THEBEMED MEDICAL AID SCHEME

(Registration Number 1592)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022

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The reports and statements set out below comprise the annual financial statements presented to the members of Thebemed Medical Aid Scheme.

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation and fair presentation of the annual financial statements of Thebemed Medical Aid Scheme, comprising the statement of financial position at 31 December 2022, and the statements of comprehensive income, changes in funds and reserves and cash flows for the year ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards, and in the manner required by the Medical Schemes Act of South Africa, no. 131 of 1998 as amended.

The Trustees consider that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees are satisfied that the information contained in the annual financial statements fairly presents the financial performance for the year and the financial position of the scheme at year end. The Trustees also prepared the other information included in the annual financial report and are responsible for both its accuracy and its consistency with the financial statements.

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

Thebemed Medical Aid Scheme operates 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 managed.

The going concern basis has been adopted in preparing the annual financial statements. The Trustees have 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 annual financial statements support the viability of the scheme.

The scheme's external auditors are responsible for auditing the annual financial statements in terms of International Standards on Auditing and their report is presented on pages 4 to 8.

The annual financial statements were approved by the Board of Trustees on 12/04/2023 and are signed on its behalf.

DR. G. GOOLAB **CHAIRPERSON**	**W. MODISAPODI** **TRUSTEE**	**ADV. G. TLALI** **PRINCIPAL OFFICER**

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Thebemed Medical Aid Scheme is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are satisfied that these standards have been met. The Trustees are proposed and elected by the members of the scheme in terms of the rules of the scheme.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the Administrator and service providers according to service level agreements. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive. The performance of the Board and individual Trustees is evaluated annually taking into account their attendance and contribution at meetings.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board of Trustees is accountable for the process of risk management and internal controls. The ultimate responsibility for the implementation of the internal controls and risk management has been delegated to the Administrator. Risks are reviewed and identified annually and appropriate strategies are implemented to mitigate these risks. These actions are monitored quarterly by the Board and monthly by the Principal Officer.

The Administrator of the scheme maintains internal controls and the system is designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

Internal control audits are performed on a regular basis. The Trustees annually review the disaster recovery procedures of the Administrator, all of which are fully documented.

The Trustees call on an expert and professional advice as and when required.

The scheme conducts its affairs in accordance with standards of acceptable corporate practice and conduct as it applies to medical schemes and trustees.

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

DR. G. GOOLAB	**W. MODISAPODI**	**ADV. G. TLALI**
CHAIRPERSON	**TRUSTEE**	**PRINCIPAL OFFICER**

STRACHAN & CROUSE

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ONS VERW:
OUR REF : 2/56140

Independent Auditor's Report

To the Members of Thebemed Medical Aid Scheme

Report on the Financial Statements

Opinion

We have audited the financial statements of Thebemed Medical Aid Scheme (the Scheme), set out on pages 9 to 55, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in members' funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Thebemed Medical Aid 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 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 International Ethics Standards Board for Accountants Code of Ethics for Professional

Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	**How our audit addressed the key audit matter**
Claims	
Claims amounted to R 301 m in the current financial year. Refer to Note 10 in the financial statements. Risk claims incurred is a key driver in determining the sustainability of the scheme. Due to the significance of the matter to the financial statements as a whole and the fact that claims are inherently susceptible to fraud and error, we identified claims to be a key audit matter. The majority of claims are received via electronic data interchange (EDI) and significant controls are implemented to ensure that only valid claims are processed and paid. The payment of valid claims is dependent on the integrity of the administration system of the scheme's administrator. A clinical committee evaluates claims on a regular basis and compare claim data on an analytical basis from month to month.	We focused our testing on the controls implemented by management to ensure that all claims payable are accounted for and only valid claims are processed and paid. We obtained an understanding of the role that the internal audit department of the administrator played in identifying fraudulent claims. We obtained an understanding of the role of the clinical committee in approving claims to be paid. Through the use of computer assisted audit techniques we interrogated the full claims data and identified those claims which could be subject to audit. We evaluated the accuracy of the master file health care benefits and tariff codes on the administration platform and that members' benefit options are correctly loaded. We evaluated and considered the findings, as issued by the independent auditors of the administrator of the scheme, on the control and information system processing environment of the administrator.
In terms of the Medical Schemes Act, members have four months from the date on which the medical service was rendered to submit their claims to the scheme.	We assessed the capabilities, competence and objectivity of the actuary and verified his qualifications. We discussed the scope of the actuary's work with management and reviewed his terms of engagement to

The scheme makes a provision for medical services rendered but not submitted at year end in order to disclose the ultimate cost of settling all claims for the year. The carrying value of the IBNR amounts to R 21 m at year end. Refer to Note 7 in the financial statements. Significant judgement and assumptions are required by the Trustees to determine the value of the provision. A change in the expected percentages of claims in terms of timing or value can cause a material change in the provision. We identified the value of the provision as a key audit matter due to the significance of the judgement and assumptions associated with the value of the provision. The scheme uses an independent actuary to determine the value of the unintimated claims provision.	determine that there were no matters that affected his independence or objectivity or limited the scope of his activities. We evaluated the significant assumptions made by management including the quality of data used, the period elapsed between the year end and the reporting date and entity specific historical information. We compared the value of the provision by the actuary to the portion of outstanding claims provision paid to 31 March 2023 to evaluate the provision.

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the Report of the 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 Scheme's Trustees use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

In terms of CMS Circular 38 of 2018 *Audit tenure,* we report that Strachan & Crouse has been the auditor of Thebemed Medical Aid Scheme for 22 years.

The engagement partner, G S Meiring, has been responsible for Thebemed Medical Aid Scheme's audit for 5 years.

Non-compliance with the Medical Schemes Act of South Africa

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

i. Section 26(7) – Contributions received more than 3 days after the due date.
ii. Section 33(2) – Benefit options shall be self-supporting, Fantacy options not self-supporting
iii. Section 59(2) – Payment of benefits or supplier of service within 30 days after the day on which the claim in respect of such benefit was received.
iv. Section 35(8) (a and c) – a medical scheme is not allowed any investments in the business of an administrator of a medical scheme or holding company of an administrator. Proviso exemption with expiry dates obtained on this section from the Council of Medical Schemes.

STRACHAN & CROUSE
G S Meiring
Partner
Registered Auditor
12 April 2023

Capital Junction
1226 Francis Baard Street
Hatfield
0083

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 R	2021 R
ASSETS			
Non-current assets		49 114	132 295
Plant and equipment	2	49 114	132 295
Current Assets		194 774 716	178 782 361
Investments	3	75 769 986	86 009 374
Trade and other receivables	4	3 480 736	2 188 298
Cash and cash equivalents	5	115 523 994	90 584 689
Total assets		194 823 830	178 914 656
FUNDS AND LIABILITIES			
Members' funds		117 150 135	114 335 803
Accumulated funds		112 278 790	110 662 771
Revaluation reserve - investments		4 871 345	3 673 032
Current Liabilities		77 673 695	64 578 853
Trade and other payables	6	9 007 136	9 924 782
Outstanding claims provision	7	21 238 347	17 975 114
Personal medical savings account monies managed by the scheme on behalf of its members	8	47 428 212	36 678 957
Total funds and liabilities		194 823 830	178 914 656

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 R	2021 R
Risk contribution income	9	346 633 996	309 163 805
Relevant healthcare expenditure		(310 082 895)	(254 779 745)
Net claims incurred	10	(301 280 930)	(247 452 046)
Net expense of risk transfer arrangements		(1 825 015)	(1 205 226)
Premiums / fees paid	11	(19 787 798)	(16 767 091)
Claims incurred in respect of related risk transfer arrangements	11	17 962 783	15 561 865
Managed care services (accredited organisations)	12	(6 976 950)	(6 122 473)
Gross healthcare result		36 551 101	54 384 060
Broker service fees	13	(11 254 015)	(9 807 359)
Administration expenditure	14	(33 896 938)	(32 827 698)
Net movement on impairment of healthcare receivables		(16 547)	(54 027)
Net healthcare result		(8 616 399)	11 694 976
Other income		11 547 258	13 717 248
Investment income	16	8 773 763	5 757 131
Realised gain on investment		-	4 873 331
Sundry income		2 773 495	3 086 786
Other expenses		(1 314 840)	(325 366)
Investment consulting		(368 679)	(325 366)
Realisation of investment		(946 161)	-
Net surplus for the year		1 616 019	25 086 858
Other comprehensive income			
Items that may be reclassified to profit or loss		1 198 313	128 169
Fair value adjustments on available-for-sale investments		252 152	5 001 500
Realised (loss)/gain on investment		946 161	(4 873 331)
Total comprehensive income for the year		2 814 332	25 215 027

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

	Accumulated Funds R	Revaluation reserve - investments R	Total Members' Funds R
Balance as at 1 January 2021	85 575 913	3 544 863	89 120 776
Net surplus for the year	25 086 858	-	25 086 858
Fair value adjustments of available-for-sale investments	-	5 001 500	5 001 500
Realised gain on investment	-	(4 873 331)	(4 873 331)
Balance as at 31 December 2021	110 662 771	3 673 032	114 335 803
Net surplus for the year	1 616 019	-	1 616 019
Fair value adjustments of available-for-sale investments	-	252 152	252 152
Realised loss on investment	-	946 161	946 161
Balance as at 31 December 2022	112 278 790	4 871 345	117 150 135

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 R	2021 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members		357 781 538	313 812 151
Cash paid to providers and members		(351 995 701)	(295 980 848)
Net cash inflow from operations		5 785 837	17 831 303
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	**16**	4 173 687	2 544 877
Disposal of investments - Available-for-sale	**3**	20 000 000	13 000 000
Purchase of investments - Available-for-sale	**3**	(5 000 000)	(23 000 000)
Purchase of plant and equipment	**3**	(20 219)	-
Net cash from/(used in) investing activities		19 153 468	(7 455 123)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		24 939 305	10 376 180
Cash and cash equivalents at the beginning of year		90 584 689	80 208 509
Total cash and cash equivalents at the end of the year		115 523 994	90 584 689
Comprising of:			
Cash and cash equivalents	**5**	68 913 575	55 290 273
Savings trust assets	**8**	46 610 419	35 294 416
		115 523 994	90 584 689

GENERAL INFORMATION

Thebemed Medical Aid Scheme is an open medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended and is domiciled in South Africa.

1. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the scheme, which are consistent with those of the previous year.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the Medical Schemes Act, No. 131 of 1998 and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) on the historical cost basis, except for investments held at fair value.

IFRS comprise International Financial Reporting Standards, International Accounting Standards and the interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

The financial statements are prepared on the going concern principle. Amounts in the annual financial statements have been rounded to the next Rand value.

The South African Rand is the functional and presentation currency of the scheme.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the scheme's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out in the notes to the financial statements. Management does not have the power to amend the audited financial statements once issued.

a) Standards, amendments and interpretations to existing standards that are effective and apply to the scheme

- Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'.

The amendment is effective annual period beginning on or after 1 January 2018.

These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
- Give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2023. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39.

1. PRINCIPAL ACCOUNTING POLICIES - continued

1.1 Basis of preparation– continued

a) Standards, amendments and interpretations to existing standards that are effective and apply to the scheme - continued

- Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments' - continued

  The scheme is able to defer the application of IFRS 9 until 1 January 2023. The scheme is eligible to apply the exemption as IFRS 9 has not been applied previously and the activities of the scheme are predominantly connected with insurance.

- IFRS 9 Financial Instruments (Annual Improvements to IFRS Standards 2018 - 2020). The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognise a financial liability.

  The amendment is effective for the scheme's period end commencing 1 January 2022. This amendment will not have a material impact on the scheme's financial statements.

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts - Cost of Fulfilling a Contract). The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.

  The amendments are effective for the scheme's period end commencing 1 January 2022. These amendments will not have a material impact on the scheme's financial statements.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the scheme

The following standards, amendments and interpretations to published standards have been published and are mandatory for the scheme's accounting periods beginning on or after 1 January 2023. These standards have not been early adopted.

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of a change in accounting estimate prospectively remain unchanged.

  The amendments are effective for the scheme's period end commencing 1 January 2023. These amendments will not have a material impact on the scheme's financial statements.

- IFRS 17 Insurance contracts. This standard creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are required to be measured based only on the obligations created by the contracts. An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. This standard replaces IFRS 4 Insurance contracts.

1. PRINCIPAL ACCOUNTING POLICIES – continued

1.1 Basis of preparation– continued

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the scheme - continued

The standard is effective for the scheme's period end commencing 1 January 2023. This change in accounting policy will not have a material financial impact on the scheme's financial statements, however, there will be material changes from a disclosure perspective. Refer to note 1.24 for a further analysis of the changes expected in terms of IFRS 17.

- IAS 1 Presentation of Financial Statements
    - *Disclosure of Accounting Policies*: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information, with examples of when accounting policy information is likely to be material.

These amendments are effective for the scheme's period end commencing 1 January 2023. These amendments will not have a material impact on the scheme's financial statements.

- IAS 1 Presentation of Financial Statements
    - *Classification of Liabilities as Current or Non-current*: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.
    - *Non-current liabilities with Covenants*: The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

These amendments are effective for the scheme's period end commencing 1 January 2024. These amendments will not have a material impact on the scheme's financial statements.

1.2 Plant and equipment

Plant and equipment consists of a motor vehicle and electronic equipment. It is reflected at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Item	**Depreciation method**	**Useful life**
Motor vehicles	Straight-line	5 years
Electronic equipment	Straight-line	3 years

1.3 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.

Classification

The scheme classifies its financial assets as loans and receivables, and available for sale.

The classification depends on the purpose for which the financial asset was acquired. The scheme determines the classification of its financial assets at initial recognition. Financial assets are recognised on the scheme's statement of financial position when it becomes a party to the contractual provisions of the instrument.

1. PRINCIPAL ACCOUNTING POLICIES – continued

1.3 Financial instruments- continued

Classification - continued

The scheme's loans and receivable financial assets comprise of trade and other receivables, cash and cash equivalents and certain investments in the statement of financial position.

The scheme's available-for-sale financial assets comprise of certain investments in the statement of financial position.

Initial measurement

Financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these instruments are measured as set out in notes 1.3 and 1.4 below.

Derecognition of financial assets

The scheme derecognises an asset when the contractual rights to the asset expire, where there is a transfer of the contractual rights that comprise the asset, or the scheme retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits with the asset.

Where the scheme retains substantially all the risks and rewards of ownership of the financial asset, the scheme continues to recognise the financial asset.

The derecognition of available-for-sale financial assets is accounted for in other comprehensive income from the fair value adjustment reserve.

Fair value determination

The fair values of available-for-sale equity instruments are based on closing market values.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparty.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term liquid investments that are readily convertible (within 3 months) to a known amount of cash and are subject to an insignificant risk of change in value.

1. PRINCIPAL ACCOUNTING POLICIES – continued

1.5 Investments

Any purchases and sales of investments will be recognised at trade date, which is the date that the scheme commits to purchase or sell the asset. Cost of purchases includes transaction costs. Investments are classified as available-for-sale. Gains and losses arising from changes in the fair value of the available-for-sale investments are recorded in other comprehensive income and accumulated in the fair value adjustment reserve. Once an available-for-sale investment is derecognised, the fair value gain or loss previously recognised in equity is included in the statement of comprehensive income.

Interest on available-for-sale financial assets is calculated using the effective interest method and recognised in the income statement as part of investment income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the dividends are distributed to the scheme.

Non-derivative financial assets with fixed or determinable payments and fixed maturity, where management has both the intent and the ability to hold the securities to maturity, are classified as held-to-maturity. Financial assets classified as held-to-maturity are carried at amortised cost, using the effective interest rate method, less any provisions for impairment.

Interest on held-to-maturity investments is included in the statement of comprehensive income.

1.6 Trade and other receivables

Trade receivables are amounts due from members for contributions. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.7 Outstanding risk claims

Outstanding risk claims comprise provisions for the scheme’s estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date. Risk claims outstanding are determined as accurately as possible on the basis of 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, and variations in the nature and average cost incurred per claim.

Estimated co-payments are deducted in calculating the outstanding claims provision. The scheme does not discount its provision for outstanding claims, since the effect of the time value of money is not considered material.

1.8 Medical 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.

1. PRINCIPAL ACCOUNTING POLICIES – continued

1.9 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

1.10 Risk 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 after the unbundling of savings contributions. The earned portion of risk contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Risk contributions are shown before the deductions of broker service fees and other acquisition costs.

1.11 Risk claims incurred

Risk 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 in terms of its registered rules, whether or not reported by the end of the year. Net risk claims incurred represent claims incurred net of discounts received, recoveries from members for co-payments and personal medical savings plan accounts. Net risk claims incurred represent risk claims incurred after taking into account recoveries from third parties.

1.12 Managed care: management services

These expenses represent internal expenditure and the amounts paid or payable to third party administrators, related parties and other third parties for managing the utilisation, costs and quality of healthcare services to the scheme.

1.13 Investment Income

Interest is recognised as it accrues to the scheme according to the effective interest method.

1.14 Risk transfer arrangements

Contracts entered into by the scheme with third party service providers under which the scheme is compensated for loss / claims (through the provision of services to our 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. Risk transfer premiums / fees are recognised as an expense over the indemnity period on a straight-line basis.

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

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

Claims recoveries relating to risk transfer arrangements are calculated based on utilisation figures obtained from service providers and are reflected at scheme rates.

1. PRINCIPAL ACCOUNTING POLICIES – continued

1.14 Risk transfer arrangements - continued

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

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the 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.

1.15 Impairment losses

A financial asset not carried at fair value through surplus or deficit is assessed at each reporting period as to whether there is objective evidence that it is impaired. Losses are recognised in surplus or deficit and reflected in an allowance account.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Calculation of recoverable amount

The recoverable amounts of the scheme's receivables carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at the effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

Reversals of impairment

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

1.16 Reimbursement from the Road Accident Fund (RAF)

The scheme grants assistance to its members in defraying expenditure incurred in connection with the 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 no. 56 of 1996 (the RAFA). If the member is reimbursed by the RAF, they are obliged contractually to cede that payment to the scheme to the extent that they have already been compensated by the Scheme.

1. PRINCIPAL ACCOUNTING POLICIES – continued

1.16 Reimbursement from the Road Accident Fund (RAF) - continued

A reimbursement from the RAF is a possible asset that arises from claims 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 contingent asset and the related income are recognised in the financial statements of the period in which the virtual certainty occurs. Amounts received from members in respect of reimbursements from the RAF are recognised as a reduction in net claims incurred.

1.17 Personal medical savings account 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 contributions (which are a deposit component of the insurance contracts), and accrued interest thereon, net of any savings claims paid on behalf of members in terms of the scheme's registered rules.

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

Unspent savings 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 Act.

Advances on savings contributions are funded from the scheme's funds, and the risk of impairment is carried by the scheme.

