Contract signature date.	The exception has been noted and processes and system enhancements have been implemented
Non-compliance with Section 35(6)(a) of the Medical Schemes Act	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 523 036.	The Scheme obtained CMS exemption for guarantees in respect of the building lease (until 31 December 2025) and FSCA (until 28 February 2025) respectively.
Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act	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 a certain number 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.	The CMS has granted the Scheme an exemption from section 35(8)(a), (c) and (d) of the Medical Schemes Act until November 2025.
Non-compliance with Section 32 of the Medical Schemes Act and Scheme Rule 16.1	Section 32 of the Medical Schemes Act, Binding force of rules, 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." Internal audit identified eighteen claims incorrectly paid from risk (acute medicine) with a total value of R1 259.72, however, this medication was not on the acute medication formulatory list. This is in contravention of Scheme Rule 16.1, as members would have been paid for amounts in excess of their benefit entitlement as per Annexure B of the Scheme rules.	This was an isolated instance based on a formulary change.

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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 19 to 65, which comprise the statement of financial position as at 31 December 2022, 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 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We 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
Outstanding Claims Provision	
As disclosed in note 11, the carrying amount of the Outstanding Claims Provision ("IBNR") at year end was R217 280 895 (2021: R198 713 885). 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. The IBNR calculation is based on a number of factors which include: • 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. 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.	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. In evaluating the valuation of the IBNR, we audited the calculations approved by the Board of Trustees and performed various procedures including the following: • 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 IBNR 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 2021 financial year based on actual claims paid in 2022 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. 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.

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 Financial Statements for the year ended 31 December 2022" which includes the Report of the Board of Trustees as required by the Medical Schemes Act of South Africa, and the Statement of Responsibility by the Board of Trustees and Statement of Corporate Governance by 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 2 years. The engagement partner, Jan van Staden, has been responsible for Bestmed Medical Scheme's audit for 2 years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditors
Per: Jan van Staden
Partner
23 May 2023

5 Magwa Crescent
Waterfall City
2090

BESTMED MEDICAL SCHEME
(Registration Number: 1252)

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	Notes	2022 R	2021 R
ASSETS			
Non-current assets		**2,144,300,153**	**2,678,394,103**
Property and equipment	2	37,181,190	15,291,959
Intangible assets	3	17,976,543	12,512,107
Lease assets	5	45,028,588	63,226,538
Financial assets at fair value through profit or loss	4(a)	1,431,151,546	1,977,505,329
Financial assets at fair value through other comprehensive income	4(b)	612,962,286	609,858,170
Current assets		**2,724,804,773**	**2,100,478,638**
Financial assets at fair value through profit or loss		2,273,122,262	1,645,116,869
Scheme	4(a)	1,489,568,872	905,024,214
Personal medical savings account trust monies invested	4(a)	783,553,390	740,092,654
Trade and other receivables	6	143,903,598	164,524,315
Cash and cash equivalents		307,778,912	290,837,454
Scheme	8	50,631,122	65,723,285
Personal medical savings account trust monies invested	8	257,147,790	225,114,169
Total assets		**4,869,104,926**	**4,778,872,741**
FUNDS AND LIABILITIES			
Members' Funds		**3,367,221,745**	**3,363,399,169**
Accumulated funds		3,320,935,899	3,308,226,747
Revaluation Reserve - Financial assets at fair value through other comprehensive income		46,285,846	55,172,422
Non-current liabilities		**40,237,463**	**62,575,461**
Retirement benefit obligations	9	7,852,102	9,751,370
Lease liability	5	32,385,361	52,824,091
Current liabilities		**1,461,645,719**	**1,352,898,111**
Personal medical savings account trust liability	10	1,073,125,166	997,188,196
Outstanding claims provision	11	217,280,895	198,713,885
Lease liability	5	19,722,085	15,935,791
Trade and other payables	12	151,517,572	141,060,237
Total funds and liabilities		**4,869,104,926**	**4,778,872,741**

BESTMED MEDICAL SCHEME
(Registration Number: 1252)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 R	2021 R
Risk contribution income	13	**5,881,742,620**	**5,432,003,474**
Relevant healthcare expenditure		**(5,545,995,440)**	**(4,926,304,945)**
Net claims incurred	14	(5,546,771,496)	(4,942,481,619)
Risk claims incurred		(5,407,727,021)	(4,806,496,443)
Third party claims recoveries	14	5,391,115	3,407,348
Accredited managed healthcare services	14	(144,435,590)	(139,392,523)
Net income on risk transfer arrangements		776,056	16,176,674
Risk transfer arrangement premiums paid	15	(119,064,734)	(98,914,697)
Recoveries from risk transfer arrangements	15	119,840,790	115,091,371
Gross healthcare result		**335,747,180**	**505,698,529**
Broker service fees and other distribution fees	16	(103,842,313)	(90,008,584)
Administration and other operative expenses	17	(400,911,796)	(358,247,024)
Net impairment losses on healthcare receivables	18	(4,741,334)	(5,481,014)
Net healthcare result		**(173,748,263)**	**51,961,908**
Other income		**254,257,666**	**296,933,958**
Investment income		250,667,879	294,342,667
Scheme	19	197,610,234	256,015,278
Personal medical savings account trust monies invested	21	53,057,645	38,327,389
Sundry income	20	3,589,787	2,591,290
Other expenditure		**(64,649,061)**	**(50,435,716)**
Interest paid on personal medical savings trust accounts	21	(53,057,645)	(38,327,389)
Interest expense	22	(5,707,253)	(5,110,423)
Asset management fees	23	(5,884,163)	(6,997,904)
Discontinued Operations - own facilities		**(19,247,595)**	**(9,582,674)**
Own facility Income	24	3,665,863	3,397,491
Own facility expenditure	24	(22,913,458)	(12,980,165)
NET (DEFICIT)/SURPLUS FOR THE YEAR		**(3,387,253)**	**288,877,476**
Other comprehensive income		**7,209,828**	**68,912,819**
Items that will not be reclassified to profit and loss		**7,209,828**	**68,912,819**
Unrealised (losses)/gains on equity instruments designated at FVTOCI	19 (c)	(8,886,577)	68,912,819
Cumulative gains upon disposal of equity instruments designated at FVTOCI	19 (c)	16,096,405	-
Items that will be reclassified to profit or loss		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,822,575**	**357,790,295**

BESTMED MEDICAL SCHEME
(Registration Number: 1252)

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Accumulated Funds	Revaluation Reserve - OCI	Total members' funds
		R	R	R
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**
Net deficit for the year		(3,387,253)	-	(3,387,253)
Other comprehensive income		16,096,405	(8,886,577)	7,209,828
Unrealised (losses)/gains on equity instruments designated at FVTOCI	19 (c)	-	(8,886,577)	(8,886,577)
Cumulative gains/(losses) upon disposal of equity instruments designated at FVTOCI	19 (c)	-	16,096,405	16,096,405
Cumulative gains/(losses) on equity instruments designated at FVTOCI transferred to accumulated funds upon disposal	19 (c)	16,096,405	(16,096,405)	-
Balance as at 31 December 2022		**3,320,935,899**	**46,285,846**	**3,367,221,745**

BESTMED MEDICAL SCHEME
(Registration Number: 1252)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 R	2021 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts from members - Contributions	26	5,907,600,477	5,386,349,387
Cash Receipts from members and providers	26	(4,868,274)	(6,999,966)
Cash Receipts from members and providers - Other loans and Receivables	26	(5,110,201)	654,009
Cash paid to providers and employees - claims	26	(5,516,834,899)	(4,872,111,550)
Cash paid to providers and employees - non healthcare expenditure	26	(496,829,134)	(434,211,777)
Increase in personal savings account liabilities		75,936,970	68,902,328
Cash (utilised)/generated from operations		(40,105,061)	142,582,431
Interest paid		(57,833,992)	(43,437,812)
Scheme	22	(4,776,347)	(5,110,423)
Interest paid on members' personal medical savings account trust monies	21	(53,057,645)	(38,327,389)
Net cash flows (utilised)/ generated from operating activities		**(97,939,053)**	**99,144,619**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of investments		(4,206,006,706)	(4,607,110,270)
Proceeds on disposal of investments		4,216,000,000	4,429,000,000
Increase in personal medical savings trust financial assets		(43,460,736)	(31,812,532)
Purchase of property and equipment	2	(32,704,263)	(8,763,021)
Proceeds from disposal of property and equipment	2	233,565	(36,031)
Increase in intangible assets	3	(7,587,690)	(3,125,133)
Interest income		176,552,067	143,369,591
Scheme	19	123,494,423	105,042,202
Interest received on personal medical savings account trust monies invested	21	53,057,645	38,327,389
Dividend income	19	30,058,204	15,856,973
Net cash flows generated from / (utilised in) investing activities		**133,084,441**	**(62,620,424)**
CASH FLOW FROM FINANCING ACTIVITIES			
Principal element of lease payments	5	(18,203,930)	(15,942,349)
Net cash flows from financing activities		**(18,203,930)**	**(15,942,349)**
Net increase in cash and cash equivalents		16,941,458	20,581,846
Cash and cash equivalents at beginning of year	8	290,837,454	270,255,608
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	**307,778,912**	**290,837,454**
CASH AND CASH EQUIVALENTS		**307,778,912**	**290,837,454**
Scheme		50,631,122	65,723,285
Personal medical savings account trust monies invested		257,147,790	225,114,169

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 29.

