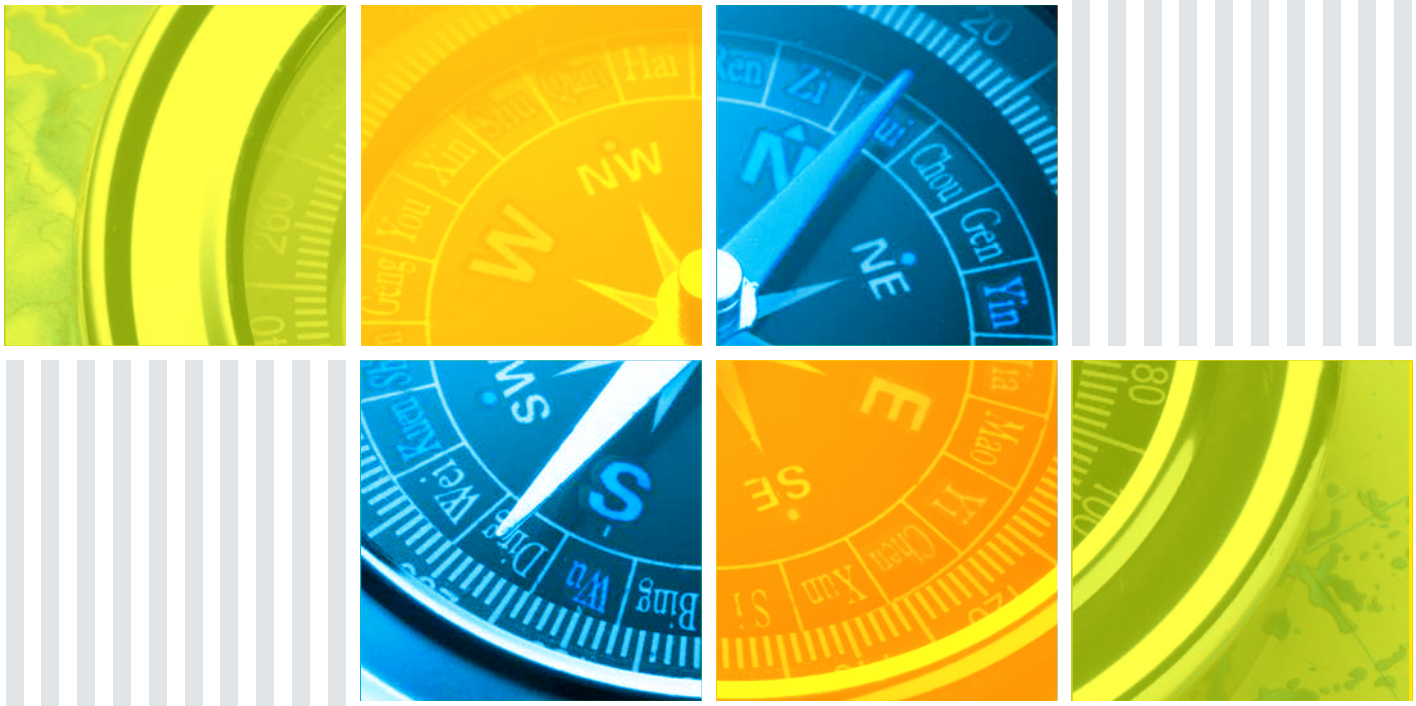
Bestmed
Medical Scheme

Financial Statements

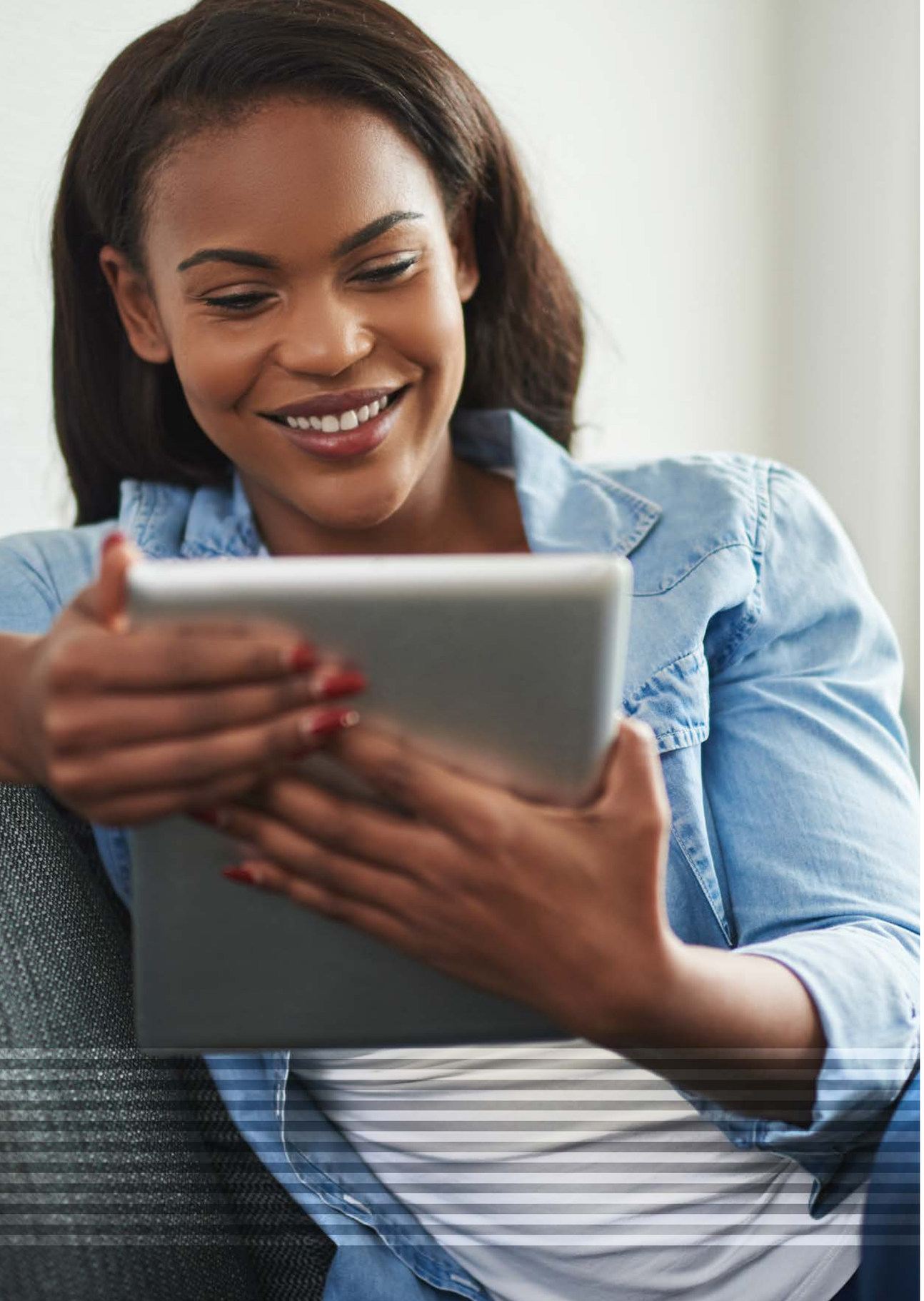
for the year ended 31 December 2023



60 YEARS ANNIVERSARY

bestMed

personally yours



CONTENT

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

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

The financial statements presented on pages 30 to 101 have been prepared in accordance with International Financial Reporting Standards (IFRS), in the manner required by the Medical Schemes Act and Regulations thereto and include amounts based on judgements and estimates made by management.

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

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

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

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

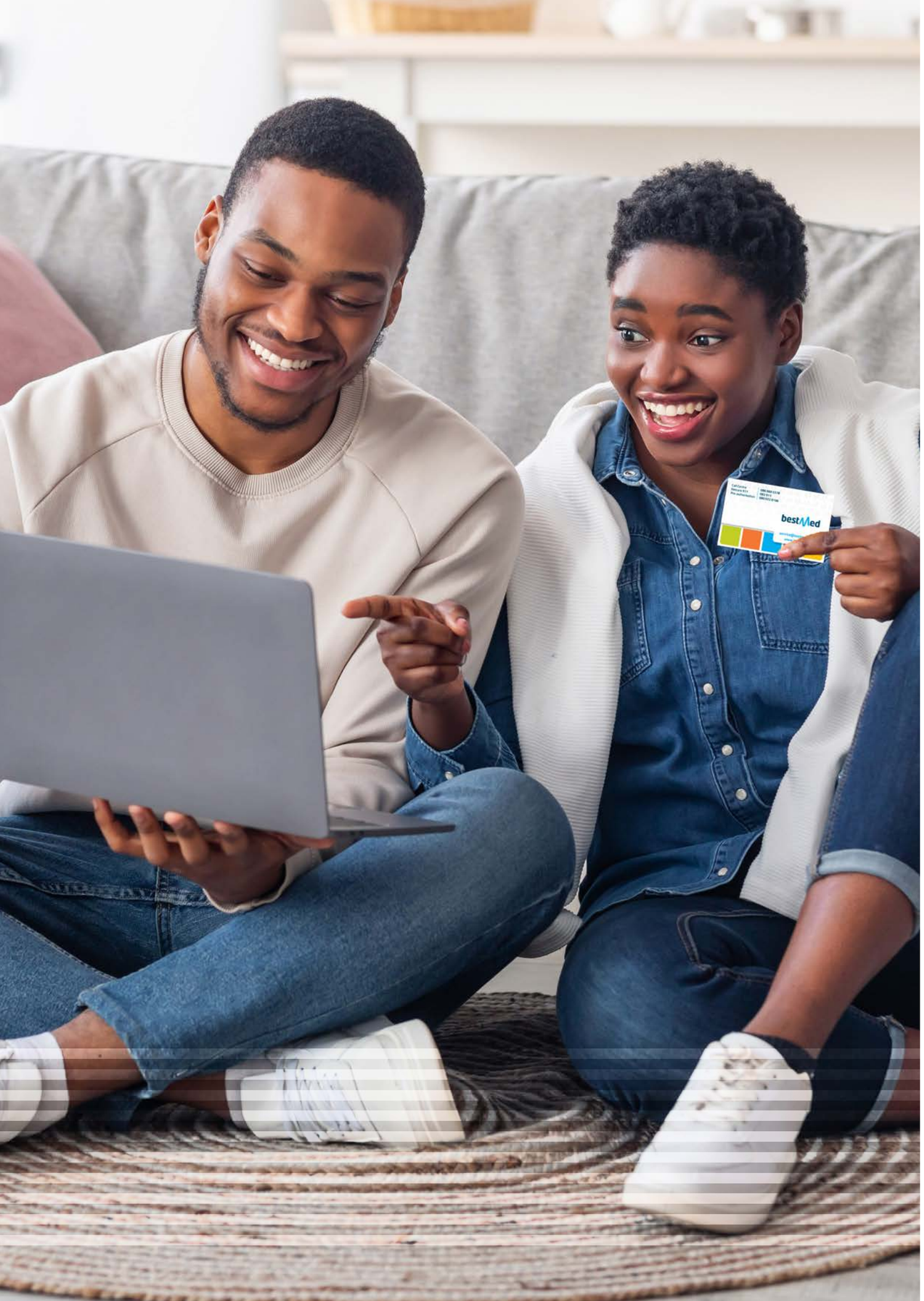
The going concern basis has been adopted in preparing the financial statements. The Board has no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Scheme.

The financial statements were approved by the Board of Trustees on 27 May 2024 and are signed on its behalf:

CM Mowatt
Chairperson

GS du Plessis
Vice-Chairperson

LB Dlamini
Principal Officer



STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Bestmed Medical Scheme is committed to the principles of fairness, independence, openness, integrity and accountability in all dealings with its stakeholders.

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

BOARD OF TRUSTEES

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

INTERNAL CONTROL

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

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

CM Mowatt
Chairperson

GS du Plessis
Vice-Chairperson

LB Dlamini
Principal Officer

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2023.

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of Registration

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

1.2 Benefit Options

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

Beat1

Beat1 Network - EDO

Beat2

Beat2 Network - EDO

Beat3

Beat3 Network - EDO

Beat4

Pace1

Pace2

Pace3

Pace4

Rhythm1

Rhythm2

1.3 Savings Plan

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

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

BENEFIT OPTION	PERCENTAGE
Beat1	None
Beat1 Network - EDO	None
Beat2	16%
Beat2 Network - EDO	16%
Beat3	15%
Beat3 Network - EDO	15%
Beat4	14%
Pace1	19%
Pace2	14%
Pace3	14%
Pace4	3%
Rhythm1	None
Rhythm2	None

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

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

The insurance contract liability to the members in respect of the savings plan is considered a non-distinct investment component (in terms of IFRS 17 Insurance Contracts) and as such included in the measurement of insurance contract liabilities in the financial statements, but constitutes trust money and is managed on the members' behalf in terms of the Scheme Rules. All unspent personal medical savings balances are invested in a separate trust account and are not managed as part of the assets of the Scheme. Except for the aforementioned changes introduced by IFRS 17, this treatment of members savings accounts is consistent with prior year's accounting treatment in line with guidance provided by the Council for Medical Schemes ("CMS") which allows either for the recognition of members savings as assets of the Scheme or as members' funds.

1.4 Reinsurance contracts

The Scheme had the following reinsurance contracts in 2023:

ER24 provided transportation or emergency medical response to the Scheme's members. Claims incurred and recoveries received were calculated based on utilisation figures obtained from ER24. The net income on the reinsurance contract was R4,394,215 (2022: net income R7,295,670).