The personal medical savings accounts are invested on behalf of members in deposits held at call with banks. These monies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.18 Relevant healthcare expenditure

Relevant healthcare expenditure comprises 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 reported by the end of the year or not.

Net claims incurred comprise:

- Claims submitted and accrued for services rendered during the year, net of recoveries from members for co-payments;
- Claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members for co-payments;
- Claims settled in terms of risk transfer arrangements; and
- Charges for managed care: healthcare services.

Claims incurred relating to risk transfer arrangements are calculated based on the cost of the claim the medical scheme would incur if there was not risk transfer arrangement entered into.

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

1.19 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. As a result, the scheme does not provide for income tax or deferred tax.

1.20 Accumulated Funds

The funds represent the accumulated funds of the scheme. The funds are mainly held as statutory reserves in lieu of solvency requirements as required by the Act.

1.21 Revalution reserve - investments

The reserve represents adjustments to the carrying values of non-current investments carried at fair value through other comprehensive income. The reserve is realised once the underlying investment has been derecognised.

1.22 Allocation of income and expenditure to benefit options

The following items are directly allocated to benefit options:

- Risk contribution income;
- Risk claims incurred;
- Savings claims;
- Net income/(expense) on risk transfer arrangement fees;
- Managed care: management services;
- Administration fees paid to the administrator, forming part of administration costs; and
- Broker fees.

The following items are apportioned based on the contribution income on each option:

- Other administration expenditure;
- Investment income;
- Other income; and
- Other expenditure.

1.23 Siginificant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

1.23 Siginificant judgements and sources of estimation uncertainty - continued

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Scheme uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Scheme's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Fair value estimation

Several assets and liabilities of the Scheme are either measured at fair value or disclosure is made of their fair values.

Fair value is accepted as publicly traded value or the value can otherwise be measured reliably if not publicly traded.

Impairment testing

The Scheme reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

1.24 Implementation of IFRS 17

IFRS 17 is the new accounting standard under which insurance contracts will be reported. Previously insurance contracts were reported under the ambit of IFRS 4.

Two methodologies are allowed in the standard, namely the general measurement model or the premium allocation approach. As the contract boundary for the scheme is 12 months (January to December), the scheme is eligible to apply the premium allocation approach, which is a simplified valuation model.

IFRS 17 requires medical schemes to identify a portfolio of insurance contracts, which comprises contracts of similar risk and are managed together. These portfolios could be at, amongst others, three main levels for a medical scheme – scheme level, option level or member level. As the scheme is managed as a whole, i.e. options and members are managed together, the portfolio of insurance contracts in the case of the scheme would be at scheme level.

Fulfilment cash flows would include all items which are directly attributable to the business of a medical scheme, for example contribution income, relevant healthcare expenses, administration fees and other directly attributable items. Those non-directly attributable items, such as investment returns, will be excluded. This is subject to final guidance from SAICA and the Council for Medical Schemes.

1.24 Implementation of IFRS 17 - continued

The standard also requires a risk adjustment factor to be included in the scheme's IBNR provision, to be known under IFRS 17 as the Liability for Incurred Claims (LIC), to address the following risks: premium risk, claims risk, reinsurance risk and administration risk. This adjustment will be evaluated at the time of calculation as the scheme's current IBNR provision includes an additional margin already.

From a disclosure point of view, the face of the statement of financial position will refer specifically to "insurance contract liabilities" and the face of the statement of profit and loss and other comprehensive income to "insurance revenue" and "insurance service expenses", amongst others.

1.25 Comparative figures

Comparative figures have been reclassified where considered necessary.

2. PLANT AND EQUIPMENT

2022	Motor vehicles R	Electronic equipment R	Total R
Cost			
At 1 January 2022	517 000	-	517 000
Additions	-	20 219	20 219
At 31 December 2022	517 000	20 219	537 219
Accumulated depreciation			
At 1 January 2022	(384 705)	-	(384 705)
Depreciation	(103 400)	-	(103 400)
At 31 December 2022	(488 105)	-	(488 105)
Carrying amount			
Cost	517 000	20 219	537 219
Accumulated depreciation	(488 105)	-	(488 105)
At 31 December 202	28 895	20 219	49 114

2021	Motor vehicles R	Electronic equipment R	Total R
Cost			
At 1 January 2021	517 000	-	517 000
Additions	-	-	-
At 31 December 2021	517 000	-	517 000
Accumulated depreciation			
At 1 January 2021	(281 305)	-	(281 305)
Depreciation	(103 400)	-	(103 400)
At 31 December 2021	(384 705)	-	(384 705)
Carrying amount			
Cost	517 000	-	517 000
Accumulated depreciation	(384 705)	-	(384 705)
At 31 December 2021	132 295	-	132 295

3. INVESTMENTS

	2022 R	2021 R
Argon BCI Flexible Income Fund	11 118 164	5 361 102
M & G Life Inflation Plus 5% Medical Aid Fund	14 341 639	13 660 862
Sanlam SIM Top Choice Equity Fund	19 753 500	19 010 787
Stanlib Income Fund	30 556 683	47 976 623
	75 769 986	86 009 374

Available-for-sale investments

	2022 R	2021 R
As at 1 January	86 009 374	67 795 620
Fair value adjustments on available-for-sale investments	252 152	5 001 500
Income capitalised to available-for-sale investments (refer note 16)	4 600 076	3 212 254
Purchase of investments	5 000 000	23 000 000
Realised gains on disposal of investments	(3 540)	-
Disposal of investments	(20 000 000)	(13 000 000)
Investment manager fees	(88 076)	-
As at 31 December	75 769 986	86 009 374

Available-for-sale investments include the following:

	2022 R	2021 R
Listed equity investments	28 451 069	19 010 787
Bonds and debentures	41 968 088	66 998 587
Deposits with banks	5 350 829	-
	75 769 986	86 009 374

Investments consist of the investments in the Argon BCI Flexible Income Fund, M & G Life Inflation Plus 5% Medical Aid Fund, Sanlam SIM Top Choice Equity Fund and Stanlib Income Fund, of which the underlying assets comprise bonds and debentures, and equity instruments. These do not have a specified maturity date. These investments have been classified as available-for-sale investments and are measured at fair value.

As at 31 December 2022 and 2021 the carrying amounts of investments approximate their fair values.

Fair value hierarchy of investments

Investments are stated at quoted market prices. All investments are on level 1 of the hierarchy.

4. TRADE AND OTHER RECEIVABLES

	2022 R	2021 R
Contribution receivables		
Contribution receivables	2 445 408	1 114 655
Less: Provision for impairment losses on contribution receivables	(152 380)	(135 833)
	2 293 028	978 822
Accounts receivable: Provider / Member	422 701	485 179
Interest accrued	159 923	79 695
Share of outstanding claims provision	605 084	644 602
	3 480 736	2 188 298

Analysis of movements in respect of outstanding claims provision

	2022 R	2021 R
Balance at the beginning of the year	644 602	589 572
Payments in respect of prior year	(644 602)	(589 572)
Over/(under) provision in prior year	-	-
Adjustment for the current year	605 084	644 602
Balance at the end of the year	605 084	644 602

The outstanding balances of terminated members are provided for in full, while the provision for outstanding active members, is calculated on balances due for 30 days or more.

As at 31 December 2022 and 2021 the carrying amounts of accounts receivable approximate their fair values due to the short-term nature of these assets.

5. CASH AND CASH EQUIVALENTS

	2022 R	2021 R
Call accounts - Scheme	20 863 503	21 466 878
Current accounts	27 050 072	19 823 395
Call accounts - PMSA	46 610 419	35 294 416
Short term deposits	21 000 000	14 000 000
	115 523 994	90 584 689

As at 31 December 2022 the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term nature of these assets. The weighted average effective interest rate on call accounts was 7.06% (2021: 3.83%). The carrying value has been determined at amortised cost using the effective interest rate method.

6. TRADE AND OTHER PAYABLES

	2022 R	2021 R
Financial liabilities		
Accrued expenses and other payables	3 419 248	2 372 611
Insurance liabilities		
Trade payables	528 080	39 054
Reported claims not yet paid		
Remittances initiated but not yet paid	5 059 808	7 513 117
	9 007 136	9 924 782

The carrying amounts of trade and other payables approximate their fair values because of the short-term nature of these liabilities.

7. OUTSTANDING CLAIMS PROVISION

	2022 R	2021 R
Not covered by risk transfer arrangements		
Balance at beginning of year	17 330 512	21 985 446
Payments in respect of prior year	(18 477 013)	(21 974 453)
(Under) / over provision in prior year	(1 146 501)	10 993
Adjustment for current year	21 779 764	17 319 519
Balance at end of year	20 633 263	17 330 512
Covered by other risk transfer arrangements		
Balance at beginning of year	644 602	589 572
Payments in respect of prior year	(644 602)	(589 572)
Over/(under) provision in prior year	-	-
Adjustment for current year	605 084	644 602
Balance at end of year	605 084	644 602
Total outstanding claims provision	21 238 347	17 975 114

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, and involve 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, prudent assumptions are used.

Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from managed care: management services and historical evidence of the size of similar claims. The provisions are on the basis of 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) caused by differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, the determination of the occurrence date of a claim, and reporting lags.

The cost of outstanding claims is estimated using the chain ladder method. This method extrapolates the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each benefit year based upon observed development of earlier years and expected loss ratios. 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 methods used varies according to 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 effect 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 composition of members and their dependents; and
- Random fluctuations, including the impact of large losses.

7. OUTSTANDING CLAIMS PROVISION - continued

Assumptions

The assumptions used are consistent with those used in prior years. All sensitivities have been taken into account in calculating the outstanding claims provision and there is nothing material that needs to be reported on. These are used for assessing the outstanding claims provision. 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 which could differ when the claims arise.