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; and
* 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 2022 year-end			
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.
Amendments to IAS 16, 'property, plant and equipment	1 January 2022	The Phase 2 amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.	The Scheme has property, plant and equipment and no material impact has been noted.

1.1 BASIS OF PREPARATION (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 December 2022 year-end relevant to the Scheme			
Number	**Effective date**	**Executive summary**	**Impact**
IFRS 17, 'Insurance contracts	1 January 2023	IFRS 17requires 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 has conducted a gap analysis and the following recommendations were made: The Scheme qualifies to apply the Premium Allocation Approach (PAA) to measuring its contracts with members (i.e. the insurance contracts issued), given that the coverage period is a maximum of 12 months. This approach requires the Scheme to recognise a liability for remaining coverage with reference to the premiums received and a liability for incurred claims calculated as the expected cash outflows and a risk adjustment. The contract boundary is a maximum of one year. Should a member join during the course of the year, the contract boundary is adjusted pro rata. The analysis on whether all the benefit options within the Scheme is one portfolio or not, requires further analysis to determine how management is managing and reporting on these risks.
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.
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. ACCOUNTING POLICIES (continued)

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.

1. ACCOUNTING POLICIES (continued)

1.5 FINANCIAL ASSETS: INITIAL AND SUBSEQUENT MEASUREMENT (continued)

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.

(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 not 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 aforegoing, the Scheme may make the following irrevocable election/designation at initial recognition of a financial asset:

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

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

Derecognition

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

(a) Debt instruments

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

(b) Equity instruments

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

Changes in the fair value of financial assets at 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. ACCOUNTING POLICIES (continued)

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 financial assets 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.

1. ACCOUNTING POLICIES (continued)

1.8 IMPAIRMENT OF FINANCIAL ASSETS (continued)

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 assets is impaired. For debt securities, the Scheme uses the criteria referred to above.

For equity investments where there is 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 charged on the lease agreements is the effective interest rate. 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 instruments 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 instruments included in the financial assets investments are measured at fair value.

1. ACCOUNTING POLICIES (continued)

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. ACCOUNTING POLICIES (continued)

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 dividends, interest on cash and cash equivalents, fixed interest securities, realised and unrealised gains and losses on financial assets through profit and loss.

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. ACCOUNTING POLICIES (continued)

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

	Furniture R	Leasehold improvements R	Computer, office and medical equipment R	Motor vehicles R	Security and telephone system R	Total R
Year ended 31 December 2022						
Cost						
At the beginning of the year	9,933,651	10,980,017	40,617,128	1,031,823	5,774,301	**68,336,920**
Additions	197,402	1,047,411	30,853,968		605,483	**32,704,263**
Disposals	(1,583,832)		(251,398)			**(1,835,230)**
At the end of the year	**8,547,221**	**12,027,428**	**71,219,698**	**1,031,823**	**6,379,784**	**99,205,953**
Accumulated depreciation						
At the beginning of the year	7,510,990	9,620,441	30,688,299	767,819	4,457,411	**53,044,960**
Disposals	(1,577,964)		(211,467)			**(1,789,430)**
Depreciation charges	616,983	627,177	8,794,072	88,000	643,002	**10,769,234**
At the end of the year	**6,550,009**	**10,247,618**	**39,270,905**	**855,819**	**5,100,413**	**62,024,764**
Carrying amount at the end of the year	**1,997,212**	**1,779,810**	**31,948,793**	**176,004**	**1,279,371**	**37,181,190**

	Furniture R	Leasehold improvements R	Computer, office and medical equipment R	Motor vehicles R	Security and telephone system R	Total 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**	**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**	**15,291,959**

Depreciation expenditure to the value of R260,788 (2021: R1,365,249) 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).

Included in the property and equipment are assets from discontinued operations relating to own facilities. Refer to note 24.

3. INTANGIBLE ASSETS

	2022 R	2021 R
Year ended 31 December 2022		
Cost		
At the beginning of the year	17,853,953	14,728,820
Additions	7,587,690	3,125,133
At the end of the year	25,441,643	17,853,953
Accumulated amortisation		
At the beginning of the year	(5,341,846)	(3,688,304)
Amortisation for the year	(2,123,254)	(1,653,541)
At the end of the year	(7,465,100)	(5,341,846)
Carrying value at the end of the year	**17,976,543**	**12,512,107**

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

4. FINANCIAL ASSETS

	2022 R	2021 R
(a) Financial assets at fair value through profit or loss represent investments in:		
Scheme:		
Listed bonds	239,430,328	184,405,537
Linked insurance policies	963,604,501	905,024,214
Collective investment schemes	1,594,946,162	1,793,099,792
Money market instruments	122,739,427	-
	2,920,720,419	**2,882,529,543**
Non-current	1,431,151,546	1,977,505,329
Current	1,489,568,872	905,024,214
	2,920,720,419	**2,882,529,543**
Personal medical savings investments:		
Money market instruments	346,690,346	327,953,708
Linked insurance policies	436,863,044	412,138,946
	783,553,390	**740,092,654**
Non-current*	-	-
Current*	783,553,390	740,092,654
	783,553,390	**740,092,654**
(b) Financial assets at fair value through other comprehensive income represent investments in:		
- Listed equities	577,952,040	571,510,371
- SA Listed properties	35,010,246	38,347,799
	612,962,286	**609,858,170**

*The carrying amount of the personal medical savings account trust investments approximates the fair values due to the short-term nature of the investments. The personal medical savings trust investments are presented as current assets on the face of the Statement of Financial Position due to the short -term liquidity of the instruments therein.

A register of investments is available for inspection at the registered office of the Scheme. Refer to Note 34 for Financial Risk Management disclosures.

The personal medical savings accounts were invested on behalf of members in money market instruments and Linked insurance policies. The effective interest rate on the investments was 7.53% (2021: 4.45%).

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 2022 was 7.2% (2021: 7.2%).

IMPACT ON STATEMENT OF FINANCIAL POSITION

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

	2022 R	2021 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	63,226,538	80,981,300
Additions to the right-of use of assets[1]	599,745	1,361,377
Depreciation	(18,797,695)	(19,116,139)
Total	**45,028,588**	**63,226,538**

[1]New leases entered into and lease modification during the financial year.

Lease liabilities	2022 R	2021 R
Opening Balance	68,759,882	83,340,854
Cash movements		
Principal element of lease payments	(18,203,930)	(15,942,349)
Non-cash movements		
New leases entered into and lease modifications during the year	1,551,493	1,361,377
Lease liability at the end of the year	**52,107,445**	**68,759,882**
Current	19,722,085	15,935,791
Non-current	32,385,361	52,824,091
Total	**52,107,445**	**68,759,882**

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

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

	2022 R	2021 R
Depreciation charge of right-of-use assets:		
Buildings (Note 17)	18,797,686	19,116,139
Interest expense on lease liabilities	5,707,253	5,110,423
Expenses relating to short-term leases and low-value assets[1]	2,831,067	4,244,394
	27,336,006	**28,470,955**

[1]The 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 2022	Within 1 year R	1 – 5 years R	Total R
Lease liability	23,029,239	34,358,230	57,387,469
31 December 2021			
Lease liability	21,457,658	55,943,251	77,400,909

	2022 R	2021 R
6. TRADE AND OTHER RECEIVABLES		
Insurance receivables		
Contributions outstanding	106,553,003	132,410,860
Recoveries from providers	1,535,894	1,425,209
Recoveries from members	18,761,472	13,734,141
Personal medical savings account advances (Note 10)	3,336,137	3,046,996
	130,186,506	150,617,206
Less: Provision for impairment	(16,871,668)	(12,329,725)
Total receivables arising from insurance contracts	113,314,838	138,287,481
Other loans and receivables		
Prepaid expenses and deposits	13,031,568	11,341,572
Accrued interest	11,897,810	8,402,085
Sundry accounts receivable	1,503,771	1,579,292
	26,433,150	21,322,949
Recovery under risk transfer arrangements outstanding claims provisions	4,155,611	4,913,885
Total trade and other receivables	**143,903,598**	**164,524,315**

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 34 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 R5.4M (2021: R3.4M).