Preferred Provider Negotiators provided members on the Beat3, Beat4 and all of the Pace and Rhythm options optical services which include consultations, frames, lenses and contact lenses. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Preferred Provider Negotiators. The net expense on the reinsurance contract was R2,616,650 (2022: net income R836,157).

Europ Assistance provided international transportation or emergency medical response to the Scheme's members. The Scheme contracted with Europ Assistance at a rate of R5.90 per member. The net expense on the reinsurance contract was R7,322,457 (2022: R7,355,771).

Refer to Note 9 to the financial statements for further disclosure.

2. MANAGEMENT

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

2.1.1

ELECTED BY THE MEMBERS	TERM OF OFFICE
E Marx	2020 - 2024
C Lombard	2020 - 2024
A Hartzenberg	2022 - 2026
M Slabbert	2022 - 2026
L de Vries	2022 - 2026

2.1.2

BOARD-APPOINTED TRUSTEES	TERM OF OFFICE
CM Mowatt - CA(SA) (Chairperson)	2020 - 2024
LD Jordaan	2020 - 2024
GS du Plessis - CA(SA) (Vice-Chairperson)	2022 - 2026
BE Legobye	2022 - 2026
DK Smith - FASSA Deceased 30 January 2023	2022 - 2026
L Shah Appointed 22 June 2023	2023 - 2026

2.2 Principal Officer

LB Dlamini

2.3 Registered office address and postal address

Bestmed Medical Scheme

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

PO Box 2297
Pretoria
0001

2.4 Investment Advisors

Willis Towers Watson (Pty) Ltd

Illovo Edge
1 Harries Road
Illovo
Johannesburg
2196

Postnet Suite 154
Private Bag x 1
Melrose Arch
2076

FSP number: 2545

2.5 Investment Managers

M&G Investment Managers (Pty) Ltd

7th Floor
Protea Place
30 Dreyer Street
Claremont
7708

PO Box 44813
Claremont
Cape Town
7735

FSP number: 45199

Allan Gray Life Limited

1 Silo Square
V & A Waterfront
Cape Town
8001

PO Box 51318
V & A Waterfront
Cape Town
8002

FSP number: 6663

Ninety One Fund Managers SA (RF) (Pty) Ltd

36 Hans Strijdom Avenue
Foreshore
Cape Town
8001

PO Box 1655
Cape Town
8000

FSP number: 587

Aluwani Capital Partners (Pty) Ltd

EPPF Office Park
24 Georgian Crescent East
Bryanston East
2152

Private Bag X 75
Bryanston
2021

FSP Number: 46196

27four Life Limited (ABAX)

Cavendish Links Building 2
1 Cavendish Street
Claremont
7708

P O Box 522417
Saxonworld
Johannesburg
2132

FSP Number: 856

Sanlam Investment Management (Pty) Ltd

55 Willie Van Schoor Road
Bellville
Cape Town
7530

Private Bag X8
Tyger Valley
Bellville
7536

FSP number: 579

STANLIB Collective Investments (RF) (Pty) Ltd

17 Melrose Boulevard
Melrose Arch
2076

P O Box 202
Melrose Arch
2076

FSP Number: 590

2.6 Actuaries

Insight Actuaries & Consultants

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

Private Bag X17
Halfway House

2.7 Auditors

Deloitte & Touche

5 Magwa Crescent
Waterval City
Midrand
2090

Private Bag X6
Gallo Manor
2052

4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Solvency Ratio

The solvency ratio is calculated as follows:

	2023	Restated* 2022
	R'000	R'000
Insurance liability attributable to future members	3 413 470	3 358 763
Less: Cumulative unrealised investment gains	(600 969)	(478 060)
Accumulated funds as per Regulation 29	2 812 501	2 880 703
Gross insurance revenue from contracts measured under the PAA	**7 624 600**	**6 924 200**
Solvency ratio calculated as the ratio of accumulated funds/Gross insurance revenue from contracts measured under the PAA x 100	**36.89%**	**41.60%**

*The financial statements have been restated due to the implementation of IFRS 17. The solvency ratio was therefore restated.

4.2 Results of Operations

The results of the operation of the Scheme are set out in the financial statements and the Board of Trustees is of the opinion that no further clarification is required. The objectives, policies and procedures for managing insurance risk and the method used to manage those risks are included in Note 27 to the financial statements.

4.3 Funds and Reserves Accounts

Movements in reserves are set out in the Statement of Changes in Reserves. There have been no unusual movements that the Board of Trustees believe should be brought to the attention of the members of the Scheme. The accumulated funds have been reclassified to liabilities and IFRS 17 adoption requires an assessment to be made to split the reserves into current and non-current.

4.4 Insurance contract liabilities

Movements on the liability for incurred claims are set out in Note 11 to the financial statements. The basis of calculation of the liability for incurred claims is discussed in Note 27 to the financial statements.

3. INVESTMENT STRATEGY OF THE SCHEME

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

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

Given that the central purpose of the Scheme is to provide medical benefits to members, rather than to maximise investment returns, a limited risk appetite is adopted. The Investment Committee believes the primary objective the Scheme needs to manage, is to earn a sufficient investment return in excess of inflation over a five-year period, without losing focus on downside capital protection over a one-year period. As part of the Investment Committee's mandate, the Committee constantly review returns achieved and alters the investment decisions in the best interests of the members.

5. ACTUARIAL SERVICES

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

6. RELATED PARTY TRANSACTIONS

Refer to related parties disclosure in Note 24 to the financial statements, and trustee remuneration disclosure in Note 23 to the financial statements.

7. CORPORATE GOVERNANCE

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

During 2023, the Board relied on the committees listed below to oversee different aspects of the Scheme's operations. The committees do not assume the functions of management, these remain the responsibility of the Principal Officer and other members of senior management. Further information on each committee of the Board is provided below:

AUDIT COMMITTEE

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

The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The majority of the members, including the Chairperson, are not officers of the Scheme. Except for three "in committee" meetings and one special meeting, the Principal Officer, Internal and External Auditors, attended all Audit Committee meetings and have unrestricted access to the Chairperson of the Committee.

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

GS du Plessis - CA(SA)	Trustee member
G Nzalo - CA(SA)	Independent member
H Wolmarans - CA(SA)	Independent member
S Thomas - CA(SA)	Independent member - Chairperson
LD Jordaan	Trustee member - (effective 7 March 2023)

RISK MANAGEMENT COMMITTEE

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

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

BE Legobye	Trustee member
CM Mowatt - CA(SA)	Trustee member
LD Jordaan	Trustee member - Chairperson
G Nzalo - CA(SA)	Independent member
M Slabbert	Trustee member
S Thomas - CA(SA)	Independent member

INVESTMENT COMMITTEE

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

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

GS du Plessis - CA(SA)	Trustee member - Chairperson
A Hartzenberg	Trustee member
C Lombard	Trustee member
L Shah	Trustee member

REMUNERATION AND HUMAN RESOURCES COMMITTEE

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

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

Prof PA Delport	Independent member - Chairperson (resigned 17 April 2023)
CM Mowatt - CA(SA)	Trustee member
S Stevens	Independent member - Chairperson (effective 9 May 2023)
E Marx	Trustee member
C Lombard	Trustee member
LD Jordaan	Trustee member

DISPUTES COMMITTEE

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

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

C Green-Thompson	Independent member
J van Heerden	Independent member
H van Rooyen	Independent member

SOCIAL AND ETHICS COMMITTEE

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

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

A Hartzenberg	Trustee member
E Marx	Trustee member
BE Legobye	Trustee member - Chairperson
L de Vries	Trustee member

8. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

No material events took place between the Statement of Financial Position as at 31 December 2023 and the date of this report.

9. DISCONTINUED OPERATIONS - OWN FACILITIES

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

All contracts (lease, employment, service providers etc.) have been terminated taking into account the contractual provisions of each agreement.

10. AMALGAMATIONS

No amalgamations occurred in 2023.

11. COUNCIL FOR MEDICAL SCHEMES: ANNUAL FINANCIAL STATEMENTS AND ANNUAL RETURN SUBMISSION

As per the CMS Circular 21 of 2024, significant changes have been made to the Annual Statutory Returns system due to the implementation of IFRS 17. As a result, there will be a delay in going live with the 2023 Annual Statutory Returns system, which is anticipated to be at the beginning of June 2024.

12. BESTMED'S POSITION ON THE NHI

Bestmed strives to provide access to quality healthcare and as a result, will continue to play a key role in expanding health services to South Africans across the country. This will be effected not only through our Scheme, but also through our community outreach initiatives and extended partnerships.

The Scheme recognises, and fully supports, the importance of adopting Universal Healthcare principles and believe that all medical schemes have a fundamental role in what is clearly a critical national imperative.

The South African healthcare system faces many serious challenges and reform is needed. It is against this that clarity regarding the funding, operational model, implementation plan and the role of the private healthcare sector remains important to resolve the uncertainties and concerns around the viability of the NHI. This is despite the bill having been signed into law on Wednesday, 15 May 2024.

The Scheme firmly believes that the public and private healthcare sectors can work together in providing quality healthcare to the citizenry and are therefore, committed to continuous engagement and partnership with government to collaboratively find a path that allows Schemes to continue to fulfil a meaningful role in the healthcare value chain, but also contribute to enabling access to high-quality healthcare into the future.

Focus is very much on government and National Treasury to provide clarity and certainty regarding aspects which remain a source of much speculation. These include but are not limited to funding mechanisms, implementation plan as well as the role of the private sector.

The Scheme will remain abreast of developments and inform all stakeholders accordingly.

13. TRUSTEE MEETING ATTENDANCE

The following schedule sets out Board of Trustees meeting attendances and attendances by members of Board subcommittees. A quorum was present for all Board of Trustees' meetings held in 2023. Trustee remuneration is disclosed in Note 23 to the financial statements.

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

B - Actual number of meetings attended.

Trustee member	Board meetings		Audit Committee		Risk Committee		Investment Committee		Remuneration Committee		Social and Ethics Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
GS du Plessis	**7**	7	**4**	4			**4**	4				
A Hartzenberg	**7**	7					**4**	4			**2**	2
L Jordaan	**7**	7	**3**	3	**4**	4			**3**	3		
T Legobye	**7**	7			**4**	4					**2**	2
C Lombard	**7**	7					**4**	4	**3**	3		
E Marx	**7**	7							**3**	3	**2**	2
CM Mowatt	**7**	7			**4**	4			**3**	3		
DK Smith (deceased 31/01/2023)	**0**	0										
L de Vries	**7**	7									**2**	2
M Slabbert	**7**	7			**4**	4						
L Shah	**4**	4					**2**	2				

Independent members	Audit Committee		Risk Committee		Remuneration Committee		Disutes Committee	
	A	B	A	B	A	B	A	B
G Nzalo - CA(SA) Chairperson of Audit committee	**4**	4	**4**	4				
H Wolmarans - CA(SA)	**4**	4						
S Thomas - CA(SA)	**4**	4	**2**	2				
PA Delport					**3**	3		
S Stevens					**1**	1		
C Green-Thompson							**1**	1
H van Rooyen - Chairperson of Disputes committee							**1**	1
J van Heerden							**1**	0

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

14. OPERATIONAL STATISTICS PER BENEFIT OPTION

2023	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Ryhthm1	Ryhthm2	Total Scheme
Members at 31 December	11 015	48 656	8 245	2 572	29 331	8 150	4 772	1 716	545	1 597	**116 599**
Average number of members for the accounting period	10 497	46 971	8 099	2 639	29 383	8 330	4 815	1 752	438	1 637	**114 560**
Dependants at 31 December	10 869	49 913	8 544	2 678	43 261	5 210	3 988	731	278	917	**126 389**
Average number of dependants for the accounting period	10 382	48 337	8 379	2 755	43 352	5 369	4 069	746	242	954	**124 585**
Average beneficiaries for the accounting period	20 879	95 307	16 479	5 393	72 735	13 700	8 883	2 498	679	2 591	**239 145**
Ratio of average dependants at 31 December	0.99	1.03	1.03	1.04	1.48	0.64	0.85	0.43	0.55	0.58	**1.09**
Average age of beneficiaries for the accounting period	36.75	31.26	38,39	46.88	35.28	57.79	57.36	66.48	34.52	48.46	**36.81**
Ratio of beneficiaries older than 65 years	9.73%	4.44%	13.57%	24.99%	11.22%	47.49%	46.64%	66.73%	14.95%	30.31%	**12,84%**
Insurance revenue per average member per month	2 961	2 957	4 347	7 353	5 936	8 002	9 588	12 307	1 901	3 624	**4 715**
Insurance revenue per average beneficiary per month	1 489	1 458	2 136	3 598	2 398	4 866	5 197	8 632	1 225	2 290	**2 259**
Insurance service expenses per average member per month	2 896	2 902	4 357	7 236	5 540	9 066	10 746	13 705	1 991	4 373	**4 742**
Insurance service expenses per average beneficiary per month	1 456	1 430	2 142	3 540	2 238	5 513	5 824	9 613	1 283	2 763	**2 271**
Insurance service expenses as a percentage of insurance revenue	97.8%	98.1%	100.2%	98.4%	93.3%	113.3%	112.1%	111.4%	104.8%	120.7%	**100.6%**
Relevant healthcare expenditure per average beneficiary per month	1 344	1 329	2 038	3 477	2 188	5 451	5 766	9 505	1 164	2 631	**2 189**
Relevant healthcare expenditure as a percentage of insurance revenue	91%	91%	94%	95%	89%	110%	109%	109%	95%	114%	**96%**
Directly attributable insurance service expenses per average beneficiary per month	112	111	133	114	103	144	146	160	121	137	**114**
Directly attributable insurance service expenses as a percentage of insurance revenue	7.55%	7.65%	6.23%	3.16%	4.28%	2.97%	2.81%	1.86%	9.91%	5.97%	**5.07%**