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

The implicit assumptions include the following:

- The seasonality of claims will be consistent with the seasonality model adopted.
- The risk profile of the membership will remain constant during the year.
- The actual claims incurred in the first 12 months do not represent a statistical variation from the underlying mean.

8. PERSONAL MEDICAL SAVINGS ACCOUNT MONIES MANAGED BY THE SCHEME ON BEHALF OF ITS MEMBERS

	2022 R	2021 R
Balance on personal medical savings account trust liability at beginning of year	36 678 957	29 306 818
Add:		
Savings contributions received (refer note 9)	20 419 339	15 125 451
Less:		
Savings claims paid on behalf of members (refer note 10)	(9 443 381)	(7 269 830)
Refunds on death or resignation in terms of Regulation 10	(226 703)	(483 482)
Balance at the year end	47 428 212	36 678 957

The personal medical savings account trust liability contains a demand feature in terms of Regulation 10 of the 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.

No interest accrues on personal medical savings accounts. This is consistent with prior years.

8. PERSONAL MEDICAL SAVINGS ACCOUNT MONIES MANAGED BY THE SCHEME ON BEHALF OF ITS MEMBERS - continued

As at year end the carrying amount of the members' personal medical savings accounts were deemed to be equal to its fair value which is of a short term nature.

The personal medical savings accounts were invested on behalf of members in the following assets at 31 December:

	2022 R	2021 R
ABSA Call account	46 610 419	35 294 416
	46 610 419	35 294 416

The carrying amount of the trust investment approximates its fair value due to the short term maturities of these assets. The effective interest rate on bank deposits was 6.75% (2021: 5.84%)

The difference between the savings plan liability and savings assets is due to timing differences in savings contributions and savings claims paid which is corrected in the following month.

9. RISK CONTRIBUTION INCOME

	2022	2021
Gross contributions per registered rules	367 053 335	324 289 256
Less: Savings contributions received	(20 419 339)	(15 125 451)
Risk contribution income per statement of comprehensive income	346 633 996	309 163 805

The savings contributions are received by the scheme in terms of Regulation 10(1) and the scheme's registered Rules and held in trust on behalf of its members. Refer to note 8 to the financial statements for more detail on how these monies were utilised.

10. NET CLAIMS INCURRED

	2022	2021
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current year claims per registered rules	(272 774 185)	(222 843 934)
Movement in outstanding risk claims provision (refer note 7)	(21 779 764)	(17 319 519)
(Under) / over provision in prior year (refer note 7)	(1 146 501)	10 993
Provision at year end	(20 633 263)	(17 330 512)
Less: Savings plan claims (refer note 8)	9 443 381	7 269 830
	(285 110 568)	(232 893 623)
Claims incurred in respect of risk transfer arrangements		
Current year claims incurred in respect of risk transfer arrangements	(17 962 783)	(14 917 263)
Movement in outstanding claims provision		
Adjustment for current year	(605 084)	(644 602)
Third party claim recoveries	2 397 505	1 003 442
Claims incurred per the statement of comprehensive income	(301 280 930)	(247 452 046)

11. NET EXPENSE OF RISK TRANSFER ARRANGEMENTS

The scheme entered into the following risk transfer arrangements during the respective years.

	2022 R	2021 R
NETCARE 911 RISK TRANSFER ARRANGEMENT		
Premiums / fees paid	(4 114 562)	(3 623 522)
Claims incurred in respect of related risk transfer arrangements	3 116 481	3 321 097
Net expense	(998 081)	(302 425)
PREFERRED PROVIDER NEGOTIATORS RISK TRANSFER ARRANGEMENT		
Premiums / fees paid	(6 980 417)	(5 583 120)
Claims incurred in respect of related risk transfer arrangements	6 683 671	5 487 599
Net expense	(296 746)	(95 521)
DENTAL INFORMATION SYSTEMS RISK TRANSFER ARRANGEMENT		
Premiums / fees paid	(8 692 819)	(7 560 450)
Claims incurred in respect of related risk transfer arrangements	8 162 631	6 753 168
Net expense	(530 188)	(807 282)
SUMMARY		
Premiums / fees paid	(19 787 798)	(16 767 091)
Claims incurred in respect of related risk transfer arrangements	17 962 783	15 561 865
Net expense	(1 825 015)	(1 205 226)

Netcare 911 provides members on the Energy, Universal and Fantasy Options with Emergency Medical Assistance. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Netcare 911.

Preferred Provider Negotiators provides members on the Energy, Universal and Fantasy Options with optometry services. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Preferred Provider Negotiators.

Dental Information Systems provides members on the Energy, Universal and Fantasy Options with dental care services. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Dental Information Systems.

12. MANAGED CARE SERVICES

Pharmacy benefit management	(2 815 824)	(2 497 620)
Hospital utilisation management	(4 161 126)	(3 624 853)
	(6 976 950)	(6 122 473)

All Managed Care fees are payable to Momentum Thebe Ya Bophelo (Pty) Ltd.

THEBEMED MEDICAL AID SCHEME
REGISTRATION NUMBER 1592
ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

13. BROKER SERVICE FEES

	2022 R	2021 R
Broker fees	(11 254 015)	(9 807 359)

14. ADMINISTRATION EXPENDITURE

	2022 R	2021 R
Administration fees - Momentum Thebe Ya Bophelo (Pty) Ltd (refer note 15)	(21 598 542)	(18 712 053)
Actuarial fees	(401 332)	(393 889)
Association fees	(170 595)	(159 082)
Audit committee meeting fees	(145 000)	-
Audit fee	(311 334)	(278 760)
Bank charges	(32 093)	(110 143)
Consulting fees	(284 932)	(348 987)
Curator fees and expenses	(1 380 000)	(2 761 577)
Depreciation	(103 400)	(103 400)
Fidelity errors and omissions policy	(24 750)	-
Insurance fees	(55 713)	(50 247)
Legal fees	(28 230)	(518 972)
Marketing	(4 312 461)	(4 725 849)
Other expenses	(128 706)	(100 198)
Postage and courier	(661 694)	(617 181)
Principal Officer fees and expenses	(420 000)	-
Printing and stationery	(201 723)	(147 192)
Registrar's levies	(499 701)	(490 374)
Staff remuneration	(250 000)	(100 000)
Telephone expenses	(301 123)	(246 680)
Trustee fees and expenses	(433 618)	-
Wellbeing program expenses	(2 151 991)	(2 963 114)
	(33 896 938)	(32 827 698)

15. ADMINISTRATION FEES

ACCREDITED ADMINISTRATION SERVICES

	2022 R	2021 R
Member record management	(1 362 912)	(1 181 079)
Contribution management	(1 548 658)	(1 342 024)
Claims management	(4 719 953)	(4 089 214)
Financial management	(2 823 706)	(2 448 078)
Information management and data control	(5 451 625)	(4 723 385)
Broker remuneration management *	(229 198)	(196 787)
Customer services	(5 234 031)	(4 534 699)
Total accredited administration services	(21 370 083)	(18 515 266)

OTHER ADMINISTRATION SERVICES PROVIDED BY ACCREDITED ADMINISTRATORS

	2022 R	2021 R
Secretarial *	(228 459)	(196 787)
Total administration fees - Momentum Thebe Ya Bophelo (Pty) Ltd	(21 598 542)	(18 712 053)

* The prior year amounts for broker remuneration management and secretarial services have been reallocated, as the amount for broker management services was erroneously included with secretarial services.

16. INVESTMENT INCOME

	2022 R	2021 R
Interest on cash and cash equivalents	4 173 687	2 544 877
Interest capitalised to available-for-sale investments (refer note 3)	4 600 076	3 212 254
	8 773 763	5 757 131

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

In the process of applying the scheme's accounting policies, the Trustees have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Certain accounting judgements in applying the scheme's accounting policies and key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below:

The ultimate liability arising from claims made under medical insurance contracts

There are some sources of uncertainty that need to be considered in the estimation of the liability that the scheme will ultimately pay for such claims. Initial estimates are made pertaining to the best calculations on reported claims and are derived as the claims process develops. All estimates are revised and adjusted at year end by management.