	2022 R	2021 R
8. CASH AND CASH EQUIVALENTS		
Scheme		
Call accounts	31,471,706	49,924,999
Current accounts	19,159,416	15,798,286
	50,631,122	**65,723,285**

The weighted average effective interest rate on short-term cash deposits was 3.73% (2021: 2.46%) and had an average maturity of 29.42 days (2021: 30.4 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.

	2022 R	2021 R
Personal medical savings account		
Current account	257,147,790	225,114,169
	257,147,790	**225,114,169**

The weighted average effective interest rate on the short-term cash was 5.19% (2021: 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 14 (2021: 16) pensioners as this liability is unfunded. The total present value of the liability based on a projected-unit-credit basis as at 31 December 2022 is R7,852,102 (2021: R9,751,370).

9. RETIREMENT BENEFIT OBLIGATIONS (continued)

		2022	2021
The independent actuarial assumptions and valuation at year-end were:			
Number of pensioner members		14	16
Future long-term medical inflation		8.4% p.a.	8.7% p.a.
Expected yield on assets		11.0%	10.3%
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		12.60	14.35
Female		15.51	18.12

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 R	Adult Dependant R	Child Dependant R
Pace1	All	4,620	3,245	1,166
Pace2	All	6,562	6,435	1,447
Beat2 Network	All	2,090	1,624	879

	2022 R	2021 R
The reconciliation of the value recognised in the statement of financial position is:		
Liability at 1 January	9,751,370	11,540,087
Actual Disbursements	(717,850)	(1,015,828)
Interest cost	962,740	1,037,024
Actuarial gain	(2,144,158)	(1,809,913)
Liability at year-end in the statement of financial position	**7,852,102**	**9,751,370**

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 10.3% per annum was used for the year ended 31 December 2022 (2021: 9.4%).

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 R2,144,158 (2021: gain of R1,809,913) is reported over the past year in the statement of comprehensive income. This gain is due to the following factors:

	2022 R	2021 R
* Demographic experience (including option changes) and that assumed in the previous valuation gave rise to an actuarial (gain)/loss.	(1,076,790)	(918,496)
* Changes made to assumptions, the increase in the discount rate from 10.3% to 11.00% (2021: 9.4% to 10.3%) and a decrease in the medical cost inflation assumption from 8.7% to 8.4% (2021: 7.5% to 8.7%).	(600,956)	193,953
* Actual contribution increases on 1 January 2023 were 4% as opposed to the assumption of 7.5% used (2021: 4% vs 7.5%).	(375,499)	(1,064,174)
*Lower than expected disbursements paid during the year.	(90,914)	(21,196)
	(2,144,158)	(1,809,913)

9. RETIREMENT BENEFIT OBLIGATIONS (continued)

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:

2022	Base	Inflation plus 1%	Inflation plus 0.5%	Inflation minus 1%	Inflation minus 0.5%
	R	R	R	R	R
Liability at 1 January 2022	9,751,370	9,751,370	9,751,370	9,751,370	9,751,370
Disbursements	(717,850)	(717,850)	(717,850)	(717,850)	(717,850)
Interest cost	962,740	962,740	962,740	962,740	962,740
Actuarial loss/(gain)	(2,144,158)	(1,560,667)	(1,860,507)	(2,667,061)	(2,412,682)
Liability as at 31 December 2022	**7,852,102**	**8,435,594**	**8,135,753**	**7,329,200**	**7,583,579**

2023	Base	Inflation plus 1%	Inflation plus 0.5%	Inflation minus 1%	Inflation minus 0.5%
	R	R	R	R	R
Liability at 1 January 2022	7,852,102	8,435,594	8,135,753	7,329,200	7,583,579
Disbursements	(725,403)	(725,403)	(725,403)	(725,403)	(725,403)
Interest cost	823,834	888,018	855,036	766,315	794,296
Liability as at 31 December 2022	**7,950,533**	**8,598,208**	**8,265,386**	**7,370,111**	**7,652,472**

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	2022 R	2021 R
Monies managed by the Scheme on behalf of its members		
Balance on personal medical savings account liability at the beginning of the year	997,188,196	928,285,868
Less		
Advances on personal medical savings accounts (Note 6)	(3,046,995)	(3,682,916)
Balance on personal medical savings account liability at the beginning of the year	994,141,201	924,602,952
Add		
Personal medical savings account contributions received or receivable (Note 13)	1,042,457,789	957,829,990
Personal medical savings account balances received from other Schemes	15,532,065	813,922
Interest on personal medical savings account trust funds invested paid to members (Note 19)	53,846,586	39,074,396
Advances on personal medical savings accounts written off or in debt recovery process	9,189,423	8,086,328
Less		
Personal medical savings claims paid on behalf of members (Note 14)	(1,010,596,762)	(907,454,429)
Transfers to other schemes	(2,317,485)	(1,130,207)
Refunds on death or resignations	(31,674,846)	(26,639,342)
Personal medical savings payable to the Guardians Fund	-	-
Bank charges and management fees (Note 23)	(788,941)	(747,007)
Contributions relief payment from savings	-	(295,402)
Add		
Advances on personal medical savings accounts (Note 6)	3,336,137	3,046,996
Balances due to members on personal medical savings accounts held in trust at the end of the year	**1,073,125,166**	**997,188,196**

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

The personal medical savings account trust liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act that any credit balance on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and then enrols in another benefit option or medical scheme without a personal medical savings account or does not enrol in another medical scheme.

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

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

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
2022			
Provision for outstanding claims incurred but not reported	**4,155,611**	**213,125,284**	**217,280,895**
Analysis of movements in outstanding claims			
Balance at the beginning of the year	4,913,885	193,800,000	198,713,885
Payments in respect of the prior year	(3,590,272)	(172,548,217)	(176,138,489)
Over provision in the prior year	1,323,613	21,251,783	22,575,395
Adjustment for the current year	2,831,998	191,873,501	194,705,499
Balance at the end of the year	**4,155,611**	**213,125,284**	**217,280,895**

11. OUTSTANDING CLAIMS PROVISION (continued)

	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**

Outstanding claims provision is presented net of savings.

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 2022 and 2021 benefit years.

Sensitivity analysis

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

2022	Base R	Inflation + 1.5% R	% Change	Inflation -1.5% R	% Change
Liability as at 31 December 2022	217,280,895	220,540,108	1.50%	214,021,681	(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.

11. OUTSTANDING CLAIMS PROVISION (continued)

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

2022 Scenario	Claims for 2022 services paid from Jan 2023 to Mar 2023 R	2022 Claims estimated at that time to be paid after Mar 2023 R	Outstanding claims provision and reported claims not yet paid R	% Change in outstanding claims provision %
Base scenario	204,767,391	26,173,340	230,940,731	
10% increase	204,767,391	28,790,674	233,558,065	1.21%
10% decrease	204,767,391	23,556,006	228,323,397	-1.21%

2021 Scenario	Claims for 2021 services paid from Jan 2022 to Mar 2022 R	2021 Claims estimated at that time to be paid after Mar 2022 R	Outstanding claims provision and reported claims not yet paid R	% Change in outstanding claims provision %
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%

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.

	2022 R	2021 R
12. TRADE AND OTHER PAYABLES		
Insurance liabilities		
Contributions received in advance	39,881,179	34,667,198
Unclaimed payments	18,287,286	15,237,089
Reported claims not yet paid	17,815,448	18,888,119
	75,983,914	68,792,406
Financial liabilities		
Other payables and accrued expenses	49,173,475	34,617,687
Trade creditors payable	14,180,810	24,677,595
	63,354,284	59,295,282
Provisions		
Leave provision at the beginning of the year	12,972,549	13,074,386
Movement for the year	(793,175)	(101,837)
Leave provision at the end of the year	12,179,374	12,972,549
Total trade and other payables	**151,517,572**	**141,060,237**
Reported claims not yet paid		
Balance at beginning of year	18,888,119	32,124,851
Net movement for the year	(1,072,671)	(13,236,732)
Balance at end of year	17,815,448	18,888,119

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

	2022 R	2021 R
13. RISK CONTRIBUTION INCOME		
Gross contributions	6,924,200,409	6,389,833,464
Less: Personal medical savings account contributions (Note 10)	(1,042,457,789)	(957,829,990)
	5,881,742,620	**5,432,003,474**

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

	2022 R	2021 R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current-year claims as per Registered Rules	6,120,084,468	5,417,776,821
Movement in outstanding claims provision	191,873,501	192,240,735
Over provision in prior year	(21,251,783)	(1,559,265)
Adjustment for current year	213,125,284	193,800,000
Claims paid from personal medical savings accounts	(1,010,596,762)	(907,454,429)
	5,301,361,207	4,702,563,127
Claims incurred in respect of risk transfer arrangements (Note 15)		
Current-year claims incurred in respect of risk transfer arrangements	117,008,792	109,952,731
Movement in outstanding claims provision	2,831,998	5,138,639
(Over)/Under provision in prior year	(1,323,613)	224,754
Adjustment for current year	4,155,611	4,913,885
	119,840,790	115,091,371
Services provided to members in own facilities	1,850,955	1,876,378
Hospital discount received	(15,325,931)	(13,034,432)
Third party claims recoveries	(5,391,115)	(3,407,348)
Accredited managed healthcare services	144,435,590	139,392,523
Hospital benefit management services	34,452,843	35,851,730
Pharmacy benefit management services	78,342,744	74,245,170
Managed care network management services & risk management	10,158,729	10,621,171
Active disease risk management	21,481,275	18,674,452
Net claims incurred per the statement of comprehensive income	**5,546,771,496**	**4,942,481,619**

15. RISK TRANSFER ARRANGEMENTS

2022	Europ Assistance R	Bryte Insurance R	ER24 R	Preferred Provider Negotiators R	Total R
Capitation fees paid	8,393,438	-	37,402,528	73,268,768	119,064,734
Recoveries received (Note 14)	(1,037,667)	-	(44,698,198)	(74,104,925)	(119,840,790)
Net (income)/expense on risk transfer arrangement	**7,355,771**	**-**	**(7,295,670)**	**(836,157)**	**(776,056)**

2021	Europ Assistance R	Bryte Insurance R	ER24 R	Preferred Provider Negotiators R	Total R
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)**

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:

15. RISK TRANSFER ARRANGEMENTS (continued)

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.