2022	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	9 997	44 145	7 953	2 798	29 106	8 605	4 912	1 828	183	1 789	**111 316**
Average number of members for the accounting period	9 541	42 831	7 872	2 898	29 240	8 723	4 928	1 871	81	1 823	**109 806**
Dependants at 31 December	9 934	45 401	8 168	2 943	42 886	5 638	4 266	779	118	965	**121 098**
Average number of dependants for the accounting period	9 502	43 753	8 040	3 051	42 932	5 719	4 317	806	52	990	**119 162**
Average beneficiaries for the accounting period	19 043	86 584	15 912	5 949	72 171	14 441	9 245	2 677	133	2 814	**228 968**
Ratio of average dependants at 31 December	1.00	1.02	1.02	1.05	1.47	0.66	0.88	0.43	0.65	0,54	**1.09**
Average age of beneficiaries for the accounting period	36.69	31.09	38.00	46.31	35.13	57.64	56.71	66.92	29.47	49.35	**36.93**
Ratio of beneficiaries older than 65 years	9.52%	4.09%	13.06%	23.39%	10.70%	46.07%	44.43%	64.98%	7.64%	31.70%	**12.88%**
Insurance revenue per average member per month	2 731	2 719	4 133	6 778	5 468	7 391	8 889	11 345	1 672	3 259	**4 464**
Insurance revenue per average beneficiary per month	1 368	1 368	2 044	3 302	2 215	4 464	4 739	7 929	1 014	2 112	**2 141**
Insurance service expenses per average member per month	2 628	2 659	4 093	6 853	5 003	7 984	9 767	13 230	1 428	4 276	**4 442**
Insurance service expenses per average beneficiary per month	1 317	1 315	2 025	3 338	2 027	4 823	5 207	9 246	866	2 771	**2 130**
Insurance service expenses as a percentage of insurance revenues	96.2%	97.8%	99.0%	101.1%	91.5%	108.0%	109.9%	116.6%	85.4%	131.2%	**99.5%**
Relevant healthcare expenditure per average beneficiary per month	1 217	1 210	1 901	3 230	1 923	4 675	5 062	9 065	724	2 620	**2 019**
Relevant healthcare expenditure as a percentage of insurance revenue	89%	90%	93%	98%	87%	105%	107%	114%	71%	124%	**94%**
Directly attributable insurance service expenses per average beneficiary per month	107	111	118	99	101	138	139	154	110	135	**111**
Directly attributable insurance service expenses as a percentage of insurance revenue	7.83%	8.24%	5.76%	3.01%	4.54%	3.10%	2.94%	1.94%	10.81%	6.37%	**5.19%**

OPERATIONAL STATISTICS FOR THE SCHEME

	2023	2022
Average accumulated funds per average member at 31 December	24 550	26 234
Average accumulated funds per average beneficiary at 31 December	11 761	12 581
Return on investments as a percentage of investments	7,99%	5,43%
Directly attributable and non-attributable expenses as a percentage of gross insurance revenue	6,99%	7,36%

REPORT OF THE BOARD OF TRUSTEES

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

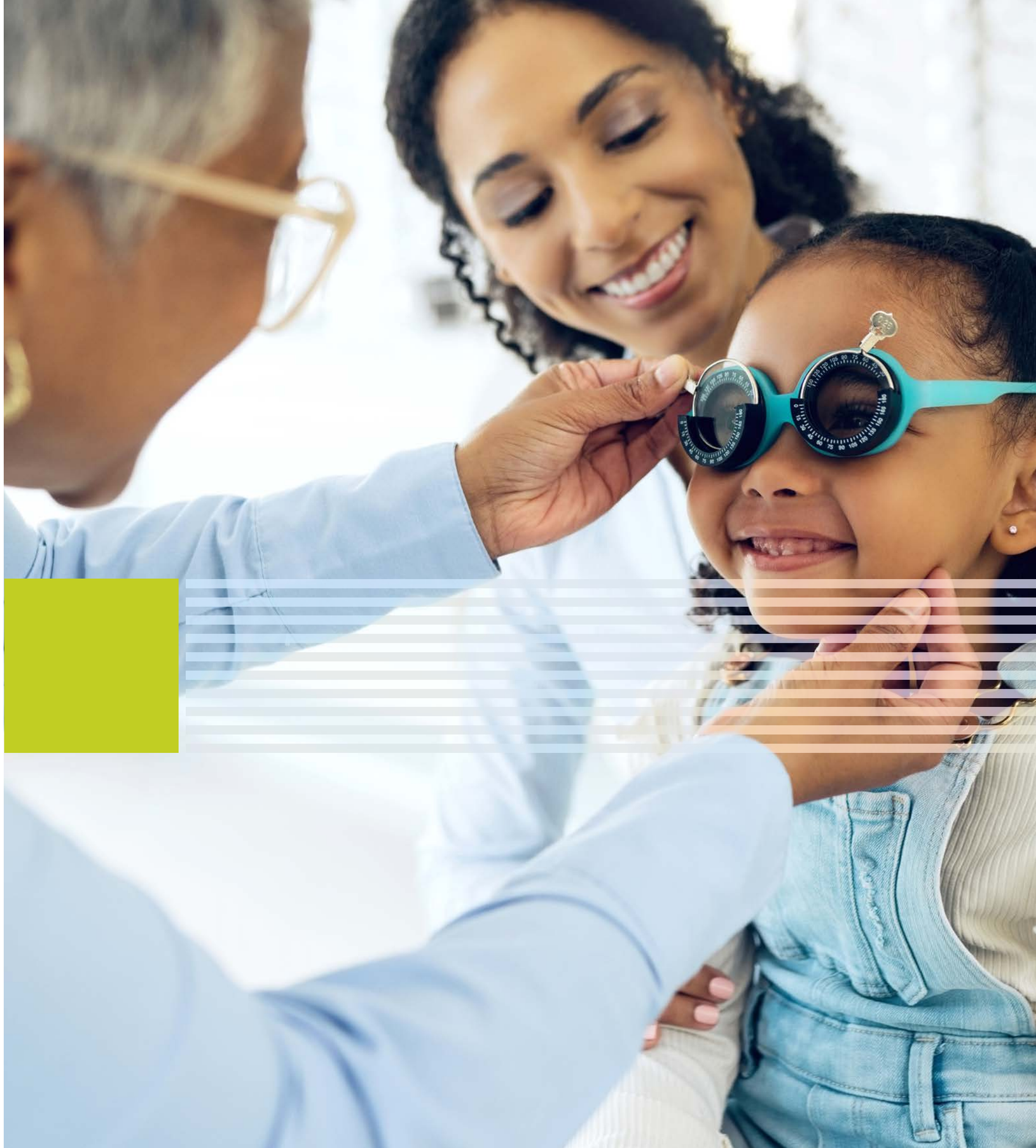
NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-Compliance with S26(7) of the Medical Schemes Act & Scheme Rule 13.2.1	Section 26(7) of the Medical Schemes Act states that Contributions must be received within three days of becoming due. Furthermore Scheme rule 13.2.1 stated that Subscriptions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

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Section 33(2)(b) of the Medical Schemes Act	Section 33(2)(b) of the Medical Schemes Act states the following: The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option— (a) includes the prescribed benefits; (b) shall be self-supporting in terms of membership and financial performance; (c) is financially sound; and will not jeopardise the financial soundness of any existing benefit option within the medical scheme. During the year under review eight benefit options of the Scheme, namely Beat 1, Beat 2, Beat 3, Beat 4, Rhythm 1, Rhythm 2, Pace 2, Pace 3 and Pace 4 incurred a net healthcare deficit.	The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The strategy on sustainability of options must balance short and long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs. The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not only on individual options.
Non-Compliance with Section 28(5) & 28(7) of the Medical Schemes Act	Section 28(5) of the Medical Schemes Act indicates that "Payment by a medical scheme to a broker in terms of sub regulation (2) shall be made on a monthly basis and upon receipt by the scheme of the relevant monthly contribution in respect of that member." Section 28(7) further states that "a medical scheme shall immediately discontinue payment to a broker in respect of services rendered to a particular member if the medical scheme receives notice from the member (or the relevant employer, in the case of an employer group), that the member or employer no longer requires the services of that broker." Instances were identified where the corporate member's application form was blank on the healthcare advisor name and code section. A brokerage appointment letter could not be obtained for the broker / brokerage assigned to these members, at the time of their review.	A letter for confirmation of corporate healthcare advisor was signed. No further action will be taken.

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

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Regulation 6 of the Medical Schemes Act and Scheme Rule 15.3.1	Per Regulation 6 of the Medical Schemes Act, a medical scheme must not in its rules or in any other manner in respect of any benefit to which a member or former member of such medical scheme or a dependant of such member is entitled, limit, exclude, retain or withhold, as the case may be, any payment to such member or supplier of service as a result of the late submission or late re-submission of an account or statement, before the end of the fourth month— (a) from the last date of the service rendered as stated on the account, statement or claim; or (b) during which such account, statement or claim was returned for correction. Instances were identified where Covid-19 claims were received more than 120 days after treatment date and subsequently processed and paid by the Scheme. The CMS via Circular 56 of 2022 appraised the industry that it has granted an extended exemption to the National Department of Health (NDOH) to ensure that all COVID-19 vaccine claims are eventually paid despite these claims being submitted outside the ambit of Regulation 6 of the Medical Schemes Act (131 of 1998) (MSA). Medical schemes were therefore authorised to process claims received on or before 210 days. Furthermore, the NDOH is allowed to submit claims after 120 days as required by regulation 6(1) and (2) but must do so within 210 days. The exemption will be valid for a period of three years or will expire once the NDOH has recovered all vaccine-related costs on all insured members of medical schemes.	The Scheme has complied with Circular 56 of 2022.
Non-Compliance with Regulation 28(1)	Regulation 28(1) of the Medical Schemes Act states the following: No person may be compensated by a medical scheme in terms of section 65 for acting as a broker unless such person enters into a prior written agreement with the medical scheme concerned. An instance was identified, where a Brokerage Agreement was not signed by the Scheme representative and a POPIA Addendum could not be obtained. Instances were identified where the BIT contract start date did not align with the contract signature date.	Management indicated that a new IT system was implemented resulting in difficulties locating and checking older contracts. A project was implemented to follow up on contracts, however, it is a manual process. A new contract was signed with the Brokerage.
Non-compliance with Section 35(6)(a) of the Medical Schemes Act	Section 35(6)(a) states that "A medical scheme shall not encumber its assets The Scheme registered as a financial service provider with the Financial Sector Conduct Authority (FSCA). Registration number 44058. The FSCA required a guarantee of R1 million in terms of section 8(7) of the FSCA Board notice 106 of 2008. The terms of the Scheme building lease agreement required a guarantee to an amount of R2 523 036.	The Scheme obtained CMS exemption for guarantees in respect of the building lease (until 31 December 2025) and FSCA (until 28 February 2025) respectively.
Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act	Section 35(8) of the Medical Schemes Act states that "A medical scheme shall not invest any of its assets in the business of or grant loans to (a) An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme; (b) any other medical scheme; (c) any administrator and (d) any person associated with any of the above. Due to some of the Scheme's employer groups being listed on the JSE, investments were made in a certain number of its employer groups listed on the JSE through the portfolios of the investment products the Scheme utilises. This is also applicable to a JSE listed medical scheme administrators groups."	The CMS has granted the Scheme an exemption from section 35(8)(a), (c) and (d) of the Medical Schemes Act until November 2025.
Non-compliance with Section 32 of the Medical Schemes Act and Scheme Rule 3.4.13	Section 32 of the Medical Schemes Act, Binding force of rules, states that "The rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming." Internal audit noted an isolated instance of non-compliance to scheme rules, where one (1) member's claim was paid twice within 2 days of each other, for different service dates and where the claim should have been limited to one post-natal consultation. This is in contravention to the Bestmed Scheme rules 3.4.13 Annexure B.3 - Rhythm Benefit Options. Benefits shall be at 100% of Scheme tariff at Network Providers only for the following: Consultations: 1 (one) post-natal consultation at either a GP/gynecologist/midwife.	This was an isolated instance and system enhancements are being implemented to accurately record the maternity benefit entitlement.