Impact on the outstanding claims provision and reported profits caused by changes in key variables:

	Change in variable	**Impact on outstanding claims provision 2022 R**	**Impact on outstanding claims provision 2021 R**
General practioner claims	1% increase in claims	494 695	452 192
Specialist claims	1% increase in claims	754 975	628 594
Medicine claims	1% increase in claims	318 537	276 549
Hospital claims	1% increase in claims	1 068 727	818 185
Allied and support health claims	1% increase in claims	90 809	52 919

17. RELATED PARTY TRANSACTIONS

Momentum Thebe Ya Bophelo (Pty) Ltd, the administrator and managed care provider provides key management information to the scheme. Momentum Thebe Ya Bophelo (Pty) Ltd participates in the financial and operational activities of the Scheme, but does not control the scheme.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the scheme. Key management personnel include the Board of Trustees, Principal Officer and members of the audit committee. The amounts include close family members of the Board of Trustees and the Principal Officer. (Refer to Note 18 for Trustee expenses)

Relationships	
Administrator	Momentum Thebe Ya Bophelo (Pty) Ltd
Other related parties	Thebe Stock Broking (Pty) Ltd
	Thebe Investment Corporation (Pty) Ltd
	Thebe Tourism Group (Pty) Ltd
	Thebe Health Risk Management (Pty) Ltd
	Ndlovu Ulwazi Consulting (Pty) Ltd
	Thebe Health Lifestyle (Pty) Ltd
	Momentum Health Solutions (Pty) Ltd
	Madladla Consulting And Projects (Pty) Ltd
Key management personnel and their close family members	
Principal Officer	Adv. G. Tlali
Board of Trustees	Dr. G. Goolab (chairperson)
	W. Modisapodi
	W. Mosetlhe
Audit, Investment and Risk Committee	M. Tonjeni (chairperson)
	S. Maharaj
	T. Mochatsi

17. RELATED PARTY TRANSACTIONS - continued

	2022 R	2021 R
Transactions with parties that have significant influence over the Scheme		
Administration fees paid		
Momentum Thebe Ya Bophelo (Pty) Ltd	21 598 542	18 712 053
Contribution income received		
Thebe Stock Broking (Pty) Ltd	57 349	59 638
Thebe Investment Corporation (Pty) Ltd	123 281	155 162
Thebe Tourism Group (Pty) Ltd	158 868	166 846
Thebe Health Risk Management (Pty) Ltd	-	171 645
Claims paid		
Thebe Stock Broking (Pty) Ltd	6 478	7 485
Thebe Investment Corporation (Pty) Ltd	7 729	13 338
Thebe Tourism Group (Pty) Ltd	11 164	54 573
Thebe Health Risk Management (Pty) Ltd	-	18 881
Wellbeing program expenses		
Momentum Health Solutions (Pty) Ltd (previously paid to Momentum OCSA (Pty) Ltd)	2 151 991	2 963 114
Managed care fees		
Momentum Thebe Ya Bophelo (Pty) Ltd	6 976 950	6 122 473
Distribution fee		
Thebe Ya Bophelo Healthcare Administrators (Pty) Ltd	-	2 319 560
Momentum Thebe Ya Bophelo (Pty) Ltd	2 735 712	-
Broker service fees		
Ndlovu Ulwazi Consulting (Pty) Ltd	417 642	460 894
Madladla Consulting And Projects (Pty) Ltd	245 434	211 809
Curator fees and expenses		
Engaged Business Turnaround (Pty) Ltd	1 380 000	2 761 577

These transactions were all concluded in terms of the rules of the scheme.

Administration fees paid
The administration agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Scheme. The agreement is automatically renewed each year unless notification of termination is received.

Contribution income received
This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to third parties.

Claims paid
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 third parties.

Wellbeing program expenses
Wellness is provided to the members in accordance with the instructions given by the Scheme. All transactions were at an arm’s length basis.

Managed care fees
The managed care agreement is in accordance with the instructions given by the Scheme. The agreement is automatically renewed each year unless notification of termination is received. All transactions were at an arm's length basis.

Distribution fee
The distribution fee agreement is in accordance with the instructions given by the Scheme. The agreement is automatically renewed each year unless notification of termination is received. All transactions were at an arm's length basis.

Broker service fees
Broker fees are paid in accordance with the requirements contained in the Act.

18. TRUSTEES' EXPENSES

2022

	Meeting fees	Travel and accommodation	Total
Dr. G. Goolab	168 000	-	168 000
W. Modisapodi	168 000	-	168 000
W. Mosetlhe	84 000	13 618	97 618
	420 000	13 618	433 618

19. MEDICAL INSURANCE RISK MANAGEMENT

The scheme issues contracts that transfer medical risk from members to the scheme. This section summarises these risks and the way in which the scheme manages them.

Risk management objectives and policies for mitigating insurance risk

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. As such the scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The scheme also has exposure to market risk through its investment activities.

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

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

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

Medical insurance events are, by their nature random, and the actual number and size of event during any one year period may vary from those estimated using established statistical methods.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability around the expected outcome will 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 of risks to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

19. MEDICAL INSURANCE RISK MANAGEMENT - continued

Risk management objectives and policies for mitigating insurance risk - continued

General practitioner benefits cover the cost of all visits by members to general practitioners and of the procedures performed by them.

Specialists' benefits cover the cost of all visits by members to specialists and of the out-of-hospital procedures performed by specialists. Specialists' benefits also include radiology and pathology benefits provided to members.

Dentistry benefits cover the cost of all visits by members to dental practitioners and the procedures performed by them, up to a prescribed annual limit per member.

Optometry benefits cover the cost of all visits by members to optometrists, the cost of prescribed glasses and contact lenses and the cost of procedures performed by optometrists, up to a prescribed annual limit per member.

Medicine benefits cover the cost of all medicines prescribed to members.

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

The scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The strategy is set out in the annual business plan, which specifies the benefits to be provided by each option, the preferred target market and demographic split of this market.

All the contracts are annual in duration and the scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income and claims ratios by option, target market and demographic split is reviewed monthly. There is also an underwriting review programme that reviews a sample of contracts on a quarterly basis to ensure adherence to the scheme's objectives.

Impact of legislation and regulation

The medical scheme industry is governed by the Medical Schemes Act. The governance under the Act is fulfilled by a statutory body, the Council for Medical Schemes. Various legislative measures restrict the scheme from fully managing its insurance risk, the main factor being 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 are implemented to reduce risk.

19. MEDICAL INSURANCE RISK MANAGEMENT - continued

Sensitivity to Insurance Risk

The most significant medical insurance risk that the scheme faces is the risk that contributions are not sufficient to cover the claims expenditure and other expenses, and still have a sufficient surplus to maintain the solvency ratio of the scheme at the required level.

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, by age group and in relation to the type of risk covered / benefits provided:

As at 31 December 2022

Age grouping (in years)	General Practitioners	Specialists	Medicines	Hospital	Allied and support health	Total
<29	13 307 940	14 216 672	5 829 697	30 064 423	1 508 100	64 926 833
30 - 39	13 871 976	20 730 273	6 908 699	30 494 528	3 086 057	75 091 533
40 - 54	17 973 859	28 450 748	14 787 598	32 167 507	3 574 506	96 954 217
55 - 69	4 170 143	10 702 904	4 019 739	12 608 293	808 683	32 309 763
>70	145 551	1 396 880	307 986	1 537 905	103 515	3 491 838
Total	**49 469 470**	**75 497 477**	**31 853 720**	**106 872 657**	**9 080 862**	**272 774 185**

As at 31 December 2021*

Age grouping (in years)	General Practitioners	Specialists	Medicines	Hospital	Allied and support health	Total
<29	11 053 345	10 087 326	4 291 145	18 016 991	824 900	44 273 707
30 - 39	13 778 848	16 448 315	6 885 866	20 608 222	1 644 577	59 365 828
40 - 54	16 232 333	24 901 740	12 449 030	27 768 055	1 770 244	83 121 401
55 - 69	3 981 516	10 272 282	3 875 854	13 231 537	824 414	32 185 604
>70	173 181	1 149 765	152 972	2 193 734	227 741	3 897 393
Total	**45 219 224**	**62 859 429**	**27 654 867**	**81 818 539**	**5 291 875**	**222 843 934**

* the claims tab for the 2021 financial year was restated to only include scheme payments for service dates in the 2021 financial year

19. MEDICAL INSURANCE RISK MANAGEMENT - continued

Risk transfer arrangements

The scheme entered into capitation agreements with Netcare 911, Preferred Provider Negotiators and Dental Information Systems. The capitation agreements are in substance, the same as a non-proportional commercial reinsurance contract.

Risk in terms of risk transfer arrangements

The scheme cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business, on a co-insurance, yearly renewable term, excess or catastrophe excess basis. These risk transfer arrangements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the 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 all scheme members, as and when required by the members. The scheme does, however, remain liable to its members with respect to ceded insurance if any reinsurer (or supplier) fails to meet the obligations it assumes. When selecting a reinsurer (or supplier), the scheme considers its relative security. The security of the reinsurer (or supplier) is assessed from public rating information and from internal investigations.

Underwriting risk

Underwriting risk is the risk that the actual exposure of the scheme in respect of outstanding claims will exceed prudent estimates of such outstanding claims. 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.

20. CLAIMS DEVELOPMENT

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

21. FINANCIAL RISK MANAGEMENT

21.1 General

The scheme's activities expose it to a variety of financial risks, including the effects of changes in interest rates. The scheme's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the investments which the scheme holds to meet its obligations to its members.

Risk management and investment decisions are carried out by the Board of Trustees. The Board of Trustees identifies, evaluates and economically hedges (where appropriate) financial risk associated with the scheme's investment portfolio. The Board of Trustees provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investing excess liquidity. The Board of Trustees approves all these written policies.

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NOTES TO THE FINANCIAL STATEMENTS - continued
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21. FINANCIAL RISK MANAGEMENT - continued

21.2 Market Risk

Market risk is the inherent risk associated with the underlying counterparty or asset class. These inherent risks will influence the levels of income and/or capital valuation achieved over time and therefore affect the scheme income and reserve levels. The investment management process employed seeks to manage the market risk with a view of optimising the risk/reward profile of the scheme, whilst being compliant with Annexure B of the Medical Schemes Act.

Diversification and concentration

The asset class diversifications and concentrations are shown below. The sensitivity of the market risks show the illustrated impact of the profit/loss of the various asset classes.