Europ Assistance

The Scheme took out insurance for International Travel at a rate of R5.90 per member with Europ Assistance. The total travel insurance paid to Europ Assistance for 2022 was R8.4M (2022: 3.4M)

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.

	Notes	2022 R	2021 R
16. BROKER SERVICE FEES AND OTHER DISTRIBUTION FEES			
Brokers' fees		103,842,313	90,008,584
		103,842,313	**90,008,584**
17. ADMINISTRATION EXPENSES			
Managed care management services		7,170,823	6,062,552
Wellness and preventative care		4,876,872	4,175,908
Maternity programme		2,293,951	1,886,644
Actuarial fees		2,472,220	2,370,834
Audit fees		2,451,125	1,910,700
External audit services for previous year's audit		2,005,000	1,238,342
External audit services for current year audit		446,125	415,000
Other		-	257,359
Bank charges		7,316,404	6,281,977
Consultation fees		7,611,674	6,723,397
Debt collection fees		743,499	1,016,573
Amalgamation expenses		-	114,695
Amortization		2,123,254	1,653,541
Depreciation	2; 5	29,306,132	24,005,001
Employee benefit expenses	25	178,767,314	172,176,663
Employee recruitment, training and development		4,022,530	3,718,779
Insurance premiums		1,115,451	958,851
Information Technology		46,462,204	46,827,226
IT maintenance		7,124,229	3,230,522
License fees		17,405,634	14,467,712
Legal fees		1,743,756	648,836
Marketing and advertising expenses		39,175,990	28,930,233
Rent paid	5	2,831,067	4,244,394
Building expenses		4,287,609	3,630,269
Other expenses		4,373,505	3,723,773
Principal Officers' fees	25	6,230,564	6,662,755
Printing and stationery expenses		5,398,216	3,548,555
Registrar's levies and other fees		4,451,702	4,290,403
Telephone and postage fees		8,892,439	6,092,071
Total trustee remuneration and travel and accommodation expenses	27	3,049,953	2,645,011
Trustees vetting expenses		2,237,192	-
Travel, accommodation and conferences		4,147,311	2,311,696
		400,911,796	**358,247,024**

	2022 R	2021 R
18. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES		
Trade and other receivables		
Members' and service providers' portions that are not recoverable		
Movement in provision	4,541,943	3,197,986
Bad debts recovered	(278,255)	(494,130)
Bad debts written off	477,646	2,777,157
	4,741,334	**5,481,014**

		2022	2021
19. INVESTMENT INCOME		**R**	**R**
Scheme:			
Financial assets at fair value through profit or loss:			
- Interest income		122,210,245	104,452,662
Income from financial assets at fair value through other comprehensive income:			
- Dividend income		30,058,204	15,856,973
Cash and cash equivalents - interest income		1,284,178	589,540
Net realised gains on financial assets at fair value through profit or loss(a)		1,421,008	31,427,311
Net unrealised gains/(loss) on financial assets at fair value through profit or loss(b)		42,636,599	103,688,793
		197,610,234	**256,015,278**
Personal medical savings account trust monies invested			
Financial assets at fair value through profit or loss:			
- Interest income		42,205,939	31,777,149
Cash and cash equivalents - interest income		11,640,646	7,297,247
		53,846,586	**39,074,396**
(a) Net realised gains/(losses) on financial assets at fair value through profit or loss			
- Listed bonds		(333,525)	758,991
- Linked insurance policies		-	28,630,032
- Collective investment schemes		1,754,533	2,038,288
		1,421,008	**31,427,311**
(b) Net unrealised gains/(losses) on financial assets at fair value through profit or loss			
- Listed bonds		(17,134,458)	13,654,372
- Linked insurance policies		58,587,950	86,933,071
- Collective investment schemes		1,183,107	3,101,350
		42,636,599	**103,688,793**
(c) Income from financial assets at fair value through other comprehensive income:			
- Unrealised gains/(losses) on equity instruments designated at FVTOCI		(8,886,577)	68,912,819
- Cumulative gains/(losses) upon disposal of equity instruments designated at FVTOCI		16,096,405	-
20. SUNDRY INCOME			
Unclaimed cheques and credits written off		3,402,023	2,577,931
Net profit on disposal of fixed assets		187,765	13,360
		3,589,787	**2,591,290**
21. INTEREST PAID ON PERSONAL MEDICAL SAVINGS TRUST ACCOUNTS			
Net Interest paid on members' personal medical saving account balances		53,057,645	38,327,389
		53,057,645	**38,327,389**
22. INTEREST EXPENSE			
Finance costs - lease liability	5	5,707,253	5,110,423
		5,707,253	**5,110,423**
23. ASSET MANAGEMENT FEES			
Scheme			
Expenses for asset management services rendered		5,884,163	6,997,904
		5,884,163	**6,997,904**
Personal medical savings account trust monies invested			
Expenses for asset management services rendered		788,941	747,007
		788,941	**747,007**

24. DISCONTINUED OPERATIONS: OWN FACILITIES	**R**	**R**
Income		
Income from medical services rendered in own facilities	(3,665,863)	(3,397,491)
	(3,665,863)	(3,397,491)
Expenditure in operating own facility		
Total healthcare provider costs	10,672,994	9,520,112
Changes in inventories	706,937	672,963
Administration expenses	357,820	340,740
Information technology	409,054	338,658
Facilities expenditure	895,356	2,107,691
Discontinuation costs:		
Severance packages - Section 189	9,871,297	-
	22,913,458	12,980,165
Deficit on Own Facility	**19,247,595**	**9,582,674**

The Medical Centres facilitated the provision healthcare services to members and third parties and in doing so generated revenue for the services rendered. Cost incurred by the Medical Centres represents functional medical equipment, medical supplies, facility expenditure and nursing and administration services.

The Board and Management took a strategic decision during the 2022 financial year to close the medical centres with the last day of operations being 31 December 2022. The outcome of the closure will result in cost savings and enable the Scheme to place greater focus its key competency i.e. the provision of quality and effective healthcare funding. This decision was taken having considered all aspects including attempts to minimise the adverse impact this process had on affected staff and members. All contracts relating to employment, leases and service providers have been terminated considering the contractual provisions of each agreement. This had in some instances necessitated extended notice period particularly with regards to some lease agreements, however none of these extensions continue beyond 31 March 2023.

Assets held for sale:	**2022**	**2021**
	R	**R**
Medical Equipment	116,249	161,905

The medical equipment held for sale are not disclosed separately on the Statement of Financial Position in terms of IFRS 5 as it is considered immaterial.