INDEPENDENT AUDITOR'S REPORT



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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bestmed Medical Scheme (the Scheme) set out on pages 30 to 101, which comprise the statement of financial position as at 31 December 2023, and the statement of profit and loss and comprehensive income, the statement of changes in reserves and the statement of cash flows for the 2023 year then ended, and the notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bestmed Medical Scheme as at 31 December 2023, and its financial performance and cash flows for the 2023 year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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

Key Audit Matter	How the matter was addressed in the audit
Valuation of the liability for incurred claims in relation to the insurance contract liability	
The insurance contract liability as per Note 11 is made up of the following 3 components: • The Present Value of Future Cash Flows of R1 345 232 166 (2022: R1 223 913 619); • The Risk adjustment of R9 084 218 (2022: R8 458 385); and • the Liability for remaining coverage of R27 789 381) (2022: R39 881 180) recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end balance on the Scheme's statement of financial position. The determination of the liability for incurred claims ("LIC"), specifically the future estimated cash flows and the RA, requires the Scheme's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date. This is an estimate of the future payments to be made on claim events that have taken place during the reporting period but have yet to be reported and paid. Sources of these outstanding claim payments include: • Benefit changes that may result in a previously uncovered claim now being eligible for payment. • Reported claims that have not yet been paid out. • Unknown and hence unreported claims. • Closed claims that may later be re-opened and require additional payments etc. The calculation of the estimated future cash flows and the Risk Adjustment (RA) as included in the liability for incurred claims balance, is inherently complex and represents a key judgement for the Scheme. (ISA 240 considerations) for the Scheme. In addition to the determination of the estimated future cash flows, "IFRS 17" Insurance Contract (IFRS 17) requires schemes to apply a Risk Adjustment (RA) to the LIC to reflect the uncertainty in claims that arise from non-financial risks during the coverage period. The risk adjustment is recognised to allow for the medical scheme bearing any non-financial risks and will be released as claims develop in each month. It is due to this key judgement and complex valuation model used that we have identified this is to be a key audit matter.	To address the key audit matter, we have performed the following audit procedures: Tested the design and implementation of relevant controls within the Insurance Contract liability process to assess audit risks associated with the liability. This includes the review of the work performed by Insight Actuaries & Consultants Ltd as an independent management expert who perform the liability calculations. Tested the integrity of the information used in the calculation of the estimated future cash flows included in the LIC and RA applied, by performing substantive procedures to test the accuracy and completeness of data used in the determination of the estimation of future cash flows and the RA. With the assistance of our internal actuarial specialists, we performed an independent calculation of the estimate of the estimated future cash flows included in the LIC and the RA for comparison to the estimate calculated by the Board of Trustees and which are critical building blocks included in the Insurance contract liability. This process also involves assessing the appropriateness of the methodology and assumptions applied. Reviewed the disclosure in the financial statements in conformity with International Financial Reporting Standards.

Other Information

The Scheme's Trustees are responsible for the other information. The other information comprises the information included in the document titled "Bestmed Medical Scheme Financial Statements for the year ended 31 December 2023" which includes the Report of the Board of Trustees as required by the Medical Schemes Act of South Africa, and the Statement of Responsibility by the Board of Trustees and Statement of Corporate Governance by the Board of Trustees. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Scheme's Trustees for the Financial Statements

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

In preparing the financial statements, the Scheme's Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Scheme's Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa
As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa that have come to our attention during the course of our audit.

Audit tenure
As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that Deloitte & Touché has been the auditor of Bestmed Medical Scheme for 3 years. The engagement partner, Nokuthula Mavuso, has been responsible for Bestmed Medical Scheme's audit for 1 year.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditors
Per: Nokuthula Mavuso
Partner

28 May 2024

5 Magwa Crescent
Waterfall City
2090

INDEPENDENT AUDITOR'S REPORT

2023 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

	Notes	2023	*Restated 2022	Restated 1 January 2022
		R	R	R
ASSETS				
Non-current assets		**2 635 839 275**	**2 144 300 153**	**2 678 394 103**
Property and equipment	2	35 982 344	37 181 190	15 291 959
Intangible assets	3	20 660 929	17 976 543	12 512 107
Lease assets	5	27 633 373	45 028 588	63 226 538
Financial assets at fair value through profit or loss	4(a)	1 997 347 299	1 431 151 546	1 977 505 329
Financial assets at fair value through other comprehensive income	4(b)	554 215 330	612 962 286	609 858 170
Current assets		**2 260 943 451**	**2 610 468 276**	**1 961 185 291**
Financial assets at fair value through profit or loss		1 894 651 110	2 273 122 262	1 645 116 869
Scheme	4(a)	1 039 880 047	1 489 568 872	905 024 214
Personal medical savings account trust monies invested	4(a)	854 771 063	783 553 390	740 092 654
Trade and other receivables	6	24 890 910	25 268 104	20 159 649
Reinsurance contract assets	9	4 943 259	4 298 998	5 071 320
Cash and cash equivalents		336 458 172	307 778 912	290 837 454
Scheme	8	39 516 976	50 631 122	65 723 285
Personal medical savings account trust monies invested	8	296 941 196	257 147 790	225 114 169
Total assets		**4 896 782 727**	**4 754 768 429**	**4 639 579 395**
FUNDS AND LIABILITIES				
Non-current liabilities		**3 263 084 141**	**3 280 246 903**	**3 418 555 516**
Insurance liability to future members	11	3 243 176 180	3 240 009 441	3 355 980 055
Retirement benefit obligations	10	7 781 824	7 852 102	9 751 370
Lease liability	5	12 126 137	32 385 361	52 824 091
Current liabilities		**1 633 698 586**	**1 474 521 525**	**1 221 023 879**
Insurance liability due to future members	11	170 293 692	118 753 919	-
Insurance liability for current members	11	1 382 105 766	1 272 253 184	1 148 224 204
Reinsurance contract liabilities	9	4 433 733	9 996 300	8 195 524
Lease liability	5	21 635 457	19 722 085	15 935 791
Trade and other payables	12	55 229 939	53 796 039	48 668 359
Total funds and liabilities		**4 896 782 727**	**4 754 768 429**	**4 639 579 395**

*The financial statements have been restated due to the implementation of IFRS 17.

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	*Restated 2022
		R	R
INSURANCE REVENUE	13	**6 481 967 730**	**5 881 742 620**
Insurance service expenses	13	(6 557 020 024)	(5 848 746 734)
Net income/(expenses) from reinsurance contracts held		(5 535 478)	762 008
Reinsurance expenses from reinsurance contracts held	9	(125 670 583)	(119 064 734)
Reinsurance income from reinsurance contracts held	9	120 135 105	119 826 742
Insurance service result		**(80 587 772)**	**33 757 894**
Net finance expenses from insurance contracts issued - PMSA	17	(91 761 734)	(53 057 645)
Other income		**386 697 748**	**254 257 666**
Investment income		385 482 367	250 667 879
Scheme	15	293 720 633	197 610 234
Personal medical savings account trust monies invested	17	91 761 734	53 057 645
Sundry income	16	1 215 381	3 589 787
Other expenditure		**(214 348 242)**	**(234 957 916)**
Non-attributable expenses	14	(204 299 718)	(204 118 905)
Interest expense	18	(3 264 279)	(5 707 253)
Asset management fees	19	(6 784 245)	(5 884 163)
Discontinued Operations - own facilities		**-**	**(19 247 595)**
Own facility Income	20	-	3 665 863
Own facility expenditure	20	-	(22 913 458)
NET (DEFICIT)/SURPLUS FOR THE YEAR		**-**	**-**
Other comprehensive income		**15 968 965**	**7 209 828**
Items that will not be reclassified to profit and loss		**15 968 965**	**7 209 828**
Unrealised (losses)/gains on equity instruments designated at FVOCI	15 (c)	(11 454 069)	(8 886 577)
Cumulative gains upon disposal of equity instruments designated at FVOCI	15 (c)	27 423 034	16 096 405
Items that will be reclassified to profit or loss		**-**	**-**
Amounts attributable to future members		**(15 968 965)**	**(7 209 828)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**

*The financial statements have been restated due to the implementation of IFRS 17. Refer to Note 29.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Restated* Accumulated Funds	Revaluation Reserve - OCI	Reserves
		R	R	R
Balance as at 1 January 2022		**3 308 226 747**	**55 172 422**	**3 363 399 169**
Transition restatement**		(7 419 114)	-	(7 419 114)
Balance as at 1 January 2022 (restated)		**3 300 807 633**	**55 172 422**	**3 355 980 055**
Transfer of accumulated funds to insurance liability attributable to future members*	11(b)	(3 300 807 633)	(55 172 422)	(3 355 980 055)
Balance as at 31 December 2023		**-**	**-**	**-**

*Based on the requirements of IFRS 17, the Scheme was identified as a mutual entity which is different to the accounting under IFRS 4. It is expected that the remaining assets of the Scheme will be used to pay current and future policyholders. As the Scheme is in a surplus position, it recognised a liability in its statement of financial position to provide coverage to future members. Refer to Note 1.2 and Note 29 describing the impact of the adoption of IFRS 17.

**The impact on opening equity before transfer of accumulated funds to insurance liabilities of the Scheme as a result of the implementation of IFRS 17 was R7,419,114 on 1 January 2022.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	Restated* 2022
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts from members	22	6 451 911 912	5 901 972 184
Cash Receipts/(Payments) from members and providers - other loans and receivables	22	377 194	(5 108 456)
Cash paid for claims, acquisition and directly attributable expenses	22	(6 363 566 622)	(5 702 082 046)
Cash paid to providers and employees - non-attributable expenses	22	(173 631 087)	(194 332 078)
Cash payments to reinsurers	22	(131 877 412)	(116 491 636)
Increase in personal savings account liabilities		106 361 345	75 936 970
Cash utilised from operations		(110 424 670)	(40 105 062)
Interest paid		(95 026 013)	(57 833 992)
Scheme	18	(3 264 279)	(4 776 347)
Net finance expenses from insurance contracts issued - PMSA	17	(91 761 734)	(53 057 645)
Net cash used in operating activities		**(205 450 683)**	**(97 939 054)**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for financial assets		(4 879 900 351)	(4 206 006 706)
Proceeds from sale of financial assets		4 959 000 000	4 216 000 000
Purchase of personal medical savings trust financial assets		(71 217 673)	(43 460 736)
Purchase of property and equipment	2	(13 311 781)	(32 704 263)
Proceeds from disposal of property and equipment	2	390 096	233 565
Purchase of intangible assets	3	(5 605 479)	(7 587 690)
Interest income		240 216 623	176 552 067
Scheme	15	148 454 889	123 494 423
Net finance expenses from insurance contracts issued - PMSA	17	91 761 734	53 057 645
Dividend income	15	24 375 087	30 058 204
Net cash flows generated from investing activities		**253 946 523**	**133 084 441**
CASH FLOW FROM FINANCING ACTIVITIES			
Principal element of lease payments	5	(19 816 580)	(18 203 930)
Net cash flows utilised from financing activities		**(19 816 580)**	**(18 203 930)**
Net increase in cash and cash equivalents		28 679 261	16 941 458
Cash and cash equivalents at beginning of year		307 778 912	290 837 454
CASH AND CASH EQUIVALENTS AT END OF YEAR		**336 458 172**	**307 778 912**
CASH AND CASH EQUIVALENTS		**336 458 172**	**307 778 912**
Scheme	8	39 516 976	50 631 122
Personal medical savings account trust monies invested	8	296 941 196	257 147 790

*The financial statements have been restated due to the implementation of IFRS 17.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgement, or areas where estimates are material to the financial statements, are disclosed under 1.3.

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

- Financial assets at fair value through profit & loss;
- Financial assets at fair value through other comprehensive income;
- Financial instruments classified as originated loans carried at amortised cost;
- Insurance assets and liabilities; and
- Retirement benefit obligation.

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

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

International Financial Reporting Standards and amendments effective for the first time for 31 December 2023 year-end

Number	Effective date	Executive summary	Impact
IFRS 17, 'Insurance contracts	1 January 2023	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provide a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goals of a consistent, principle-based-accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.	The Scheme applied the full retrospective approach (FRA) on transition. The Scheme has elected to measure all of its contracts under the Premium Allocation Approach (PAA) as the coverage period for all its contracts is one year. This approach requires the Scheme to recognise a liability for remaining coverage with reference to the premiums received and a liability for incurred claims calculated as the expected cash outflows and a risk adjustment. The contract boundary is a maximum of one year. Should a member join during the course of the year, the contract boundary is adjusted pro rata. The benefit options within the Scheme is one portfolio.

International Financial Reporting Standards and amendments effective for the first time for 31 December 2023 year-end (continued)

Number	Effective date	Executive summary	Impact
Amendment to IAS 1 'Classification of Liabilities as Current or Non-current'	1 January 2023	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	Not material to the Scheme.
Amendment to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies'	1 January 2023	The amendments requires that an entity discloses its material accounting policies, instead of its material accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and example to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	Not material to the Scheme.
Amendment to IAS 8 'Definition of Accounting Estimates'	1 January 2023	The amendments replace the definition of a change in accounting estimate with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement of uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	Not material to the Scheme.

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

International Financial Reporting Standards and amendments issued but not effective for 31 December 2023 year-end relevant to the Scheme

Number	Effective date	Executive summary	Impact
IAS 1 Presentation of Financial Statements 'Classification of Liabilities as Current or Non-current':	1 January 2024	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.	Not material to the Scheme.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION (CONTINUED)

International Financial Reporting Standards and amendments issued but not effective for 31 December 2023 year-end relevant to the Scheme

Number	Effective date	Executive summary	Impact
IAS 1 Presentation of Financial Statements 'Disclosure of Accounting Policies'	1 January 2024	The amendments require schemes to disclose their material accounting policy information rather than their material 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.	Not material to the Scheme.
IFRS 16 Lease Liability in a Sale and Leaseback	1 January 2024	Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.	Not applicable to the Scheme.

1.2 SIGNIFICANT JUDGEMENTS AND ESTIMATES IN APPLYING IFRS 17

In the process of adopting IFRS 17, the Board of Trustees has made a number of judgements and estimates that had the most significant effect on the amounts recognised in the financial statements.

(i) Significant judgements

Assessment as to whether the Scheme is a mutual entity

A medical scheme is not legally defined as a mutual entity and the assessment as to whether a medical scheme is a mutual entity was done based on the principles set out in IFRS.