	December 2022		**December 2021**	
Asset class	**R**	**%**	**R**	**%**
Cash	120 874 825	63.19	98 380 391	55.71
Bonds	41 968 088	21.94	48 620 069	27.53
Equity	28 451 069	14.87	29 593 602	16.76
Total	**191 293 982**	**100.00**	**176 594 062**	**100.00**

Asset manager allocation

Allocation as at December 2022

Manager	**Mandate**	**Investment vehicle**	**Rand**	**%**
Old Mutual Wealth Treasury	Liquidity/Cash	Segregated	115 523 995	60.39
STANLIB Asset Management	Income Fund	Pooled	30 556 683	15.97
Sanlam Investment Management	Top Choice Equity Fund	Policy of Insurance	19 753 500	10.33
Prudential Portfolio Managers	Life Inflation Plus 5% Medical Aid Fund	Policy of Insurance	14 341 639	7.50
Argon	Flexible Income	Pooled	11 118 164	5.81
			191 293 981	**100.00**

Allocation as at December 2021

Manager	**Mandate**	**Investment vehicle**	**Rand**	**%**
Old Mutual Wealth Treasury	Liquidity/Cash	Segregated	90 584 689	51.30
STANLIB Asset Management	Income Fund	Pooled	47 976 622	27.16
Sanlam Investment Management	Top Choice Equity Fund	Policy of Insurance	19 010 787	10.76
Prudential Portfolio Managers	Life Inflation Plus 5% Medical Aid Fund	Policy of Insurance	13 660 862	7.74
Argon	Flexible Income	Pooled	5 361 102	3.04
			176 594 062	**100.00**

21. FINANCIAL RISK MANAGEMENT - continued

21.2 Market Risk - continued

Counter party analysis

Asset Class	Top 5 Holdings as at December 2022	Ratings (Moody's at December 2022)	% of portfolio
Cash	ABSA Bank Limited	Aa1.za	31.41
	FirstRand Bank Limited	Aa1.za	21.95
	Nedbank Limited	Aa1.za	8.20
	The Standard Bank of South Africa	Aa1.za	0.88
	Investec Bank Limited	Aa1.za	0.24
Bonds	RSA Bond		4.76
	FirstRand Bank Limited		2.26
	The Standard Bank of South Africa		2.09
	ABSA Bank Limited		1.43
	Nedbank Limited		1.10
Property	Amber House Fund 2 (RF) Limited		0.39
	Growthpoint Properties Limited		0.33
	Resilient Property Income Fund		0.22
	Amber House Fund 4 (RF) Limited		0.13
	Redefine Properties Limited		0.13
Equity	Naspers Limited		1.30
	Prosus NV		1.21
	Anglo American Plc		0.88
	ABSA Group Limited		0.77
	MTN Group Limited		0.73

Asset Class	Top 5 Holdings as at December 2021	Ratings (Moody's at December 2021)	% of portfolio
Cash	The Standard Bank of South Africa	Aa1.za	21.11
	FirstRand Bank Limited	Aa1.za	18.47
	Nedbank Limited	Aa1.za	8.30
	ABSA Bank Limited	Aa1.za	6.79
	Investec Bank Limited	Aa1.za	0.66
Bonds	RSA Bond		4.40
	FirstRand Bank Limited		3.44
	The Standard Bank of South Africa		2.91
	ABSA Bank Limited		1.81
	Nedbank Limited		1.45

21. FINANCIAL RISK MANAGEMENT - continued

21.2 Market Risk - continued

Diversification and concentration - continued

Counter party analysis - continued

Asset Class	Top 5 Holdings as at December 2021	Ratings (Moody's at December 2021)	% of portfolio
Property	Amber House Fund 2 (RF) Limited		0.63
	Resilient Property Income Fund		0.49
	Growthpoint Properties Limited		0.49
	Thekwini Fund 15 (RF) Limited		0.34
	Redefine Properties Limited		0.29
Equity	Prosus NV		1.26
	Anglo American Plc		1.11
	MTN Group Limited		1.01
	Naspers Limited		0.89
	Sasol Limited		0.82

Sensitivity analysis: Cash

Basis:
The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of interest (see table below). i.e. +1% suggests the closing market value could have been R 122 023 900 if the interest had been higher by 1% during 2022 as compared to the actual interest rate. A one percent increase in the interest at the reporting date would have increased cash by R 1 149 075 (2021 an increase of R 947 672). An equal change in the opposite direction would have decreased cash by R 1 149 075 (2021 a decrease of R 947 672).

% Change	Return of Index	Adjusted closing value	Difference
		R	R
2%	7.19%	123 172 975	2 298 151
1%	6.19%	122 023 900	1 149 075
0%	5.19%	120 874 825	-
-1%	4.19%	119 725 749	(1 149 075)
-2%	3.19%	118 576 674	(2 298 151)

Sensitivity analysis: Bonds

Basis:
The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of investment performance (see table below). i.e. +1% suggests the closing market value could have been R 42 370 623 if the investment performance had been higher by 1% during 2022 as compared to the market investment performance. A one percent increase in the investment return at the reporting date would have increased bonds by R 402 535 (2021 an increase of R 448 517). An equal change in the opposite direction would have decreased bonds by R 402 535 (2021 a decrease of R 448 517).

% Change	Return of Index	Adjusted closing value	Difference
		R	R
2%	6.26%	42 773 159	805 071
1%	5.26%	42 370 623	402 535
0%	4.26%	41 968 088	-
-1%	3.26%	41 565 553	(402 535)
-2%	2.26%	41 163 017	(805 071)

21. FINANCIAL RISK MANAGEMENT - continued

21.2 Market Risk - continued

Diversification and concentration - continued

Sensitivity analysis: Equity

Basis:

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of investment performance (see table below). i.e. +2% suggests the closing market value could have been R 29 000 429 if the investment performance had been higher by 2% during 2022 as compared to the market investment performance.

All equity investments are listed on the JSE. A two percent increase in the investment return at the reporting date would have increased equity by R 549 360 (2021: an increase of R 458 007); an equal change in the opposite direction would have decreased equity by R 549 360 (2021: a decrease of R 458 007).

The change will have an impact on the fair value adjustment reserve and/or the surplus/deficit depending on the investment type.

% Change	Return of Index	Adjusted closing value R	Difference R
4%	7.58%	29 549 789	1 098 720
2%	5.58%	29 000 429	549 360
0%	3.58%	28 451 069	-
-2%	1.58%	27 901 709	(549 360)
-4%	-0.42%	27 352 349	(1 098 720)

Notes:

1. The 0% line reflects the actual closing value of the respective asset classes. The adjusted closing values are a reflection of the sensitivity of the return around the index. For the less volatile indices; i.e. Cash and bonds, a sensitivity of 1% and 2% is used and for the more volatile indices, i.e. equity, a sensitivity of 2% and 4% is used.

2. Investment Risk and Investment Return
Seeking higher investment returns is typically associated with taking additional risk through exposure to asset classes such as equities and bonds where the capital is at risk. Additional investment risk is typically associated with higher variability in asset prices. Also, the extent to which actual investment returns differ from expected returns is greater.

21. FINANCIAL RISK MANAGEMENT - continued

21.2 Market Risk - continued

Interest rate risk

The table below summarises the scheme's exposure to interest rate risks. Included in the table are the scheme's investments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Up to 1 month R	1 - 3 months R	3 - 12 months and more R	Total R
As at 31 December 2022				
Cash and cash equivalents	47 913 575	-	21 000 000	68 913 575
Investments	-		75 769 986	75 769 986
Savings trust assets	46 610 419	-	-	46 610 419
Personal medical savings account monies managed by the scheme on behalf of its members	(5 005 925)	(756 171)	(41 666 115)	(47 428 212)
Total	**89 518 069**	**(756 171)**	**55 103 871**	**143 865 768**

	Up to 1 month R	1 - 3 months R	3 - 12 months and more R	Total R
As at 31 December 2021				
Cash and cash equivalents	41 290 273	-	14 000 000	55 290 273
Investments	-	-	86 009 374	86 009 374
Savings trust assets	35 294 416	-	-	35 294 416
Personal medical savings account monies managed by the scheme on behalf of its members	(5 328 282)	(559 290)	(30 791 385)	(36 678 957)
Total	**71 256 407**	**(559 290)**	**69 217 989**	**139 915 106**

21.3 Credit Risk

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

The scheme's principal financial assets are cash and cash equivalents and trade and other receivables. The scheme's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Cash transactions are limited to high credit quality financial institutions. The scheme has a policy of limiting the amount of credit exposure to any one financial institution.

21. FINANCIAL RISK MANAGEMENT - continued

21.3 Credit Risk - continued

Investments

Cash investments are limited to high credit quality financial institutions. The scheme has a policy of limiting the amount of credit exposure to any one financial institution. Available-for-sale investments are invested based on clearly defined terms in order to limit credit exposure to those investments.

Cash and cash equivalents

Credit risk is managed through transactions with South African financial institutions with investment grade ratings as assigned by internationally recognised rating agencies.

Due to these investment grade ratings, the Trustees do not generally expect any of the counterparties to fail to meet their 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.

Trade and other receivables

Trade and other receivables comprises insurance receivables and other receivables.

The main component of insurance receivables is receivables for contributions due from members.

The scheme manages credit risk by:

- 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.
- Suspending benefits on member accounts when contributions have not been received for 30 days.
- Terminating benefits on member accounts when contributions have not been received for 60 days.
- Ageing and pursuing unpaid accounts on a monthly basis.

21. FINANCIAL RISK MANAGEMENT - continued

21.3 Credit Risk - continued

Exposure to credit risk

Trade and other receivables

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

	Carrying amount 2022 R	Carrying amount 2021 R
Trade and other receivables		
Contribution receivables	2 293 028	978 822
Other receivables	1 187 708	1 209 476
Cash and cash equivalents	115 523 994	90 584 689
Investments	75 769 986	86 009 374
	194 774 716	178 782 361

Contribution receivables are collected by means of debit orders, electronic receipts and receipts from payroll offices.