25. EMPLOYEE BENEFIT EXPENSES		**2022** **R**	**2021** **R**
Salaries and Bonuses		144,073,923	139,752,339
Retirement benefits		19,697,673	18,587,044
Medical and other benefits		14,868,686	14,981,617
Increase in leave pay accrual		5,176,178	4,745,529
Retirement benefit obligations		1,181,418	772,889
		184,997,878	178,839,418
Less: Principal Officer's compensation and benefits	28	(6,230,564)	(6,662,755)
- Salary		(3,725,690)	(3,415,862)
- Bonuses paid and provided for		(1,876,090)	(2,507,027)
- Retirement benefits		(426,451)	(406,919)
- Medical and other benefits		(202,333)	(332,948)
		178,767,314	**172,176,663**

26. CASH FLOWS FROM OPERATING ACTIVITIES		**2022** **R**	**2021** **R**
Net contribution income	13	5,881,742,620	5,432,003,474
Decrease/(Increase) in insurance receivables	6	25,857,857	(45,654,087)
Cash Receipts from members - Contributions		**5,907,600,477**	**5,386,349,387**
Increase in Insurance receivables - Other	6	(5,427,157)	(2,720,975)
Less: Provision for impairment	18	(199,391)	(2,681,942)
Recovery under risk transfer arrangements outstanding claims provisions	6	758,274	(1,597,048)
Cash Receipts from members and providers		**(4,868,274)**	**(6,999,966)**
Cash Receipts from members and providers - Other loans and Receivables	6	(5,110,201)	654,009
Relevant healthcare expenditure	14;15	(5,545,995,440)	(4,926,304,945)
Increase/(Decrease) in insurance liabilities	12	7,191,508	(7,524,076)
Increase in outstanding claims provision	11	18,567,010	59,139,540
Unclaimed cheques and credits write off	20	3,402,023	2,577,931
Cash paid to providers and employees - claims		**(5,516,834,899)**	**(4,872,111,550)**
Cash paid to providers and employees - non healthcare expenditure	16;17;23;24	(529,885,867)	(464,836,185)
Eliminate non cash items:			
Depreciation	2	29,566,920	25,370,251
Amortisation of intangible assets	3	2,123,254	1,653,541
Increase provision for leave	12	(793,175)	(101,837)
Decrease in provision for retirement benefit obligation	9	(1,899,268)	(1,788,717)
Increase in trade and other payables	12	4,059,002	5,491,170
Cash paid to providers and employees - non healthcare expenditure		**(496,829,134)**	**(434,211,777)**

27. 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
2022							
L de Vries	58,401		50,209	108,610	14,608	3,360	**126,578**
GS Du Plessis	139,284	42,534	184,687	366,505	-	-	**366,505**
A Hartzenberg	128,675		110,451	239,126	-	3,360	**242,486**
L Jordaan	135,936		145,901	281,837	7,249	-	**289,086**
M Joubert	66,487		40,064	106,551	-	-	**106,551**
T Legobye	142,851		159,571	302,422	-	-	**302,422**
C Lombard	142,851		127,642	270,493	11,250	-	**281,743**
E Marx	142,851		130,750	273,601	-	-	**273,601**
CM Mowatt	207,018	59,544	232,791	499,353	21,941	-	**521,294**
M Slabbert	76,710		77,545	154,255	-	-	**154,255**
DK Smith	128,675		78,508	207,183	12,714	-	**219,897**
S Stevens	73,402		92,133	165,535	-	-	**165,535**
	1,443,140	**102,078**	**1,430,252**	**2,975,470**	**67,763**	**6,720**	**3,049,953**

27. TOTAL TRUSTEE REMUNERATION AND CONSIDERATION EXPENSES (continued)

	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

The 2022 and 2021 amounts are disclosed as per the 2022 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.

28. 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 Executive 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:

	2022 R	2021 R
Board of Trustees		
Gross medical scheme contributions received	605,906	556,429
Medical scheme contributions received - risk portion	537,578	480,726
Medical scheme contributions received - personal medical savings portion	68,327	75,703
Gross benefits paid out	703,401	615,627
Benefits paid from risk pool	621,070	529,261
Benefits paid from personal medical savings available	82,332	86,367
Saving available at year-end	13,964	30,993
Trustee remuneration and travel and accommodation expenses (Note 27)	3,049,953	2,645,011
Trustee other expenses	54,351	23,976
Principal Officer		
Gross medical scheme contributions received	112,368	246,408
Medical scheme contributions received - risk portion	91,032	239,016
Medical scheme contributions received - personal medical savings portion	21,336	7,392
Gross benefits paid out	75,319	68,794
Benefits paid from risk pool	46,002	64,309
Benefits paid from personal medical savings available	29,318	4,485
Saving available at year-end	-	7,946
Principal Officer's compensation (Note 25)	6,230,564	6,662,755
Leave provision at end of year	464,990	326,692

28. RELATED PARTY TRANSACTIONS (continued)

	2022 R	2021 R
Key management		
Gross medical scheme contributions received	403,872	559,214
Medical scheme contributions received - risk portion	330,269	462,598
Medical scheme contributions received - personal medical savings portion	73,602	96,616
Gross benefits paid out	295,544	224,667
Benefits paid from risk pool	182,504	138,216
Benefits paid from personal medical savings available	113,040	86,451
Saving available at year-end	80,157	249,458
Compensation to key management personnel	21,868,296	25,629,658
Leave provision at end of year	928,993	1,421,147
Service providers connected to key management and Board of Trustees		
Gross benefits paid to related party service providers for consultation	8,551	-

29. 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 34.

(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 2022 remained the effective treatment of members affected by COVID-19 in addition to the continued facilitating of access to COVID-19 vaccinations. The Scheme incurred costs of R141.1m (2021: R720.4m) related costs for testing, hospitalisation and out of hospital activities in addition to R16.6m (2021: R66.8m) for vaccination costs.

30. EVENTS AFTER REPORTING PERIOD

No material events took place between the Statement of Financial Position as at 31 December 2022 and the date of this report.

31. MATTERS OF NON-COMPLIANCE

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-Compliance with S26(7) of the Medical Schemes Act & Scheme Rule 13.2.1	Section 26(7) of the Medical Schemes Act states that Contributions must be received within three days of becoming due. Furthermore Scheme rule 13.2.1 stated that Subscriptions shall be due monthly in advance, or in arrears as shall be determined and approved by the Scheme, on the following dates: 13.2.1.1 On the 20th (twentieth); or 13.2.1.2 On the 25th (twenty-fifth); or 13.2.1.3 On the 1st (first); or 13.2.1.4 As agreed upon between the Scheme and an Employer, and be payable by not later than the 3rd (third) day after each respective due date of each month. There were instances whereby the Scheme, in absence of any agreement or understanding received contributions more than 3 days after due date.	Employer group discrepancies are actively monitored and rectified on a monthly basis.
Non-compliance with Regulation 6 of the Medical Schemes Act and Scheme Rule 15.3.1	Per Regulation 6 of the Medical Schemes Act, a medical scheme must not in its rules or in any other manner in respect of any benefit to which a member or former member of such medical scheme or a dependant of such member is entitled, limit, exclude, retain or withhold, as the case may be, any payment to such member or supplier of service as a result of the late submission or late re-submission of an account or statement, before the end of the fourth month— (a) from the last date of the service rendered as stated on the account, statement or claim; or (b) during which such account, statement or claim was returned for correction. Instances were identified where Covid-19 claims were received more than 120 days after treatment date and subsequently processed and paid by the Scheme. The Council for Medical Schemes (CMS) via Circular 56 of 2022 appraised the industry that it has granted an extended 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. 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. The Scheme has complied with the Circular.	The Scheme has complied with Circular 56 of 2022.
Non-Compliance with Regulation 8 of the Medical Scheme Act & Scheme Rule 13.5.4	Regulation 8 of the Medical Schemes Act No 31 of 1998, as amended, states the following: "(1) Subject to the provisions of the regulation, any benefit option that is offered by a Medical Scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions". Furthermore Rule 13.5.4 of the Scheme Rules states that: "The balance standing to the credit of a Member in terms of any option which provides for individual medical savings accounts shall be for the exclusive benefit of the Member and his Dependants: Provided that such savings account; shall not be used to pay for the costs of prescribed minimum benefits". Instances were identified where certain prescribed minimum benefit "PMB's" claims were incorrectly paid from savings.	Reversals to savings were subsequently effected.
Non-compliance with Section 59(2) of the Medical Schemes Act & Scheme Rule 16.3	Section 59(2) of the Medical Schemes Act states the following: "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". Furthermore Scheme rule 16.3 states the following: Subject to the respective provisions of Rules 12.7, 17.2 and 17.4, the Scheme shall, where an account has been correctly rendered, pay any benefit that is due to a Member, either to that Member or to the supplier of the relevant health service who rendered the account, within 30 (thirty) days after the date of receipt of the claim pertaining to such benefit. Instances were identified where claims were paid 30 Days after the day on which the claim was received by the scheme.	Claims are paid bi-weekly and where further investigation is required, this could result in the claim being paid after 30 days from notification