IFRS 3 defined a "mutual entity" as "An entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants. For example, a mutual insurance company, a credit union and a co-operative entity are all mutual entities."

IFRS 17 does not define a "mutual entity" however it provides a key characteristic of a mutual entity in the basis of conclusion to the standard. IFRS 17 paragraph BC265 explains that "a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a policyholder and not a shareholder." The Act is not explicit that members (i.e. policyholders) hold a residual interest or are entitled to the residual interest upon the liquidation of the medical scheme. Section 64 of the Act requires the medical scheme rules to be followed in the event of liquidation.

The rules of the Scheme do not contain specific guidance on how the assets of the scheme should be distributed on liquidation. The Act prohibits the disposal of assets of a medical scheme except in limited, listed circumstances, one of them being the liquidation of the scheme. Members can opt for voluntary liquidation and can distribute the scheme's remaining assets amongst themselves. As Bestmed does not have shareholders, the current members will access the reserves through economic benefits such as funding reductions in contributions or deferral of contribution increases.

Although the rules do not specify how the assets should be distributed on liquidation, IFRS 17 states that "contracts can be written, oral or implied by an entity's customary business practices. Contractual terms include all terms in a contract, explicit or implied, but an entity shall disregard terms that have no commercial substance (i.e. no discernible effect on the economics of the contract). Implied terms in a contract include those imposed by law or regulation" (IFRS 17.2). Therefore, based on customary business practices, the remaining assets of Bestmed should be distributed to the members on liquidation if there are any and if the scheme does not amalgamate with another scheme. Even if the assets are distributed by a regulator or by the policyholders to an independent third party e.g. another medical scheme, an administrator or a charity, the important aspect is that the choice resides with the members or the regulator acting on behalf of the members, not with an equity holder.

The substance of the legal framework issued regarding insurance contracts and observed practice is that once a contribution is paid to the medical scheme, the contribution is used to provide benefits to members. The benefits are provided by the medical scheme (or amalgamated schemes) through insurance coverage, reduced contributions, or payment to members on liquidation (based on votes taken by members).

It is therefore expected that the remaining assets of the scheme will be used to pay current and future members. Based on the above, Bestmed meets the definition of a mutual entity in IFRS.

Bestmed has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities and the educational material as issued by the IASB and the Scheme recognises any cumulative profit or losses as part of the insurance liability attributable to future members (which forms part of the insurance contract liabilities on the face of the statement of financial position).

Consequently the statement of profit or loss and other comprehensive income reflects no total comprehensive income for the year. The movement in the insurance liability attributable to future members are included in the insurance service expenses line.

Unit of account

Judgement has been applied to how the Scheme determined the unit of account for the measurement of its insurance contracts. Management has assessed their portfolio as the scheme as a whole due to the holistic pricing methodologies and risk management strategy that manages the risk on a scheme level.

The above is demonstrated by the following:

- All contracts - regardless of option - cover similar risks on the basis that they all provide cover for medical / health risk.
- Chronic conditions are managed on a scheme level, i.e. no matter the option the member will have access to the chronic condition management benefit.
- Reinsurance contracts are based on services to be rendered and not on benefit options.
- Pricing and benefit option changes are determined at a scheme level to manage member migration between different benefit options to ensure each option is sustainable.
- Risk (utilisation and concentration) is managed holistically.

The Scheme has decided to apply the exemption to grouping as allowed by IFRS 17 paragraph 20 as the Medical Scheme Act (MSA) regulation specifically constrains the scheme's practical ability to set different prices for members with different characteristics. As such, Bestmed does not group contracts in various profitability groupings.

In order to determine whether the group of contracts is onerous, the Scheme will consider applicable facts and circumstances, including information available from their budgeting model, with an allowance for the existing accumulated member funds, budgeted contributions, claims and IFRS 17 attributable expenses, as well as an allowance for the risk adjustment.

Risk adjustment - liability for incurred claims (LIC)

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as it fulfils insurance contracts. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Schemes' degree of risk aversion. The Scheme estimates an adjustment for non-financial risk separately from all other estimates. The risk adjustment is included in the LIC and disclosed separately from the outstanding claims provision within the LIC.

The risk adjustment was calculated at the portfolio level as the Scheme doesn't have groups due to laws that constrain the Scheme's ability to set a price for different members. The confidence level method was used to derive the overall risk adjustment for non-financial risk. In the confidence level method, the risk adjustment is determined by applying a confidence level to run-off triangles used to calculate the LIC. The confidence level is set to 75%.

The Scheme does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The methods and assumptions used to determine the risk adjustment for non-financial risk were consistently applied in the 2021, 2022 and 2023 financial years for the purpose of IFRS 17 implementation.

(ii) Methods used and judgements applied in determining the IFRS 17 transition amounts

The Scheme has adopted IFRS 17 retrospectively, applying the full retrospective approach.

The Scheme has determined that reasonable and supportable information was available for all contracts in force at the transition date. In addition, all insurance contracts are eligible for the Premium Allocation Approach and therefore the Scheme has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable.

Accordingly, the Scheme has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied and recognised any resulting net difference in reserves.

(iii) Significant Estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 27.

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of the group of contracts are all the future cash flows within the boundary of the group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Scheme estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Scheme uses information about past events, current conditions and forecasts of future conditions.

The Scheme's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenarios representing the probability weighted mean of a full range of scenarios.

The uncertainty in the insurance contracts lies in the number, severity and timing of claims. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Methods used to measure the insurance contracts

The scheme estimates insurance liabilities in relation to claims incurred for healthcare contracts.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. The generally accepted actuarial methodology used in assessing the estimated claims outcome of insurance liabilities is the chain ladder method.

The chain ladder method involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each period that is not yet fully developed to produce an estimated ultimate claims cost for each healthcare year. The chain ladder method is the most appropriate for this claim pattern.

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 known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The following was taken into account when estimating the LIC:

- The homogeneity of the data.
- Changes in pattern of claims.
- Changes in the composition of members and their beneficiaries.
- Changes in benefit limits.
- Changes in the prescribed minimum benefits.

1.3 CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Insurance contract assets
Detailed disclosure of judgements on insurance contracts is made under Note 11.

(b) Liability for incurred claims
There are some sources of uncertainty that need to be considered in the estimate of the liability that the Scheme will ultimately pay for such claims. Provisions for such liabilities are made by the Actuaries, and derived as the claims process develops. All estimates are revised and adjusted at year-end by management. Details are disclosed under Note 11.

(c) Risk adjustment
Detailed disclosure of risk adjustment is made under Note 11.

(d) Reinsurance contracts assumptions
Detailed disclosure of the reinsurance contracts assumptions is made under Note 9.

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

1.4 PROPERTY AND EQUIPMENT

Property and equipment are reflected at cost less accumulated depreciation and accumulated impairments. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be measured reliably. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into account the assets' residual values. The estimated maximum useful lives are:

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

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

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

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

1.5 INTANGIBLE ASSETS

Computer software internally developed

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

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

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

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

Intangible assets that have an indefinite useful life or that are not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Intangible assets are reflected at cost less accumulated amortisation and accumulated impairments. Amortisation begins once the assets are ready for use or to sell on the straight-line basis over the estimated useful lives of the assets after taking into account the assets' residual values. The useful life of intangible assets is estimated to be 10 years.

1.6 CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

A Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognised on the Scheme's statement of financial position when it becomes a party to the contractual provisions of the instrument. The Scheme has grouped its financial instruments into the following classes:

- Financial assets;
- Cash and cash equivalents; and
- Trade and other payables.

1.7 FINANCIAL ASSETS: INITIAL AND SUBSEQUENT MEASUREMENT

Definition and classification

The Scheme classifies its financial assets in the following categories: at fair value through profit or loss, at fair value through other comprehensive income and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are not reclassified subsequent to their initial measurement unless the scheme changes its business model for managing financial assets, in which cases all affected financial assets are reclassified in the first day of the first reporting period following the change in the business model.

1. ACCOUNTING POLICIES (CONTINUED)

(a) Financial assets at fair value through other comprehensive income (FVOCI)

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

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

(b) Financial assets at fair value through profit or loss (FVTPL)

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

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

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

(c) Amortised cost (AC)

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Scheme's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

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

Recognition and measurement

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

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

Subsequent measurement

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

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

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

(a) Debt instruments

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

(b) Equity instruments

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

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

Derecognition

The Scheme derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Scheme neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Scheme recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Scheme retains substantially all the risks and rewards of ownership of a transferred financial asset, the Scheme continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Derecognition of an investment in an equity instrument which the group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to insurance liability attributable to future members.

Impairment of financial assets

Debt instruments that are measured subsequently at amortised cost are subject to impairment. In relation to the impairment of financial assets an expected credit loss model is required. The expected credit loss model requires the Scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

In addition, IFRS 9 requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables. The current model adapted by the Scheme approximates the IFRS 9 method in computing the provision for impairment.

1.8 TRADE AND OTHER RECEIVABLES

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

Trade receivables do not contain a significant financing component and therefore are not subject to impairment.

1.9 CASH AND CASH EQUIVALENTS

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

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

1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.11 INSURANCE CONTRACTS LIABILITIES

Definition and classification

Insurance contracts are contracts under which the Scheme accepts significant insurance risk from a member by agreeing to compensate the member if a specified uncertain future health event adversely affects the member. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Scheme uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Scheme has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

1. ACCOUNTING POLICIES (CONTINUED)

All contracts currently issued by Bestmed meet this definition.

Unit of account

Before the Scheme accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

While the Scheme has identified that the Member Savings Accounts meet the definition of Investment Components under IFRS 17, these are non-distinct and as such Bestmed does not have any contracts that require further separation or combination of insurance contracts and thus all components of the contracts are measured under IFRS 17.

Judgement has been applied to how the Scheme determined the unit of account for the measurement of its insurance contracts. Management has assessed their portfolio as the scheme as a whole due to the holistic pricing methodologies and risk management strategy that manages the risk on a scheme level.

The portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts).

The Scheme has decided to apply the exemption to grouping as allowed by IFRS 17 paragraph 20 as the MSA regulation specifically constrains the scheme's practical ability to set different prices for members with different characteristics. As such, Bestmed does not group contracts in various profitability groupings.

Contract boundary

Bestmed uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the member is obligated to pay contributions or Bestmed has a substantive obligation to provide the member with insurance coverage or other services. A substantive obligation ends when both of the following criteria are satisfied:

- The Scheme has the practical ability to reprice the group of contracts so that the price fully reflects the reassessed risk of that portfolio; and
- The pricing of contributions related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the member to the Scheme are considered; other risks, such as lapse or surrender and expense risk, are not included.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The Scheme has assessed all its contracts and determined all contracts have a boundary of one month with an annual option benefit entitlement. The annual option benefit entitlement coincides with the Scheme's financial year.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the member is due or actually received, if there is no due date; and
- when the Scheme determines that a group of contracts becomes onerous.

No insurance contracts have been acquired in a business combination within the scope of IFRS 3 or a portfolio transfer.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

An insurance contract is derecognised when it is:

- extinguished (i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- if the terms are modified due to an agreement between the Scheme and its member or by regulation and the modification terms meet the requirement in IFRS 17.72.

If the modification does not comply with all the requirements of IFRS 17.72 the Scheme shall treat the changes in cash flow as changes in estimates of fulfilment cash flows (FCF).

Initial and subsequent measurement

The insurance contract liabilities consist of two components:

(a) the insurance liability attributable to current members.

(b) the insurance liability attributable to future members.

(a) Insurance contract liability attributable to current members

The Scheme uses the Premium Allocation Approach (PAA) for all its contracts. The basis for this is that the coverage period of all contracts is 1 year or less.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are expensed as they are incurred.

For insurance contracts issued, on initial recognition, the carrying amount of the group of insurance contracts issued at each reporting period is the sum of:

(a) the liability for remaining coverage; and

(b) the liability for incurred claims, comprising the fulfilment cashflows (future cashflows adjusted for the risk adjustment for non-financial risk).

For insurance contracts issued, on initial recognition, the Scheme measures the liability for remaining coverage (LRC) at the amount of contributions received.

The Scheme measures the liability for incurred claims as the fulfilment cash flows relating to incurred claims. The future cash flows are not adjusted for the time value of money and the effect of financial risk as these cash flows are expected to be paid in one year or less from the date the claims are incurred.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

(a) increased for contributions received in the period; and

(b) decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

For insurance contracts issued, at each of the subsequent reporting dates, the insurance liability attributable to current members (the LIC) is:

(a) present value of future cash flows; and

(b) risk adjustment for non-financial risk.

Refer to 1.2 above for the significant judgements and estimates used to determine the LIC and the estimates to determine the fulfilment cash flow.

Where a group of insurance contracts has contributions receivables that relate to past service – or contributions payable in respect of reinsurance contracts held – these amounts are transferred to the LIC from the LRC.

The Scheme does not adjust the LRC or LIC for insurance contracts issued for the effect of the time value of money, because contributions are due within one year of providing coverage and claims are settled within 1 year of services being provided.

The personal medical saving accounts (PMSA) within member contracts issued meet the definition of non-distinct investment components. These balances are disclosed as such in the LIC.

(b) Insurance contract liability attributable to future members

As the Scheme is a mutual entity, all the accumulated funds are attributable to future members. The insurance liability attributable to future members consists of accumulated surpluses/(losses) of the Scheme and it is increased by net surpluses for the period; and correspondingly decreased by the net deficit for the period. Cumulative gains/(losses) on equity instruments designated at FVOCI are also allocated to insurance liability attributable for future members upon disposal.