The maximum credit exposure to member and service provider claim receivables (included in other receivables) was:

Member claim receivables	5 880	5 880
Service provider claim receivables	416 821	479 302
	422 701	485 182

Impairment losses

The ageing of the components of insurance receivables at year-end was:

Description	Gross 2022 R	Impairment 2022 R	Gross 2021 R	Impairment 2021 R
Contribution debtors				
Not past due	2 094 059	-	1 100 477	-
Past due 4 - 30 days	82 438	-	(54 404)	-
Past due 31 - 60 days	39 149	-	27 166	-
Past due 61 - 90 days	8 713	-	(66 429)	-
91 days to more than one year	26 491	-	(108 489)	-
Total	2 250 850	-	898 321	-
Withdrawn members				
Not past due	42 178	-	67 862	-
Past due 4 - 30 days	6 980	6 980	8 101	-
Past due 31 - 60 days	7 517	7 517	3 211	-
Past due 61 - 90 days	608	608	29 107	27 780
91 days to more than one year	137 275	137 275	108 053	108 053
Total	194 558	152 380	216 334	135 833

21. FINANCIAL RISK MANAGEMENT - continued

21.3 Credit Risk - continued

Exposure to credit risk - continued

Impairment losses - continued

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

	Trade and other receivables	
	Contribution debtors	Total
	R	R
Balance 1 January 2021	81 807	81 807
Change to provision made during the year	54 027	54 027
Balance 31 December 2021	135 834	135 834
Change to provision made during the year	16 546	16 546
Balance 31 December 2022	152 380	152 380

Contribution debtors

The scheme collected 92.98% (2021: 82.78%) of outstanding debt in January 2023. Therefore we can reasonably establish that the credit quality of contribution debtors is high. Consequently no additional disclosure of the credit quality is provided.

Based on past experience, the scheme believes that no allowance is required in respect of contribution debtors that are fully performing. For withdrawn member contribution debtors, past experience has indicated that these amounts are seldom recoverable.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The scheme does not hold any collateral as security.

21. FINANCIAL RISK MANAGEMENT - continued

21.3 Credit Risk - continued

Exposure to credit risk - continued

Investments

Cash transactions are limited to high credit quality financial institutions. The scheme has a policy of limiting the amount of credit exposure to any one financial institution.

Due to these high credit ratings the Trustees do 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 regulatory monitored.

The table below shows the limit and balance of cash and cash equivalents and investments with the major counterparties held at year-end:

		2022		2021	
		R	R	R	R
Counterparty	Limit	Limit	Balance	Limit	Balance
Cash deposits					
First National Bank	35%	66 970 083	41 992 991	61 854 225	32 623 964
Nedbank Limited	35%	66 970 083	15 688 114	61 854 225	14 656 968
Investec Bank Limited	35%	66 970 083	460 094	61 854 225	1 157 226
ABSA Bank Limited	35%	66 970 083	13 478 742	61 854 225	11 984 790
Standard Bank Limited	35%	66 970 083	1 683 704	61 854 225	37 283 675

The table below shows the limit and balance of savings trust assets held at the major counterparties at year-end:

	2022		2021	
	R	R	R	R
Counterparty	Limit	Balance	Limit	Balance
ABSA Bank Limited	n/a	46 610 419	n/a	35 294 416

In terms of Circular 38 of 2011, the Annexure B restrictions are not applicable to savings trust assets.

21. FINANCIAL RISK MANAGEMENT - continued

21.4 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent investments; the availability of funding through liquid holding cash positions with various financial institutions ensures that the scheme has the ability to fund the day-to-day operations of the scheme.

The table below analyses financial assets and liabilities of the scheme into relevant maturity groupings based on the remaining period at financial position date to the contractual maturity date:

As at 31 December 2022

	Up to 1 month R	1 - 3 months R	3 - 12 months R	Total R
Current assets	**97 174 344**	**794 677**	**96 805 695**	**194 774 716**
Trade and other receivables	2 650 350	794 677	35 709	3 480 736
Cash and cash equivalents	47 913 575	-	21 000 000	68 913 575
Investments	-	-	75 769 986	75 769 986
Savings trust assets	46 610 419	-	-	46 610 419
Total assets	**97 174 344**	**794 677**	**96 805 695**	**194 774 716**
Current liabilities	**6 753 189**	**22 205 840**	**48 714 667**	**77 673 695**
Trade and other payables	1 747 263	211 322	7 048 551	9 007 136
Personal medical savings account monies managed by the scheme on behalf of its members	5 005 925	756 171	41 666 115	47 428 212
Outstanding risk claims provision	-	21 238 347	-	21 238 347
Total liabilities	**6 753 189**	**22 205 840**	**48 714 667**	**77 673 695**
Net liquidity gap analysis	**90 421 155**	**(21 411 163)**	**48 091 029**	**117 101 020**

As at 31 December 2021

	Up to 1 month R	1 - 3 months R	3 - 12 months R	Total R
Current assets	**77 851 755**	**694 145**	**100 236 461**	**178 782 361**
Trade and other receivables	1 267 066	694 145	227 087	2 188 298
Cash and cash equivalents	41 290 273	-	14 000 000	55 290 273
Investments	-	-	86 009 374	86 009 374
Savings trust assets	35 294 416	-	-	35 294 416
Total assets	**77 851 755**	**694 145**	**100 236 461**	**178 782 361**
Current liabilities	**8 091 173**	**19 302 224**	**37 185 456**	**64 578 853**
Trade and other payables	2 762 891	767 820	6 394 071	9 924 782
Personal medical savings account monies managed by the scheme on behalf of its members	5 328 282	559 290	30 791 385	36 678 957
Outstanding risk claims provision	-	17 975 114	-	17 975 114
Total liabilities	**8 091 173**	**19 302 224**	**37 185 456**	**64 578 853**
Net liquidity gap analysis	**69 760 582**	**(18 608 079)**	**63 051 005**	**114 203 508**

21. FINANCIAL RISK MANAGEMENT - continued

21.4 Liquidity Risk - continued

Cash and cash equivalents

Cash and cash equivalents are made up of the following:

	2022 R	2021 R
Current accounts	27 050 072	19 823 395
Deposits on call account - scheme	20 863 503	21 466 878
Deposits on call account - savings	46 610 419	35 294 416
Short term deposits	21 000 000	14 000 000
Total	115 523 994	90 584 689

21.5 Capital adequacy risk

This represents the risk that there are insufficient reserves to provide for adverse variations on future investments and claims experience. At the year end, the accumulated funds ratio computed in terms of the Registrar's formula was 30.59% (2021: 34.12%). The Trustees believe that this cover is appropriate for the scheme's needs.

The scheme has complied throughout the year with the capital adequacy requirements as imposed by Regulation 29(2) of the Medical Schemes Act of 25% of annual contributions.

21.6 Fair values

The fair values of all financial instruments are substantially identical to the carrying values reflected in the statement of financial position.

21.7 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 legal risk to which the scheme was exposed to.

21.8 Capital management

The scheme is subject to the capital requirements imposed by Regulation 29(2) of the Act, which requires a minimum solvency ratio of accumulated funds expressed as a percentage of gross contributions to be 25%.

The scheme's objectives when managing capital are to maintain the capital requirements of the Act, and to safeguard the scheme's ability to continue as a going concern in order to provide benefits for its stakeholders.

21. FINANCIAL RISK MANAGEMENT - continued

21.8 Capital management - continued

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

	2022 R		2021 R
The accumulated funds ratio is calculated on the following basis:			
Accumulated funds	112 278 790		110 662 771
Revaluation reserve	4 871 345		3 673 032
Total member’s funds per statement of financial position	117 150 135		114 335 803
Gross contributions	367 053 335		324 289 256
Ratio of accumulated funds to gross annual contribution income	30.59%		34.12%

The scheme is currently operating above the statutory requirement of 25%.

22. GUARANTEES

In terms of section 33(3) of the Medical Schemes Act, Standard Bank Limited has provided guarantees for an amount of R 2 500 000 (2021: R 2 500 000) in favor of Thebemed Medical Aid Scheme and lodged with the Registrar.

22. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

For management purposes the Scheme is organised into three benefit options – Energy Plan, Universal Plan and Fantasy Plan. The principal features of the benefit options are as follows:

- Universal Plan: This plan consists of private hospital cover as well as day-to-day benefits. These day-to-day benefits must be obtained from a selected network doctor.
- Energy Plan: This plan offers extensive benefits at private hospital level, as well as comprehensive day-to-day benefits. Members have the choice to visit any Designated Service Provider.
- The Fantasy Plan has 100% of negotiated tariffs based on internal protocols subject to PMB's. This option offers medical savings.