31. MATTERS OF NON-COMPLIANCE (continued)

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Section 33(2)(b) of the Medical Schemes Act	Section 33(2)(b) of the Medical Schemes Act states the following: The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option— (a) includes the prescribed benefits; (b) shall be self-supporting in terms of membership and financial performance; (c) is financially sound; and will not jeopardise the financial soundness of any existing benefit option within the medical scheme. During the year under review eight benefit options of the Scheme, namely Beat 1, Beat 2, Beat 3, Beat 4, Rhythm 2, Pace 2, Pace 3 and Pace 4 incurred a net healthcare deficit.	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.
Non-Compliance with S65 of the Medical Schemes Act	Section 65 of the Medical Schemes Act states the following: A medical scheme may compensate any person, in cash or otherwise, in accordance with its rules, for the introduction or admission of a member to that medical scheme. (2) The Minister may prescribe the amount of the compensation which, the category of persons to whom, the conditions upon which, and any other circumstances under which, a medical scheme may compensate any person in terms of subsection(1). Circular 19 of 2022, provides that the maximum amount payable in terms of s65 of the Medical Scheme Act is R122.19 plus VAT. Instances were identified, where Brokers were paid more than the regulated R122.19 plus VAT, as per Circular 19 of 2022 in accordance with S65 of the Medical Schemes Act.	This was an isolated incident and the amount was clawed back immediately after detection.
Non-Compliance with Section 28(5) of the Medical Schemes Act	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.” Instances were identified where Scheme members were not linked to the correct Brokerage resulting in commission being paid incorrectly.	All instances were noted and corrections were made, where relevant, and the correct brokers will be paid going forward.
Non-Compliance with Regulation 28 & 28A of the Medical Schemes Act	Section 28 and 28A of the Medical Schemes Act states the following: S28: A medical scheme shall immediately discontinue payment to a broker in respect of services rendered to a particular member if the medical scheme receives notice from that member (or the relevant employer, in the case of an employer group), that the member or employer no longer requires the services of that broker. S28A: A medical scheme must not prevent a person from applying for membership of a medical scheme for the reason that that person is not using a broker to apply for such membership. Press release 17 of 2015, further reiterates that only scheme members are allowed to appoint Healthcare brokers of their choice. Instances were identified where a broker appointment letter, corporate broker appointment letter was not in place or it was outdated. Instances were identified where members were assigned to corporate appointed brokerages instead of selected brokers.	The exception has been noted and system enhancements have been implemented
Non-Compliance with Regulation 28(1)	Regulation 28(1) of the Medical Schemes Act states the following: 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. Instances were identified, where Brokerage Agreement could not be obtained or agreements were outdated and POPIA Addendum could not be obtained. Instances were identified where the BIT contract start date did not align with the Contract signature date.	The exception has been noted and processes and system enhancements have been implemented
Non-compliance with Section 35(6)(a) of the Medical Schemes Act	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 523 036.	The Scheme obtained CMS exemption for guarantees in respect of the building lease (until 31 December 2025) and FSCA (until 28 February 2025) respectively.

31. MATTERS OF NON-COMPLIANCE (continued)

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Ac	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 a certain number 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.	The CMS has granted the Scheme an exemption from section 35(8)(a), (c) and (d) of the Medical Schemes Act until November 2025.
Non-compliance with Section 32 of the Medical Schemes Act and Scheme Rule 16.1	Section 32 of the Medical Schemes Act, Binding force of rules, 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." Internal audit identified eighteen claims incorrectly paid from risk (acute medicine) with a total value of R1 259.72, however, this medication was not on the acute medication formulatory list. This is in contravention of Scheme Rule 16.1, as members would have been paid for amounts in excess of their benefit entitlement as per Annexure B of the Scheme rules.	This was an isolated instance based on a formulary change.

32. SURPLUS/ (DEFICIT) PER BENEFIT OPTION 2022	Beat1*	Beat2*	Beat3*	Beat4	Pace1	Pace2	Pace3	Pace4	Rhythm1	Rhythm2	Total Scheme
	R	R	R	R	R	R	R	R	R	R	R
Average members for the financial year	**9,541**	**42,831**	**7,872**	**2,898**	**29,240**	**8,723**	**4,928**	**1,871**	**81**	**1,823**	**109,806**
Risk contribution income	**312,676,754**	**1,397,549,176**	**390,364,825**	**235,677,054**	**1,918,546,359**	**773,643,557**	**525,696,652**	**254,665,546**	**1,618,235**	**71,304,461**	**5,881,742,620**
Relevant healthcare expenditure	**(277,972,516)**	**(1,257,053,957)**	**(362,811,428)**	**(230,527,704)**	**(1,665,416,871)**	**(809,995,572)**	**(561,504,332)**	**(291,120,494)**	**(1,149,373)**	**(88,443,194)**	**(5,545,995,440)**
Net claims incurred	(276,286,537)	(1,251,246,053)	(364,056,235)	(231,141,785)	(1,668,140,187)	(811,653,231)	(562,059,799)	(291,984,460)	(1,201,260)	(89,001,950)	**(5,546,771,496)**
Risk claims incurred	(265,096,878)	(1,195,708,259)	(354,173,055)	(227,373,226)	(1,631,331,696)	(800,555,208)	(556,266,219)	(289,523,843)	(1,095,154)	(86,603,484)	**(5,407,727,021)**
Third party claims recoveries	1,360,383	800,103	470,854	42,831	1,652,669	375,390	688,886	-	-	-	**5,391,115**
Accredited managed healthcare services	(12,550,042)	(56,337,897)	(10,354,034)	(3,811,390)	(38,461,160)	(11,473,413)	(6,482,466)	(2,460,616)	(106,106)	(2,398,465)	**(144,435,590)**
Net income/(expenses) on risk transfer arrangements	(1,685,979)	(5,807,904)	1,244,807	614,081	2,723,317	1,657,659	555,466	863,966	51,887	558,756	**776,056**
Risk transfer arrangement premiums paid	(3,919,182)	(17,643,690)	(10,162,811)	(5,055,686)	(50,025,647)	(16,948,900)	(10,155,843)	(3,523,988)	(52,536)	(1,576,452)	**(119,064,734)**
Recoveries from risk transfer arrangements	2,233,203	11,835,786	11,407,618	5,669,767	52,748,963	18,606,560	10,711,309	4,387,953	104,423	2,135,207	**119,840,790**
Gross healthcare result	**34,704,238**	**140,495,219**	**27,553,398**	**5,149,350**	**253,129,488**	**(36,352,014)**	**(35,807,680)**	**(36,454,948)**	**468,862**	**(17,138,733)**	**335,747,180**
Broker service fees and other distribution fees	(7,163,351)	(37,207,451)	(8,055,994)	(1,719,359)	(33,112,113)	(7,708,288)	(6,204,490)	(1,414,495)	(29,315)	(1,227,457)	**(103,842,313)**
Administration and other operative expenses	(34,835,319)	(156,377,854)	(28,739,830)	(10,579,327)	(106,757,156)	(31,846,905)	(17,993,466)	(6,829,966)	(294,521)	(6,657,452)	**(400,911,796)**
Net impairment losses on healthcare receivables	(214,093)	(1,136,934)	(317,760)	(187,558)	(1,620,891)	(615,854)	(418,550)	(179,762)	(1,108)	(48,823)	**(4,741,334)**
Net healthcare result	**(7,508,525)**	**(54,227,021)**	**(9,560,187)**	**(7,336,894)**	**111,639,328**	**(76,523,061)**	**(60,424,187)**	**(44,879,170)**	**143,918**	**(25,072,465)**	**(173,748,263)**
Other income	**9,180,103**	**54,514,338**	**16,928,909**	**9,941,570**	**95,582,220**	**33,991,521**	**23,391,657**	**8,561,271**	**47,022**	**2,119,056**	**254,257,666**
Investment income	9,018,008	53,653,535	16,688,324	9,799,565	94,355,002	33,525,241	23,074,762	8,425,169	46,183	2,082,090	**250,667,879**
Scheme	8,922,999	47,385,377	13,243,666	7,817,082	67,555,801	25,667,694	17,444,426	7,492,144	46,183	2,034,862	**197,610,234**
Personal medical savings account trust accounts	95,008	6,268,158	3,444,659	1,982,482	26,799,200	7,857,547	5,630,336	933,025	0	47,228	**53,057,645**
Other operating income	162,095	860,803	240,584	142,005	1,227,219	466,279	316,895	136,102	839	36,965	**3,589,787**
Other expenditure	**(618,413)**	**(9,047,689)**	**(4,221,505)**	**(2,441,017)**	**(30,761,887)**	**(9,363,162)**	**(6,653,591)**	**(1,372,499)**	**(2,709)**	**(166,589)**	**(64,649,061)**
Interest paid on personal medical savings trust accounts	(95,008)	(6,268,158)	(3,444,659)	(1,982,482)	(26,799,200)	(7,857,547)	(5,630,336)	(933,025)	-	(47,228)	**(53,057,645)**
Asset management fees	(265,697)	(1,410,976)	(394,351)	(232,766)	(2,011,583)	(764,297)	(519,436)	(223,091)	(1,375)	(60,591)	**(5,884,163)**
Finance costs	(257,708)	(1,368,554)	(382,495)	(225,768)	(1,951,104)	(741,318)	(503,819)	(216,383)	(1,334)	(58,770)	**(5,707,253)**
Discontinued Operations - own facilities	**(869,116)**	**(4,615,422)**	**(1,289,957)**	**(761,398)**	**(6,580,057)**	**(2,500,080)**	**(1,699,119)**	**(729,748)**	**(4,498)**	**(198,199)**	**(19,247,595)**
Own facility income	165,530	879,045	245,683	145,015	1,253,226	476,161	323,611	138,987	857	37,749	**3,665,863**
Own facility expenditure	(1,034,647)	(5,494,467)	(1,535,640)	(906,412)	(7,833,283)	(2,976,241)	(2,022,730)	(868,735)	(5,355)	(235,948)	**(22,913,458)**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**184,049**	**(13,375,793)**	**1,857,260**	**(597,739)**	**169,879,604**	**(54,394,783)**	**(45,385,238)**	**(38,420,146)**	**183,733**	**(23,318,198)**	**(3,387,253)**

* 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.