The historical cost basis of accounting for intangible assets and property, plant and equipment, does not have a material impact on the fair value measurement of the insurance contract liability to future members.

The insurance liability attributable to future members consists of accumulated profits or losses of the Scheme and it is:

(a) increased by net profits for the period;

(b) decreased by the net losses for the period; and

(c) decreased or increased by the cumulative gains/(losses) upon disposal of equity instruments designated at FVOCI.

(c) Onerous contract assessment

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, Bestmed considers whether the expected deficit of the following year exceeds the insurance liability attributable to future members. In the rare scenario where the following year's deficit exceeds the insurance liability attributable to future members – the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to future members exceed the following year's deficit the contracts would not be determined as onerous, and no provision raised as a liability is already recognised.

(d) IFRS 17 accounting policy choices made:

(i) Classification of contribution receivables

The Scheme has accounted for all contribution debtors that relate to insurance services already rendered in Liability for Incurred Claims (LIC) at year-end.

(ii) Classification of expenditures/income outstanding at year end that meet the definition of financial liabilities or financial assets

The fulfilment cash flows may include expenditures incurred in accounting standards other than IFRS 17, for example broker commission. When broker commission is outstanding, this would meet the

definition of a financial liability. Where expenditures/ income outstanding at year-end meet the definition of financial liabilities or financial assets, the Scheme has an accounting policy choice to either include the payable/receivables in the insurance contract liabilities or to recognise it as a separate IFRS 9 liability/asset such as trade and other payables/ receivables. The Scheme has chosen to include these payables in the insurance contract liabilities.

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

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

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

The personal medical savings accounts are invested on behalf of members in a current bank account and money market instruments with banks.

Unclaimed payments

Unallocated funds that have legally prescribed, i.e. funds older than three years, are written back and are included under other income in the statement of comprehensive income. These amounts are treated as insurance contract liabilities.

Insurance revenue

As the Scheme provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period shall depict the consideration to which a scheme expects to receive over the coverage period of the contracts. Insurance revenue presented in profit or loss shall exclude any investment components, i.e. PMSA contributions.

Gross insurance revenue from contracts measured under the PAA are determined and approved annually and included in the medical scheme rules. Insurance revenue is represented after the deduction of PMSA contributions.

For the group of insurance contracts measured under the PAA, the Scheme recognises insurance revenue based on the expected pattern of release of risk over the coverage period of the group of contracts.

Risk contributions are not adjusted for non collectability given the immateriality of the anticipated write-offs.

Insurance service expense

Insurance service expenses include:

- incurred claims and benefits excluding investment components, i.e. PMSA claims;
- other incurred directly attributable insurance service expenses;
- changes that relate to past service (i.e., changes in the FCF relating to the LIC);
- changes that relate to future service (i.e., losses/ reversals on onerous groups of contracts from changes in the loss components); and
- amounts attributable to future members.

Cash flows that are not directly attributable to a group of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

The Scheme includes acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are costs directly attributable to individual contracts and the group of contracts.

Insurance acquisition costs are expensed by the Scheme when it incurs the cost.

Insurance interest income and expenses

The non-distinct investment component (PMSA) accrues interest. This is disclosed within the insurance finance expense line item.

The Scheme does not disaggregate insurance finance income or expenses into amounts presented in profit loss and amounts presented in other comprehensive income.

1.12 RISK TRANSFER ARRANGEMENTS (REINSURANCE CONTRACT ASSETS/(LIABILITIES))

Definition and classification

Risk transfer arrangements are contractual arrangements entered into by the Scheme with a provider. The provider is paid a fixed fee per member to cover the risk of the number of incidents that occur during a specified period and the cost of providing the service. Risk transfer arrangements do not reduce the Schemes' primary obligations to its members and their dependents. These arrangements meet the definition of reinsurance contracts held per IFRS 17. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Unit of account

Groups of reinsurance contracts held are assessed for aggregation separately from groups of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Scheme aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of contracts for which there is a net gain at initial recognition.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis.

The Scheme tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

Recognition and derecognition

The reinsurance contract held that covers the losses of separate insurance contracts on a proportionate basis is recognised at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

The Scheme does not recognise reinsurance contracts until it has recognised at least one of the underlying insurance contracts.

Initial and subsequent measurement

The Scheme uses the PAA for all risk transfer arrangements. The basis for this is that the coverage period of all contracts is 1 year or less.

For reinsurance contracts held, on initial recognition, the Scheme measures the remaining coverage at the amount of ceding contributions paid.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

(a) the remaining coverage; and

(b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date adjusted for the risk adjustment for non-financial risk.

Subsequent measurement of the remaining coverage for reinsurance contracts held is:

(a) increased for ceding contributions paid in the period; and

(b) decreased for the amounts of ceding contributions recognised as reinsurance expenses for the services received in the period.

The Scheme does not adjust the asset for the remaining coverage for reinsurance contracts held for the effect of the time value of money. The reinsurance contributions are due within coverage periods which are one year or less.

All risk transfer contracts held by the Scheme has a coverage period aligning to the financial reporting period.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is increased for contributions received in the period and decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

Contract boundary

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which Bestmed is compelled to pay amounts to the reinsurer or in which Bestmed has a substantive right to receive services from the reinsurer.

The Schemes' capitation agreements held have a duration of one year but are cancellable with a 30-day notice period by either party.

Net income/(expense) from reinsurance contracts held

The Scheme presents financial performance of groups of reinsurance contracts held on a gross basis.

Reinsurance income consists of:
The amount that depicts the value the insurer benefits from entering into a risk transfer arrangement (i.e., the value of services received from the capitation provider).

Reinsurance expenses consist of:

(a) reinsurance expenses;

(b) other incurred directly attributable insurance service expenses;

(c) effect of changes in risk of reinsurer non-performance.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding contributions the Scheme expects to pay in exchange for those services.

For groups of reinsurance contracts held measured under the PAA, the Scheme recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis.

1.13 LEASES

IFRS 16 established the principles for the recognition, measurement, presentation and disclosure of all lease arrangements within the scope of the standard. Under the standard, an asset (the right to use the leased item) and the liability to pay rentals are recognised. The only exceptions are short-term leases (defined as leases with a lease term of

1. ACCOUNTING POLICIES (CONTINUED)

12 months or less), and low-value leases which are accounted for as operating leases using the straight-line method unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed in the statement of comprehensive income.The lease payments are discounted using the average prime rate as proxy for the incremental borrowing rate. Incremental borrowing rate is the rate that the Scheme would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Scheme. Each lease payment is allocated between the liability and finance cost. The finance cost charged on the lease agreements is the effective interest rate. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Agreements where the counterparty retains control of the underlying asset are classified as leases. The Scheme leases various offices and office equipment. Offices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to seven years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Scheme does not sub-lease any of its leased space.

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

1.14 FINANCIAL LIABILITIES - INITIAL AND SUBSEQUENT MEASUREMENT

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

Trade payables

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

1.15 PROVISIONS

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

1.16 ADMINISTRATION AND OTHER OPERATIVE EXPENSES

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

1.17 INVESTMENT INCOME

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

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

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

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

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

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

1.19 REIMBURSEMENTS FROM THE ROAD ACCIDENT FUND (RAF)

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

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

1.20 EMPLOYEE BENEFITS

Pension obligations

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

Other post-employment obligations

The Scheme provides for medical scheme defined benefits upon retirement of employees who qualify. The provision comprises annual funding upon actuarial advice to provide for the future liability of medical benefits after retirement. Post-employment medical scheme benefits are defined benefits therefore the risk lies with the Scheme.

Leave pay accrual

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

Bonuses

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

1.21 INCOME TAX

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

1.22 ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT OPTIONS

The following items are directly allocated to benefit options:

- Insurance revenue;
- Insurance service expenses;
- Reinsurance expenses from reinsurance contracts held;
- Broker service fees; and
- Interest paid on personal medical savings account balances.

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

- Managed care management services; and
- Attributable and non-attributable expenses.

The following items are apportioned based on a percentage of gross insurance revenue per option:

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

IFRS 17 requires expenses to be classified into the following categories:

- Attributable acquisition expenses which are expenses incurred in "selling, underwriting and starting a group of insurance contracts."
- Attributable maintenance expenses which are policy administration, claims handling costs and an allocation of fixed and variable overhead expenses.
- Non-attributable expenses are all remaining expenses, including development and training costs.

Attributable acquisition expenses:

The methodology to identify whether acquisition expenses are attributable is to assess if the expense relates to acquiring new business for the current contracts on book, i.e. within the current contract boundary.

The costs of selling (mainly broker fees) the insurance contracts are classified as acquisition expenses and the Scheme choose to recognise insurance acquisition cash flows as expenses when it incurs those costs. Broker fees may only be paid once contributions have been received and therefore only after the insurance contract has been recognised.

Attributable expenses:

The methodology to identify whether expenses are attributable is to identify whether or not it is expected that such expense is unavoidable due to entering the insurance contract. Where it is not obvious whether an expense is avoidable or not, the Scheme will consider whether the activity resulting in the expense will continue if Bestmed were in run-off.

Expenses paid from activities still expected to take place in a run-off scenario would represent the cash flows required for the scheme to fulfil its obligations under such a contract.

Non-attributable expenses:

This will be all remaining expenses.

The Scheme considered the SAICA guidance in determining the classification of the expenses between attributable and non-attributable expenses.

2. PROPERTY, PLANT AND EQUIPMENT

	Furniture	Leasehold improvements	Computer, office and medical equipment	Motor vehicles	Security and telephone system	Total
	R	R	R	R	R	R
Year ended 31 December 2023						
Cost						
At the beginning of the year	8 547 221	12 027 428	71 219 698	1 031 823	6 379 784	**99 205 953**
Additions	94 568	204 984	12 542 760	17 000	452 469	**13 311 781**
Disposals	(99 024)	(1 727 729)	(14 203 470)	-	(181 333)	**(16 211 556)**
At the end of the year	**8 542 764**	**10 504 684**	**69 558 987**	**1 048 823**	**6 650 920**	**96 306 178**
Accumulated depreciation						
At the beginning of the year	6 550 009	10 247 618	39 270 905	855 819	5 100 413	**62 024 764**
Disposals	(91 840)	(1 727 720)	(14 018 929)	-	(164 659)	**(16 003 148)**
Depreciation charges	367 698	818 024	12 365 395	90 266	660 835	**14 302 218**
At the end of the year	**6 825 867**	**9 337 922**	**37 617 371**	**946 086**	**5 596 589**	**60 323 834**
Carrying amount at the end of the year	**1 716 897**	**1 166 762**	**31 941 616**	**102 737**	**1 054 331**	**35 982 344**

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

Depreciation expenditure to the value of R0 (2022: R260,788) has been allocated to own facility expenses due to it being expenditure at the Medical Facilities used for services rendered to members and third parties (Note 20).

Included in the property and equipment are assets from discontinued operations relating to own facilities. Refer to note 20.

3. INTANGIBLE ASSETS

	2023	2022
	R	R
Year ended 31 December 2023		
Cost		
At the beginning of the year	25 441 643	17 853 953
Additions	5 605 479	7 587 690
At the end of the year	31 047 123	25 441 643
Accumulated amortisation		
At the beginning of the year	(7 465 100)	(5 341 846)
Amortisation for the year	(2 921 094)	(2 123 254)
At the end of the year	(10 386 194)	(7 465 100)
Carrying value at the end of the year	**20 660 929**	**17 976 543**

The intangible asset consists of development costs incurred for the member administration IT system. The developments are immediately put into use by the Scheme.

4. FINANCIAL ASSETS

	2023	2022
	R	R
(a) Financial assets at fair value through profit or loss represent investments in:		
Scheme:		
Listed bonds	296 551 948	239 430 328
Linked insurance policies	1 348 243 149	963 604 501
Collective investment schemes	1 197 421 383	1 594 946 162
Money market instruments	195 010 868	122 739 427
	3 037 227 347	**2 920 720 419**
Non-current	1 997 347 299	1 431 151 546
Current	1 039 880 047	1 489 568 872
	3 037 227 346	**2 920 720 419**
Personal medical savings investments:		
Money market instruments	377 316 992	346 690 346
Linked insurance policies	477 454 071	436 863 044
	854 771 063	**783 553 390**
Non-current*	-	-
Current*	854 771 063	783 553 390
	854 771 063	**783 553 390**

The personal medical savings accounts were invested on behalf of members in money market instruments and Linked insurance policies. The effective interest rate on the investments was 7.53% (2022: 4.45%).

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

	2023	2022
(b) Financial assets at fair value through other comprehensive income represent investments in:		
- Listed Equities	531 409 726	577 952 040
- SA Listed Properties	22 805 605	35 010 246
	554 215 330	**612 962 286**

Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act relates to the above investment balances.

A register of investments is available for inspection at the registered office of the Scheme. Refer to Note 28 for Financial Risk Management disclosures.

5. LEASES

Under IFRS 16, an asset (the right to use the leased item) and the liability to pay rentals, are recognised at the inception of the lease. The asset is disclosed separately and the liability to pay rentals is disclosed separately as lease liabilities. The Scheme has elected to apply an exemption on leases for which the underlying asset is of low value, being individual assets which are valued at less than R65 000. These are treated as operating leases and are accounted for as operating leases using the straight-line method in the statement of comprehensive income.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce the constant periodic rate of interest on the remaining balance of the liability for each period. The weighted average of the prime rate is used as the proxy for the incremental borrowing rate applied to the lease liabilities on 31 December 2023 was 7.2% (2022: 7.2%).