	2022 R Energy Plan	2022 R Universal Plan	2022 R Fantasy Plan	2022 R Total
Gross contribution income	75 369 864	121 176 665	170 506 806	367 053 335
Less:				
Savings contribution income	-	-	(20 419 339)	(20 419 339)
Net contribution income	**75 369 864**	**121 176 665**	**150 087 467**	**346 633 996**
Relevant healthcare expenditure	**(60 646 531)**	**(97 981 878)**	**(151 454 486)**	**(310 082 895)**
Net claims incurred	(59 738 850)	(93 503 942)	(148 038 138)	(301 280 930)
Net expense of risk transfer arrangement	158 341	(1 520 616)	(462 740)	(1 825 015)
Risk transfer arrangement fees/premiums paid	(3 411 629)	(7 893 502)	(8 482 667)	(19 787 798)
Recoveries from risk transfer arrangements	3 569 970	6 372 886	8 019 927	17 962 783
Managed care services (accredited organisations)	(1 066 022)	(2 957 320)	(2 953 608)	(6 976 950)
Gross healthcare result	**14 723 333**	**23 194 787**	**(1 367 019)**	**36 551 101**
Broker service fees	(3 072 745)	(4 161 084)	(4 020 186)	(11 254 015)
Administration expenses	(7 208 642)	(13 005 713)	(13 682 583)	(33 896 938)
Net impairment on healthcare receivables	(5 304)	(986)	(10 257)	(16 547)
Net healthcare result	4 436 642	6 027 004	(19 080 045)	(8 616 399)
Investment income	1 398 350	2 248 212	5 127 201	8 773 763
Other income	569 503	915 624	1 288 368	2 773 495
Asset management fees	(75 704)	(121 713)	(171 262)	(368 679)
Realisation of investment	(194 282)	(312 360)	(439 519)	(946 161)
Surplus/(deficit) for the year	**6 134 509**	**8 756 767**	**(13 275 257)**	**1 616 019**
Members at 31 December 2022	**1 205**	**5 720**	**5 346**	**12 271**

22. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION - continued

	2021 R Energy Plan	2021 R Universal Plan	2021 R Fantasy Plan	2021 R Total
Gross contribution income	80 214 124	117 867 469	126 207 663	324 289 256
Less:				
Savings contribution income	-	-	(15 125 451)	(15 125 451)
Net contribution income	**80 214 124**	**117 867 469**	**111 082 212**	**309 163 805**
Relevant healthcare expenditure	**(61 826 059)**	**(100 160 400)**	**(92 793 286)**	**(254 779 745)**
Net claims incurred	(60 762 545)	(95 778 062)	(90 911 439)	(247 452 046)
Net expense of risk transfer arrangement	50 506	(1 500 544)	244 812	(1 205 226)
Risk transfer arrangement fees/premiums paid	(3 281 800)	(7 493 048)	(5 992 243)	(16 767 091)
Recoveries from risk transfer arrangements	3 332 306	5 992 504	6 237 055	15 561 865
Managed care services (accredited organisations)	(1 114 020)	(2 881 794)	(2 126 659)	(6 122 473)
Gross healthcare result	**18 388 065**	**17 707 069**	**18 288 926**	**54 384 060**
Broker service fees	(2 450 871)	(3 638 418)	(3 718 070)	(9 807 359)
Administration expenditure	(7 726 797)	(14 207 787)	(10 893 114)	(32 827 698)
Net impairment on healthcare receivables	(41 647)	(11 675)	(705)	(54 027)
Net healthcare result	8 168 750	(150 811)	3 677 037	11 694 976
Investment income	2 438 730	3 530 740	4 660 992	10 630 462
Other income	767 635	1 122 191	1 196 960	3 086 786
Asset management fees	(83 540)	(120 041)	(121 785)	(325 366)
Surplus for the year	**11 291 575**	**4 382 079**	**9 413 204**	**25 086 858**
Members at 31 December 2021	**1 292**	**5 909**	**4 048**	**11 249**

23. DEFERRAL OF IFRS 9 FINANCIAL INSTRUMENTS

The effective date of IFRS 9 Financial Instruments (IFRS 9) is for annual periods beginning on or after 1 January 2018. IFRS 9 will change the classification of financial assets to either amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI).

In addition, IFRS 9 replaces the "incurred loss" model in IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) with an "expected credit loss model", which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The effective date of IFRS 17 Insurance Contracts is for annual periods beginning on or after 1 January 2023. The differing effective dates of IFRS 9 and IFRS 17 could have a significant impact on insurers (including medical schemes). Entities whose predominant activity is the issuing of insurance contracts within the scope of IFRS 4 Insurance Contracts (IFRS 4) are afforded the option to defer the implementation of IFRS 9 (Deferral Approach) i.e. granted temporary exemption from recognising financial instruments in accordance with IFRS 9 (thus permitted to continue to apply IAS 39) until the recognition of insurance contracts has been finally settled, although this option may not be used after 1 January 2022.

The scheme meets the requirements at date preceding 1 April 2016 as its insurance liabilities are 100% of total liabilities and have elected to adopt the Deferral Approach.

IFRS 9 Impact of adoption of IFRS 9 on the scheme

In terms of each investment portfolio, the Scheme will need to assess if the investment will be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- Financial assets measured at amortised cost
  A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.
- A financial asset is measured at fair value through profit or loss if:

a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

With regards to the impairment of the financial assets:

- Impairment of debt instruments held at amortised cost and fair value through other comprehensive income.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires 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 following table shows measurement categories in accordance with IAS 39 reflected in the scheme's financial statements in comparison with the measurement's categories under IFRS 9 if the scheme adopted IFRS 9 for the year under review.

Financial asset categories	IAS 39 classification	IAS 39 measurement R	IFRS 9 classification	IFRS 9 measurement R
Investments	Available-for-sale	75 769 986	FVOCI	75 769 986
Trade and other receivables	Loans and receivables	3 480 736	Amortised cost	3 480 736
Cash and cash equivalents	Held to maturity	115 523 994	Amortised cost	115 523 994

24. ANALYSIS OF CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES PER IAS 39 CATEGORIES

Financial assets

2022	Financial assets at fair value through profit or loss R	Loans and receivables R	Available-for-sale financial assets R	Financial liabilities measured at amortised cost R	Insurance receivables and payables R	Total carrying amount R
Investments	-	-	75 769 986	-	-	75 769 986
Cash and cash equivalents	115 523 994	-	-	-	-	115 523 994
Trade and other receivables	-	2 875 652	-	-	605 084	3 480 736
Outstanding claims					(21 238 347)	(21 238 347)
Trade and other payables	-	-	-	(8 479 056)	(528 080)	(9 007 136)
	115 523 994	2 875 652	75 769 986	(8 479 056)	(21 161 343)	164 529 233

Financial assets

2021	Financial assets at fair value through profit or loss R	Loans and receivables R	Available-for-sale financial assets R	Financial liabilities measured at amortised cost R	Insurance receivables and payables R	Total carrying amount R
Investments	-	-	86 009 374	-	-	86 009 374
Cash and cash equivalents	90 584 689	-	-	-	-	90 584 689
Trade and other receivables	-	1 543 696	-	-	644 602	2 188 298
Outstanding claims	-	-	-	-	(17 975 114)	(17 975 114)
Trade and other payables	-	-	-	(9 885 728)	(39 054)	(9 924 782)
	90 584 689	1 543 696	86 009 374	(9 885 728)	(17 369 566)	150 882 465

Investments are stated at quoted market prices. All investments are on level 1 * of the fair value hierarchy. This analysis is performed on the same basis for 2022.

* Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.

25. NON-COMPLIANCE MATTERS

Section 59 (2)
Certain claims were paid in excess of 30 days after receipt by the administrator as a result of queries to be investigated/audited in relation thereto. Non-compliance could impact on the relationship with members and providers. Procedures and policies are in place to manage late payment of claims, including a weekly report of claims held for investigation which is checked and signed by management to ensure that the 30 day limit is not exceeded. This practice ensures accurate claims processing and is in the interest of the risk management of the scheme.

Section 26 (7)
Certain contributions were not received within three days of becoming due. Non-compliance could affect the cash flow of the scheme and lead to member benefits being suspended. Due to the short duration of the contributions being outstanding, this is not significant. The scheme has a credit control policy in place.

Section 33 (2)
Each benefit option should be financially sound and self supporting. In respect of this scheme the Fantasy Plan incurred a net healthcare deficit. Non-compliance results in benefit options making a surplus subsidising benefit options making a deficit.

The Fantasy Plan saw numerous extreme high cost cases during the year, with one of those cases amounting to a total of R 12.2 million paid for all related costs. These cases are not the norm. A system has been developed with the assistance of the scheme actuaries to alert the scheme to possible high cost cases in future which require immediate intervention - this is expected to assist in controlling costs.

Section 35 (8) (a)
In terms of this section of the Medical Schemes Act 131 of 1998, as amended, a medical scheme shall not invest any of its assets in the business of or grant loans to an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme. The Scheme has an investment in a pooled fund which may invest in the shares and bonds of the ultimate holding companies of certain medical scheme administrators from time to time, as well as participating employers, at the discretion of the Fund Manager. The scheme has been granted exemption from section 35(8)(a) by the Council for Medical Schemes.

The Trustees do not consider that these non-compliance matters have had a significant impact on the operations of the scheme or on the Financial Statements.

26. CONTINGENCIES AND COMMITMENTS

The scheme did not have any contingencies or commitments at year end other than those disclosed.

27. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period that require disclosure, other than those already addressed.

28. COVID-19 PANDEMIC

The impact of Covid-19 on the scheme can be summarised as follows (as at 31 December 2022):

COVID claims experience		
Total lives infected by COVID		1,345
Total lives recovered from COVID		925
Total deaths from COVID		345
Total COVID related claims in Rands	*	42,364,685
COVID vaccines		
Total lives vaccinated		10,101
Total vaccine costs		6,666,237

* **COVID related claims in Rands:**
Certain assumptions have been made when determining possible Covid related costs. It is therefore possible that there may be costs included which may have not been for the patient's Covid treatment.
Rules applied:

- **Negative patients** – GP consultation costs within 7 days prior to the test and the Covid (SARS PCR) pathology cost
- **Positive patients** – Costs within 7 days prior to the test and 14 days subsequent to the test, unless admitted (hospital and related costs to end of authorisation) or deceased (costs to membership termination date).
- Certain provider types were excluded in the costing of Covid treatment (e.g. dentists and optometrists).

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