32. SURPLUS/ (DEFICIT) PER BENEFIT OPTION	Beat1*	Beat2*	Beat3*	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
2021											
	R	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**
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	**10,113,765**	**56,429,794**	**19,712,517**	**13,150,644**	**111,778,807**	**40,864,240**	**28,474,671**	**11,732,904**	**3,040,709**	**1,635,908**	**296,933,958**
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**
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	**(524,747)**	**(6,594,625)**	**(3,294,277)**	**(2,048,301)**	**(23,836,992)**	**(7,352,039)**	**(5,345,478)**	**(1,200,255)**	**(162,073)**	**(76,928)**	**(50,435,716)**
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)**
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)**
Discontinued Operations - own facilities	**(372,775)**	**(1,937,353)**	**(638,263)**	**(431,606)**	**(3,418,758)**	**(1,302,794)**	**(899,153)**	**(409,459)**	**(111,908)**	**(60,606)**	**(9,582,674)**
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**
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)**
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.

33. 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 45.8% 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 73.2%. 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.

33. INSURANCE RISK MANAGEMENT REPORT (continued)

Medicine

Medicine for chronic diseases accounts for 6.3% 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.

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

2022

Age group	General Practitioners	Specialists	Pathology	Medicines	Hospitals	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<30	24,980	126,529	55,032	55,697	426,291	118,641	807,170
30-39	14,589	119,127	40,821	49,819	284,868	87,454	596,678
40-49	15,613	99,368	45,032	62,477	245,422	107,078	574,991
50-59	17,935	155,348	65,793	101,075	332,960	132,155	805,264
60-69	20,621	216,219	65,211	123,658	466,880	166,500	1,059,088
70 +	25,202	280,940	92,554	143,269	660,450	236,887	1,439,303
Total	118,940	997,531	364,443	535,995	2,416,870	848,716	5,282,495

2021

Age group	General Practitioners	Specialists	Pathology	Medicines	Hospitals	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<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

33. INSURANCE RISK MANAGEMENT REPORT (continued)

Sensitivity to insurance risk (continued)

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:

2022 Options	Optometry	Emergency evacuation
Beat1	-	100%
Beat2	-	100%
Beat3	100%	100%
Beat4	100%	100%
Pace1	100%	100%
Pace2	100%	100%
Pace3	100%	100%
Pace4	100%	100%
Rhythm1	100%	100%
Rhythm2	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.

33. INSURANCE RISK MANAGEMENT REPORT (continued)

Underwriting risk (continued)

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 2023 and March 2023 for 2022 services. A significant portion of the claims incurred in 2022 are therefore expected to have been paid. The chain ladder method has therefore been used to estimate claims for future payment months.

As opposed to claims for 2022 that have already been paid, the claims for 2022 estimated to be paid in future payment months are still subject to uncertainty. Refer to table in Note 11 on page 39.

34. 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 value and its related returns on accumulated assets will be insufficient 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, on a risk adjusted basis. 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 instruments.

34. FINANCIAL RISK MANAGEMENT REPORT (continued)
Investment risk (continued)

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 assert 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.

	2022 R	2021 R
Scheme		
Financial assets at fair value through other comprehensive income:		
- SA Listed equities	577,952,040	571,510,371
- SA Listed properties	35,010,246	38,347,799
	612,962,286	609,858,170
Financial assets at fair value through profit or loss:		
Scheme:		
Listed bonds	239,430,328	184,405,537
Linked insurance policies	963,604,501	905,024,214
Collective investment schemes	1,594,946,162	1,793,099,792
Money market instruments	122,739,427	-
	2,920,720,419	2,882,529,543
Personal medical savings account trust monies invested		
Money market instruments	346,690,346	327,953,708
Linked insurance policies	436,863,044	412,138,946
Total	783,553,390	740,092,654

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.

34. FINANCIAL RISK MANAGEMENT REPORT (continued)
MARKET RISK (continued)

Risks identified per investment and cash instrument	Currency Risk	Price Risk	Interest Rate Risk
Segregated portfolio			
- SA Listed equities	-	Yes	-
- Money market instruments	-	-	Yes
Listed bonds	-	-	Yes
- SA Listed properties	-	Yes	-
- International fixed interest	Yes		Yes
Linked insurance policies	-	Yes	Yes
Money market instruments (local and international)	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.

Equity sensitivity analysis table

Effect on equity if the listed equities index strengthens/weakens by 10%

2022	Carrying value at year-end	Effect on equity if the listed equities index strengthens/(weakens) by 10%
	R	R
SA Listed equities	577,952,040	57,795,204
SA Listed properties	35,010,246	3,501,025

2021	Carrying value at year-end	Effect on equity if the listed equities index strengthens/(weakens) by 10%
	R	R
SA Listed equities	571,510,371	57,151,037
SA Listed properties	38,347,799	3,834,780

Linked insurance policies sensitivity analysis

The Scheme acquired units in linked insurance policies with exposure to assets in domestic equity amongst other asset classes such as interest bearing assets. 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 Insurance Policies	Percentage effect on amount of Accumulated Funds					
		% Decrease in market			% Increase in market		
		30%	15%	5%	5%	15%	30%
	R	R	R	R	R	R	R
2022	963,604,501	(289,081,350)	(144,540,675)	(48,180,225)	48,180,225	144,540,675	289,081,350
2021	905,024,214	(271,507,264)	(135,753,632)	(45,251,211)	45,251,211	135,753,632	271,507,264

34. FINANCIAL RISK MANAGEMENT REPORT (continued)

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.

As at 31 December 2022	1 - 3 months R	4 - 12 months R	1 - 5 years R	Carrying value at year-end Total R
Money market instruments				
Scheme	28,671,676	24,303,198	69,764,553	122,739,427
Personal medical savings account trust monies invested	39,327,874	307,362,471	-	346,690,345
Listed bonds				
Scheme	6,566,087	8,798,835	224,065,406	239,430,328
Linked insurance policies				
Scheme	-	-	963,604,501	963,604,501
Personal medical savings account trust monies invested	59,834,224	138,264,406	238,764,414	436,863,044
Collective investment schemes	1,175,339,555	245,889,521	173,717,086	1,594,946,162
Cash and cash equivalents				
Scheme	50,631,122	-	-	50,631,122
Personal medical savings account trust monies invested	257,147,790	-	-	257,147,790
Total	**1,617,518,328**	**724,618,431**	**1,669,915,960**	**4,012,052,719**

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 R	1% decrease in interest rate R
Net impact on investment income for all portfolios	(37,288,923)	39,061,090

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.

As at 31 December 2021	1 - 3 months R	4 - 12 months R	1 - 5 years R	Carrying value at year-end Total R
Money market instruments				
Personal medical savings account trust monies invested	195,127,239	345,414,382	199,551,033	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	1,278,199,486	241,087,141	385,840,388	1,793,099,792
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	**1,768,006,596**	**586,501,524**	**1,670,978,756**	**3,913,459,652**

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 R	1% decrease in interest rate R
Net impact on investment income for all portfolios	(31,591,080)	32,805,718

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.

	2022 %	2021 %
Summary of effective interest rate at year-end across applicable Scheme financial assets.		
Financial assets		
Scheme	6.1%	5.2%
Personal medical savings account trust monies invested	7.5%	4.6%
Cash and cash equivalents		
Scheme	3.7%	2.5%
Personal medical savings account trust monies invested	5.2%	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.

34. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk (continued)

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:

	2022 R	2021 R
Financial assets at fair value through profit or loss	3,704,273,809	3,622,622,197
Scheme	2,920,720,419	2,882,529,543
Personal medical savings account trust monies invested	783,553,390	740,092,654
Trade and other receivables	143,903,598	164,524,315
Insurance receivables	113,314,838	138,287,481
Other loans and receivables	26,433,150	21,322,949
Recovery under risk transfer arrangements outstanding claims provisions	4,155,611	4,913,885
Cash and cash equivalents	307,778,912	290,837,454
Scheme	50,631,122	65,723,285
Personal medical savings account trust monies invested	257,147,790	225,114,169
	4,155,956,319	**4,077,983,966**

It should be noted that the full value of insurance policies (classified as financial assets at fair value through profit or loss) which have underlying credit and equity assets have been included above.