IMPACT ON STATEMENT OF FINANCIAL POSITION

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

	2023	2022
	R	R
The carrying amount of lease assets and new lease assets during the reporting period are presented in the table below:		
Lease assets*		
Carrying amount of right-of-use assets:		
Opening Balance	45 028 588	63 226 538
Additions to the right-of use of assets[1]	1 470 729	599 745
Depreciation	(18 865 944)	(18 797 695)
Total	**27 633 373**	**45 028 588**

*Leased assets comprise of buildings.
[1]New leases entered into and lease modification during the financial year.

	2023	2022
	R	R
Lease liabilities		
Opening Balance	52 107 445	68 759 882
Cash movements		
Principal element of lease payments	(19 816 580)	(18 203 930)
Non-cash movements		
New leases entered into and lease modifications during the year	1 470 729	1 551 493
Lease liability at the end of the year	**33 761 595**	**52 107 445**
Current	21 635 457	19 722 085
Non-current	12 126 137	32 385 361
Total	**33 761 595**	**52 107 445**

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

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

	2023	2022
	R	R
Depreciation charge of right-of-use assets:		
Buildings (Note 14)	18 865 944	18 797 686
Interest expense on lease liabilities	3 264 279	5 707 253
Expenses relating to short-term leases of low-value assets[1]	1 507 433	2 831 067
	23 637 655	27 336 006

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

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

31 December 2023	Within 1 year	1 – 5 years	Total
	R	R	R
Lease liability	23 489 989	12 470 566	35 960 554
31 December 2022			
Lease liability	23 029 239	34 358 230	57 387 469

6. TRADE AND OTHER RECEIVABLES

	2023	Restated* 2022
	R	R
Prepaid expenses and deposits	13 495 582	13 031 568
Accrued interest	11 330 879	11 897 810
Sundry accounts receivable	64 448	338 725
	24 890 910	**25 268 104**

Trade and other receivables represent financial assets held at amortised cost. The carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets. Estimated cash flow receipts have not been discounted as the effect would be immaterial.

7. CONTINGENT ASSET

Road Accident Fund

Claims for third party debtors (the Road Accident Fund) for benefits paid on behalf of the Scheme's members are disclosed as a contingent asset as the inflow of economic benefits is probable, but not virtually certain. The actual claims recovered amounted to R1.3M (2022: R5.4M).

8. CASH AND CASH EQUIVALENTS

	2023	2022
	R	R
Scheme		
Call accounts	7 974 623	31 471 706
Current accounts	31 542 352	19 159 416
	39 516 976	**50 631 122**

The weighted average effective interest rate on short-term cash deposits was 6.5% (2022: 3.73%) and had an average maturity of 29.25 days (2022: 29.42 days). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

The total interest earned on the Schemes' call and current accounts was R3,202,409 (2022: R1,284,178), which is included in investment income in profit or loss. Refer to Note 15 for full disclosure on investment income.

	2023	2022
	R	R
Personal medical savings account		
Current account	296 941 196	257 147 790
	296 941 196	**257 147 790**

The weighted average effective interest rate on the short-term cash was 7.65% (2022: 5.19%) and the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term nature of these assets.

The total interest earned on the personal medical savings current account was R21,511,345 (2022: R11,640,646), which is included in investment income in profit or loss. Refer to Note 15 for full disclosure on investment income.

9. REINSURANCE CONTRACTS ASSETS/(LIABILITIES)

Reconciliation of the remaining coverage and incurred claims
2023

	LRC	LIC		
Total - Reinsurance contracts held	**Excluding loss recovery component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	R	R	R	R
Opening reinsurance contract assets	-	-	-	-
Opening reinsurance contract liabilities	-	5 840 689	(143 387)	5 697 302
Reinsurance contract liabilities/(assets) as at 1 January	**-**	**5 840 689**	**(143 387)**	**5 697 302**
Net (income)/expenses from reinsurance contracts held				
Reinsurance expenses	125 670 583	-	-	125 670 583
Other incurred directly attributable expenses	-	-	-	-
Incurred claims recovery	-	(120 204 767)	(152 801)	(120 357 567)
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	79 075	143 387	222 463
Net (income)/expenses from reinsurance contracts held	**125 670 583**	**(120 125 691)**	**(9 414)**	**5 535 478**
Total amounts recognised in comprehensive income	**125 670 583**	**(120 125 691)**	**(9 414)**	**5 535 478**
Investment components	-	-	-	-
Other changes: transfer of premium payables to LIC	(4 433 733)	4 433 733	-	-
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	(121 236 850)	(9 996 300)	-	(131 233 150)
Recoveries from reinsurance	-	119 490 844	-	119 490 844
Directly attributable expenses paid	-	-	-	-
Total cash flows	**(121 236 850)**	**109 494 544**	**-**	**(11 742 307)**
Reinsurance contract liabilities/(assets) as at 31 December	**-**	**(356 726)**	**(152,801)**	**(509 526)**
Closing reinsurance contract assets	-	(4 790 459)	(152 801)	(4 943 259)
Closing reinsurance contract liabilities	-	4 433 733	-	4 433 733

9. REINSURANCE CONTRACTS ASSETS/(LIABILITIES) (CONTINUED)

Reconciliation of the remaining coverage and incurred claims
2023

Total - Reinsurance contracts held	LRC	LIC		Total
	Excluding loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
	R	R	R	R
Opening reinsurance contract assets	-	-	-	-
Opening reinsurance contract liabilities	-	3 281 639	(157 435)	3 124 204
Reinsurance contract liabilities/(assets) as at 1 January	**-**	**3 281 639**	**(157 435)**	**3 124 204**
Net (income)/expenses from reinsurance contracts held				
Reinsurance expenses	119 064 734	-	-	119 064 734
Other incurred directly attributable expenses	-	-	-	-
Incurred claims recovery	-	(121 164 403)	(143 387)	(121 307 790)
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	1 323 613	157 435	1 481 048
Net (income)/expenses from reinsurance contracts held	**119 064 734**	**(119 840 790)**	**14 048**	**(762 008)**
Total amounts recognised in comprehensive income	**119 064 734**	**(119 840 790)**	**-**	**(776 056)**
Investment components	-	-	-	-
Other changes: transfer of premium payables to LIC	(9 996 300)	9 996 300	-	-
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	(109 068 434)	(8 195 524)	-	(117 263 958)
Recoveries from reinsurance	-	120 599 064	-	120 599 064
Directly attributable expenses paid	-	-	-	-
Total cash flows	**(109 068 434)**	**112 403 540**	**-**	**3 335 106**
Reinsurance contract liabilities/(assets) as at 31 December	**-**	**5 840 689**	**(143 387)**	**5 697 302**
Closing reinsurance contract assets	-	(4 155 611)	(143 387)	(4 298 998)
Closing reinsurance contract liabilities	-	9 996 300	-	9 996 300

A reinsurance contract is an insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cadent) for losses on one or more contracts issued by the cadent. IFRS 17 clarifies that significant insurance risk is transferred under a reinsurance contract even when the entity is not exposed to the possibility of a significant loss as a result of the contract.

The cost the Medical Scheme would have incurred to deliver the specified benefits had it not entered into the capitation agreement, primarily represents the Scheme's exposure to its members, as the capitation agreement cannot absolve the Medical Scheme from its responsibility towards its members. The Scheme would have incurred this "cost" (had it not entered into the capitation agreement) to deliver the specified benefits and as such it represents the Scheme's recovery in kind from the managed healthcare provider. This recovery in kind, of cost incurred, is disclosed as reinsurance income from reinsurance contracts held.

The Scheme has assessed its risk transfer arrangements and noted that they meet the IFRS 17 definition of reinsurance contracts held. The above reinsurance contracts held are assessed relative to IFRS 17 requirements on an annual basis. On the basis that the unexpired risk (and hence incurred claims asset) in respect of the reinsurance contract is limited as at each financial year end, the Scheme have decided to apply the same factor in calculating the risk adjustment as was calibrated for the claims reserve not covered by reinsurance contracts.

The Scheme entered into the above reinsurance contracts whereby the parties agreed that the above service providers will render services to beneficiaries on certain options of the Scheme. A fixed fee was paid monthly to Europ Assistance, ER24 and the Preferred Provider Negotiators per beneficiary to provide emergency transport, international emergency transport and optical services respectively.

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

ER24

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

Europ Assistance

The Scheme took out insurance for international travel at a rate of R5.90 per member with Europ Assistance. The total travel insurance paid to Europ Assistance for 2023 was R8.0M (2022: 8.4M).

Preferred Provider Negotiators

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

10. RETIREMENT BENEFIT OBLIGATIONS

Pension Fund

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

Post-retirement medical obligation

The Scheme did make provision for contributions towards medical benefits after normal retirement. Provision is made for the estimated benefits of the existing 14 (2022: 14) pensioners as this liability is unfunded. There is no plan asset for this obligation. The total present value of the liability based on a projected-unit-credit basis as at 31 December 2023 is R7 781 824 (2022: R7 852 102).

10. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

		2023	2022
The independent actuarial assumptions and valuation at year-end were:			
Number of pensioner members		14	14
Future long-term medical inflation		7.6% p.a.	8.4% p.a.
Expected yield on assets		10.1%	11.0%
Mortality assumptions			
Post-retirement Male	Rated down by 1 year	PA 90	PA 90
Post-retirement Female	Rated down by 2 years	PA 90	PA 90
Life expectancy - present age 62			
Male		13,27	12.60
Female		16,29	15.51

Other assumptions

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

Contribution tables

The monthly medical scheme contributions for 2023 used in the valuation of the contributions liability are as follows:

	Income Band	Principal Member	Adult Dependant	Child Dependant
		R	R	R
Pace1	All	5 061	3 555	1 277
Pace2	All	7 212	7 072	1 590
Beat2 Network	All	2 289	1 779	963
Beat3	All	3 724	2 656	1 314

	2023	2022
	R	R
The reconciliation of the value recognised in the statement of financial position is:		
Liability at 1 January	7 852 102	9 751 370
Actual disbursements	(735 434)	(717 850)
Interest cost	823 282	962 740
Actuarial gain	(158 127)	(2 144 158)
Liability at year-end in the statement of financial position	**7 781 824**	**7 852 102**

Actual Disbursements

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

Interest cost

The interest cost is the assumed investment return on the unfunded liability. A rate of 10.3% per annum was used for the year ended 31 December 2023 (2022: 9.4%).

Actuarial gain

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

An actuarial gain of R158,127 (2022: gain of R2,144,158) is reported over the past year in the statement of comprehensive income. This gain is due to the following factors:

	2023	2022
	R	R
▪ Demographic experience (including option changes) and that assumed in the previous valuation gave rise to an actuarial (gain)/loss.	20 293	(1 076 790)
▪ Changes made to assumptions, the increase in the discount rate from 11.00% to 10.00% (2022: 10.3% to 11.00%) and a decrease in the medical cost inflation assumption from 8.4% to 7.6% (2022: 8.7% to 8.4%).	69 589	(600 956)
▪ Actual contribution increases on 1 January 2024 averaged 9.7% as opposed to the assumption of 8.4% used (2022: 8.9% vs 8.7%).	(258 590)	(375 499)
▪ Lower than expected disbursements paid during the year.	10 582	(90 914)
	(158 127)	**(2 144 158)**

Sensitivity analysis

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

	Base	Inflation plus 1%	Inflation plus 0.5%	Inflation minus 1%	Inflation minus 0.5%
	R	R	R	R	R
2023					
Liability at 1 January 2022	7 852 102	7 852 102	7 852 102	7 852 102	7 852 102
Disbursements	(735 434)	(735 434)	(735 434)	(735 434)	(735 434)
Interest cost	823 282	823 282	823 282	823 282	823 282
Actuarial loss/(gain)	(158 127)	401 748	(668 148)	(661 045)	(424 563)
Liability as at 31 December 2023	**7 781 824**	**8 341 698**	**7 271 803**	**7 278 906**	**7 515 388**

	Base	Inflation plus 1%	Inflation plus 0.5%	Inflation minus 1%	Inflation minus 0.5%
	R	R	R	R	R
2024					
Liability at 1 January 2024	7 781 824	8 341 698	7 271 802	7 278 906	7 515 388
Disbursements	(758 305)	(758 305)	(758 305)	(758 305)	(758 305)
Interest cost	747 670	804 217	696 158	696 875	720 760
Liability as at 31 December 2024	**7 771 189**	**8 387 610**	**7 209 655**	**7 217 475**	**7 477 843**

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

11. INSURANCE CONTRACTS LIABILITIES

Insurance contract liabilities is made up of the following two components:

(a) Liability attributable to current members; and

(b) Liability attributable to future members.