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 34; 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 a considered impaired and are provided for.

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

2022	Insurance receivables R	Other receivables* R	Total R
Financial assets that are neither past due nor impaired	109,346,260	30,588,760	**139,935,020**
Financial assets that are impaired:			
Past due 30 days	1,815,142	-	**1,815,142**
Past due 60 days	961,124	-	**961,124**
Past due 90 days	1,154,556	-	**1,154,556**
Past due 120 days and more	16,909,423	-	**16,909,423**
	130,186,506	30,588,760	**160,775,266**
Impairment	(16,871,668)	-	**(16,871,668)**
	113,314,838	30,588,760	**143,903,598**

*Other receivables includes prepayments

2021	Insurance receivables R	Other receivables* R	Total R
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**
	150,617,206	26,236,833	**176,854,039**
Impairment	(12,329,725)	-	**(12,329,725)**
	138,287,481	26,236,833	**164,524,314**

*Other receivables includes prepayments

34. FINANCIAL RISK MANAGEMENT REPORT (continued)

Impairment losses (continued)

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 2022	121,098	12,208,627	12,329,725
Increase/(decrease) in provision for impairment	(95,475)	4,637,418	4,541,943
Balance at 31 December 2022	**25,624**	**16,846,044**	**16,871,668**
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	**121,098**	**12,208,627**	**12,329,725**

	2022 R	2021 R
Insurance receivables - neither due nor impaired:		
Counterparties without external credit rating		
Contribution debtors	105,416,428	130,701,172
Member claims debtors	550,829	907,930
Provider claims debtors	183,314	203,971
Personal medical saving advances	3,195,689	2,913,311

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.

		2022		2021	
Counterparty	Credit rating	Credit limit R	Balance R	Credit limit R	Balance R
Nedbank	Aa1.za	1,704,186,724	168,300,990	1,672,605,459	232,063,425
ABSA	Aa1.za	1,704,186,724	255,588,604	1,672,605,459	168,274,694
Standard Bank	Aa1.za	1,704,186,724	230,872,476	1,672,605,459	157,964,182
FNB	Aa1.za	1,704,186,724	75,548,286	1,672,605,459	184,676,569
Investec	Aa1.za	1,704,186,724	93,026,051	1,672,605,459	155,648,539

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

	2022 R	2021 R
C. Cash and cash equivalents		
Counterparties with external credit ratings (Moody's)		
Aa1.za	307,778,912	290,837,454
	307,778,912	290,837,454

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

34. FINANCIAL RISK MANAGEMENT REPORT (continued)

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 instruments. 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: 2022	**Level 1 R**	**Level 2 R**	**Level 3 R**
Financial assets			
Scheme			
Financial assets at fair value through other comprehensive income:			
Listed shares	577,952,040	-	-
SA Listed properties	35,010,246	-	-
Financial assets at fair value through profit or loss:			
Listed bonds	239,430,328	-	-
Linked insurance policies	-	963,604,501	-
Collective investment schemes	-	1,594,946,162	-
Money market instruments	-	122,739,427	-
Personal medical savings account trust monies invested			
Financial assets at fair value through profit or loss:			
Money market instruments	-	346,690,346	-
Linked insurance policies	-	436,863,044	-
	852,392,615	**3,464,843,480**	**-**

Fair values of financial assets by hierarchy level

Assets measured at fair value: 2021	**Level 1 R**	**Level 2 R**	**Level 3 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 instruments	-	-	-
Linked insurance policies	-	905,024,214	-
Collective investment schemes	-	1,793,099,792	-
Money market instruments	-	-	-
Personal medical savings account trust monies invested			
Financial assets at fair value through profit or loss:			
Money market instruments	-	327,953,708	-
Linked insurance policies	-	412,138,946	-
	794,263,707	**3,438,216,661**	**-**

Analysis of carrying amounts of assets and 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.

2022	**Cash and cash equivalents R**	**Loans and receivables R**	**Financial assets R**	**Insurance receivables and payables R**	**Total carrying amount R**
Investments					
- Financial assets at fair value through other comprehensive income	-	-	612,962,286	-	612,962,286
- Financial assets at fair value through profit or loss	-	-	2,920,720,419	-	2,920,720,419
Personal medical savings account trust investment					
- Financial assets at fair value through profit or loss	-	-	783,553,390	-	783,553,390
Cash and cash equivalents					
- Scheme	50,631,122	-	-	-	50,631,122
- Personal medical savings account trust investment	257,147,790	-	-	-	257,147,790
Trade and other receivables	-	26,433,150	-	117,470,449	143,903,598
Personal medical savings account trust liability	-	-	-	(1,073,125,166)	(1,073,125,166)
Outstanding claims provision	-	-	-	(217,280,895)	(217,280,895)
Trade and other payables	-	-	-	(151,517,572)	(151,517,572)
	307,778,912	**26,433,150**	**4,317,236,095**	**(1,324,453,185)**	**3,326,994,972**

2021	**Cash and cash equivalents R**	**Loans and receivables R**	**Financial assets R**	**Insurance receivables and payables R**	**Total carrying amount R**
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**

34. FINANCIAL RISK MANAGEMENT REPORT (continued)

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 excluding personal medical savings account trust monies invested (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 2022*	% of net assets attributable to holders of units **
2022	**R**	**R**	**%**
Allan Gray Linked Insurance Policy Absolute mandate portfolios investing in various instruments	2,703,600,149	478,961,474	17.72%
Prescient Linked Insurance Policy Absolute mandate portfolios investing in various instruments	91,300,000,000	478,433,053	0.52%
Investec Money Market Fund Class F Conservative maturity profile investing in money market instruments	43,114,235,741	471,984,878	1.09%
Investec High Income Fund Class A Conservative maturity profile investing in money market instruments	21,749,548,465	703,354,677	3.23%
Investec Stable Money Market Stable returns over the medium term, with a focus on conservative money market instruments	1,675,219,648	6,209,974	0.37%
Stanlib Unit Trusts	53,028,784,202	245,889,521	0.46%
M&G Corporate Bond Fund	767,680,618	11,947,653	1.56%
M&G High Interest Fund	10,866,809,939	109,676,059	1.01%
M&G Global Fixed Income Fund	597,008,979	52,093,373	8.73%
	225,802,887,741	**2,558,550,664**	

Strategy	Total pool of investee funds	Fair value of asset investment at 31 December 2021 *	% of net assets attributable to holders of units **
2021	**R**	**R**	**%**
Allan Gray Linked Insurance Policy Absolute mandate portfolios investing in various instruments	2,879,223,025	450,059,600	15.63%
Prescient Linked Insurance Policy Absolute mandate portfolios investing in various instruments	96,774,313,673	449,103,824	0.46%
Investec Money Market Fund Class F Conservative maturity profile investing in money market instruments	39,773,785,311	596,472,055	1.5%
Investec High Income Fund Class A Conservative maturity profile investing in money market instruments	21,792,112,290	662,141,156	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	0.36%
Stanlib Unit Trusts	57,340,066,719	232,010,249	0.40%
	220,169,591,106	**2,395,647,675**	

*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.

34. FINANCIAL RISK MANAGEMENT REPORT (continued)

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 2022	1 - 3 months R	4 - 12 months R	1 - 5 years R	Total R
LIABILITIES				
Personal medical savings account liability	-	1,073,125,166	-	1,073,125,166
Outstanding claims provision	186,541,143	30,739,752	-	217,280,895
Trade and other payables	151,517,572	-	-	151,517,572
Total liabilities	338,058,715	1,103,864,918	-	1,441,923,633

As at 31 December 2021	1 - 3 months R	4 - 12 months R	1 - 5 years R	Total 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

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.

Cash and cash equivalents	2022 R	2021 R
Cash and cash equivalents consist of the following:		
Current accounts	276,307,206	240,912,455
Scheme	19,159,416	15,798,286
Personal medical savings account trust monies invested	257,147,790	225,114,169
Deposits on call account	31,471,706	49,924,999
Scheme	31,471,706	49,924,999
Total	**307,778,912**	**290,837,454**

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 2022 the Scheme did not consider there to be any significant concentration of legal risk that had not been provided for.

34. FINANCIAL RISK MANAGEMENT REPORT (continued)

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 41.73% of gross contributions at 31 December 2022 and 45.68% at 31 December 2021.

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

	2022 R	2021 R
Total members' funds per statement of financial position	3,367,221,745	3,363,399,169
Less: Unrealised investment gains	**(478,060,287)**	(444,310,265)
Accumulated funds as per Regulation 29	2,889,161,458	2,919,088,904
Gross annual contribution	**6,924,200,409**	**6,389,833,464**
Accumulated funds ratio (Accumulated funds/gross annual contributions x 100)	**41.73%**	**45.68%**

35. GOING CONCERN

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.

36. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

No material events took place between the Statement of Financial Position as at 31 December 2022 and the date of this report.