	2023	2022
	R	R
Insurance contract liabilities - Liability attributable to current members	1 382 105 766	1 272 253 184
Insurance contract liabilities - Liability attributable to future members - Current	170 293 692	118 753 919
Insurance contract liabilities - Liability attributable to future members - Non current	3 243 176 180	3 240 009 441
Insurance contract liabilities at the end of the year	**4 795 575 637**	**4 631 016 543**

(a) Liability attributable to current members

Reconciliation of the liability for remaining coverage and the liability for incurred claims
2023

	LRC	LIC		
Total - Insurance contracts issued	**Excluding loss component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	R	R	R	R
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	39 881 180	1 223 913 619	8 458 385	1 272 253 184
Insurance contract liabilities/(Insurance contract assets) as at 1 January 2023	**39 881 180**	**1 223 913 619**	**8 458 385**	**1 272 253 184**
Insurance revenue				
New contracts and contracts measured under the full retrospective approach at transition	(6 481 967 730)	-	-	(6 481 967 730)
Total insurance revenue	**(6 481 967 730)**	**-**	**-**	**(6 481 967 730)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	6 286 617 194	9 084 218	6 295 701 412
Changes that relate to past service - adjustments to the LIC	-	(7 741 285)	(8 458 385)	(16 199 670)
Losses on onerous contracts and reversals of those losses	-	-	-	-
Insurance acquisition cash flows	-	238 771 322	-	238 771 322
Total insurance service expenses	**-**	**6 517 647 230**	**625 833**	**6 518 273 063**
Insurance service result	**(6 481 967 730)**	**6 517 647 230**	**625 833**	**36 305 333**
Finance (income)/expenses from insurance contracts issued	-	91 761 734	-	91 761 734
Effect of movements in exchange rates	-	-	-	-
Investment return	-	-	-	-
Other operating expenses	-	-	-	-
Total amounts recognised in comprehensive income	**(6 352 338 721)**	**6 479 779 955**	**625 833**	**128 067 067**
Investment components	(1 146 412 706)	1 146 412 706	-	-
Other changes: Transfer of contributions receivable to LIC	129 629 009	(129 629 009)	-	-
Cash flows				
Premiums received	7 486 810 702	109 889 140	-	7 596 699 842
Claims and other directly attributable expenses paid	-	(7 375 991 933)	-	(7 375 991 933)
Claims paid	-	(6 153 922 292)	-	(6 153 922 292)
Investment components paid	-	(1 132 350 863)	-	(1 132 350 863)
Directly attributable expenses paid	-	(89 718 778)	-	(89 718 778)
Insurance acquisition cash flows paid	-	(238 922 395)	-	(238 922 395)
Total cash flows	**7 486 810 702**	**(7 505 025 187)**	**-**	**(18 214 485)**
Insurance contract liabilities/(Insurance contract assets) as at 31 December 2023	**27 940 455**	**1 345 081 093**	**9 084 218**	**1 382 105 766**
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	27 789 381	1 345 232 166	9 084 218	1 382 105 766

11. INSURANCE CONTRACTS LIABILITIES (CONTINUED)

(b) Liability attributable to future members

Reconciliation of the liability for remaining coverage and the liability for incurred claims
2022

Total - Insurance contracts issued	LRC	LIC		Total
	Excluding loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
	R	R	R	R
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	34 667 198	1 105 980 456	7 419 114	1 148 066 768
Insurance contract liabilities/(Insurance contract assets) as at 1 January 2022	**34 667 198**	**1 105 980 456**	**7 419 114**	**1 148 066 768**
Insurance revenue				
New contracts and contracts measured under the full retrospective approach at transition	(5 881 742 620)	-	-	(5 881 742 620)
Total insurance revenue	**(5 881 742 620)**	**-**	**-**	**(5 881 742 620)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	5 660 832 685	8 458 385	5 669 291 070
Changes that relate to past service - adjustments to the LIC	-	(42 506 720)	(7 419 114)	(49 925 834)
Losses on onerous contracts and reversals of those losses	-	-	-	-
Insurance acquisition cash flows	-	233 822 070	-	233 822 070
Total insurance service expenses	**-**	**5 852 148 035**	**1 039 271**	**5 853 187 306**
Insurance service result	**(5 881 742 620)**	**5 852 148 035**	**1 039 271**	**(28 555 314)**
Finance (income)/expenses from insurance contracts issued	-	53 057 645	-	53 057 645
Effect of movements in exchange rates	-	-	-	-
Investment return	-	-	-	-
Other operating expenses	-	-	-	-
Total amounts recognised in comprehensive income	**(5 771 853 480)**	**5 795 316 539**	**1 039 271**	**24 502 330**
Investment components	(1 057 989 853)	1 057 989 854	-	-
Other changes: Transfer of contributions receivable to LIC	109 889 140	(109 889 140)	-	-
Cash flows				
Premiums received	6 835 057 315	135 457 856	-	6 970 515 171
Claims and other directly attributable expenses paid	-	(6 637 009 016)	-	(6 637 009 016)
Claims paid	-	(5 529 384 312)	-	(5 529 384 312)
Investment components paid	-	(1 035 399 670)	-	(1 035 399 670)
Directly attributable expenses paid	-	(72 225 034)	-	(72 225 034)
Insurance acquisition cash flows paid	-	(233 822 070)	-	(233 822 070)
Total cash flows	**6 835 057 315**	**(6 735 373 230)**	**-**	**99 684 085**
Insurance contract liabilities/(Insurance contract assets) as at 31 December 2023	**39 881 180**	**1 223 913 619**	**8 458 385**	**1 272 253 184**
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	39 881 180	1 223 913 619	8 458 385	1 272 253 184

(a) Liability attributable to current members (continued)

Assumptions

The assumptions that have the greatest effect on the measurement of the best liability estimate are the expected claims ratios for the most recent benefit years for the in-hospital, chronic and day-to-day benefits. These are used for assessing the outstanding claims provisions for the 2023 and 2022 benefit years.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2022 and 2023. Refer to Note 29 for detailed disclosures on IFRS 17 risk adjustment transition amounts.

	2023	2022
Investment components - Personal medical savings accounts	**R**	**R**
Monies managed by the Scheme on behalf of its members		
Balance on personal medical savings account liability at the beginning of the year	1 073 125 166	997 188 196
Less		
Advances on personal medical savings accounts	(3 336 137)	(3 046 995)
Balance on personal medical savings account liability at the beginning of the year	1 069 789 030	994 141 201
Add		
Personal medical savings account contributions received or receivable (Note 13)	1 142 632 452	1 042 457 789
Personal medical savings account balances received from other Schemes	3 931 327	15 532 065
Interest on personal medical savings account trust funds invested paid to members (Note 15)	92 604 158	53 846 586
Advances on personal medical savings accounts written off or in debt recovery process	9 727 191	9 189 423
Less		
Personal medical savings claims paid on behalf of members	(1 098 962 699)	(1 010 596 762)
Transfers to other schemes	(2 987 448)	(2 317 485)
Refunds on death or resignations	(40 127 907)	(31 674 846)
Personal medical savings payable to the Guardians Fund	-	-
Bank charges and management fees (Note 19)	(842 424)	(788 941)
Contributions relief payment from savings	-	-
Add		
Advances on personal medical savings accounts	3 722 832	3 336 137
Balances due to members on personal medical savings accounts held in trust at the end of the year	**1 179 486 511**	**1 073 125 166**

The Personal Medical Savings Accounts ("PMSA") have been identified as a investment component, however these are non-distinct and as such do not require separation from the main insurance contract. PMSA are measured under IFRS 17. Refer to Note 1.2 for detailed disclosures and significant judgements made in transition to IFRS 17.

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

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

The carrying amount of the personal medical savings account trust investments approximates their fair values due to the short-term nature of the investments. Interest earned on all personal medical savings account funds invested as cash and cash equivalents and

financial assets investments are allocated to members' personal medical saving account balances, and are not recognised as income for the Scheme.

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

The difference between the personal medical savings account trust liability and the personal savings trust account assets (Note 4 and 11), is attributable to the timing of the collection of savings contributions versus the transfer of funds from the Scheme's bank account to the Personal medical savings account.

(b) Insurance contract liabilities – Liability attributable to future members

	2023	2022
	R	R
Opening balance	**3 358 763 360**	**-**
Transfer from accumulated funds	-	3 355 980 055
Movement in insurance liability attributable for future members	54 706 512	2 783 304
Amounts attributable to future members	38 737 548	(4 426 524)
Unrealised (losses)/gains on equity instruments designated at FVTOCI	(11 454 069)	(8 886 577)
Cumulative gains/(losses) on equity instruments designated at FVOCI transferred to insurance liability attributable to future members upon disposal	27 423 034	16 096 405
Closing balance	**3 413 469 872**	**3 358 763 360**
Current	170 293 692	118 753 919
Non-current	3 243 176 180	3 240 009 441
Total	**3 413 469 872**	**3 358 763 360**

The current portion of the insurance liability for future members represents the Schemes' budgeted net underwriting deficit for the next financial period as submitted to Council of Medical Schemes.

12. TRADE AND OTHER PAYABLES

	2023	*Restated 2022
	R	R
Financial liabilities		
Other payables and accrued expenses	36 344 509	41 186 594
Trade creditors payable	6 370 395	430 071
	42 714 904	41 616 665
Provisions		
Leave provision at the beginning of the year	12 179 374	12 972 549
Movement for the year	335 659	(793 175)
Leave provision at the end of the year	12 515 033	12 179 374
Total trade and other payables	**55 229 937**	**53 796 039**

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

13. INSURANCE REVENUE AND SERVICE EXPENSES

	2023	*Restated 2022
	R	R
Insurance revenue	**6 481 967 730**	**5 881 742 620**
Insurance service expenses	**(6 557 020 024)**	**(5 848 746 734)**
Net claims incurred	(6 189 926 351)	(5 547 796 719)
Risk claims incurred	(6 047 630 018)	(5 458 678 078)
Third party claims recoveries	1 313 472	5 391 115
Accredited managed healthcare services	(159 809 476)	(144 435 590)
Changes that relate to past service - adjustments to the LIC	16 199 670	49 925 834
Insurance acquisition cash flow	(238 771 322)	(233 822 070)
Attributable maintenance expenses	(89 584 804)	(71 554 469)
Amounts attributable to future members	(38 737 548)	4 426 524
Reinsurance Insurance Service Result	**(5 535 478)**	**762 008**
Reinsurance expenses – contracts measured under the PAA	(125 670 583)	(119 064 734)
Reinsurance income – contracts measured under the PAA	120 135 105	119 826 742
Recovered claims	120 357 567	121 307 790
Changes that relate to past service - adjustments to the LIC	(222 463)	(1 481 048)
Total insurance service result	**(80 587 772)**	**33 757 894**

(a) Insurance revenue

Gross insurance revenue from contracts measured under the PAA	7 624 600 182	6 924 200 409
Less: Investment component - Personal medical savings account contributions (Note 11)	(1 142 632 452)	(1 042 457 789)
	6 481 967 730	**5 881 742 620**

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

	NOTES	2023	2022
		R	R
(b) Insurance acquisition cash flow			
Brokers' fees		113 747 147	103 842 313
Other directly attributable acquisition cashflows:	14	125 024 175	129 979 757
Employee benefits expenses		40 730 548	47 376 330
Other directly attributable acquisition expenses		84 293 627	82 603 428
		238 771 322	**233 822 070**

	NOTES	2023	2022
		R	R
(c) Attributable maintenance expenses			
Employee benefits expenses		74 712 285	60 160 505
Other directly attributable maintenance expenses		10 065 631	6 652 631
	14	84 777 916	66 813 134
Changes in the expected non-recoverability of healthcare receivables		4 806 888	4 741 334
		89 584 804	**71 554 468**

Other directly attributable acquisition cashflows comprise of direct sales, member record and claims management. Attributable maintenance expenses comprise of broker relation and client service management.

14. ADMINISTRATION EXPENSES

	NOTES	2023		* Restated 2022	
		R		R	
		Directly attributable acquisition and maintenance expenses	Not directly attributable expenses	Directly attributable acquisition and maintenance expenses	Not directly attributable expenses
Managed care management services		7 756 817	-	7 170 823	-
Wellness and preventative care		5 100 807	-	4 876 872	-
Maternity programme		2 656 010	-	2 293 951	-
Actuarial fees		2 610 663	-	2 472 220	-
Audit fees		-	3 166 103	-	2 451 125
External audit services for previous year's audit		-	1 990 318	-	2 005 000
External audit services for current year audit		-	1 175 785	-	446 125
Bank charges		-	7 638 073	-	7 316 404
Consultation fees		221 635	10 394 307	185 732	7 425 942
Debt collection fees		-	621 302	-	743 499
Amortization	3	-	2 921 094	-	2 123 254
Depreciation	2	-	33 168 163	-	29 306 132
Employee benefit expenses		115 442 832	80 840 201	107 536 834	71 230 480
Employee recruitment training and development		-	4 602 095	-	4 022 530
Insurance premiums		-	1 467 388	-	1 115 451
Information Technology		49 553 491	-	46 462 204	-
IT maintenance		6 871 769	-	7 124 229	-
License fees		18 014 012	-	17 405 634	-
Legal fees		-	879 562	-	1 743 756
Marketing and advertising expenses		1 608 173	25 974 161	823 859	38 352 131
Rent paid		-	1 507 433	-	2 831 067
Building expenses		1 018 842	3 508 920	974 732	3 570 072
Other expenses		1 008 909	3 353 132	731 578	3 384 731
Principal Officers' fees		-	7 271 802	-	6 230 564
Printing and stationery expenses		325 852	2 702 334	292 413	5 105 804
Registrar's levies and other fees		-	5 169 565	-	4 451 702
Telephone and postage fees		1 873 240	5 572 634	2 028 092	6 864 348
Total trustee remuneration and travel and accommodation expenses		-	3 016 926	-	3 049 953
Trustees vetting expenses		-	-	-	2 237 192
Travel accommodation and conferences		3 495 857	524 523	3 584 542	562 768
		209 802 091	**204 299 718**	**196 792 891**	**204 118 905**

15. INVESTMENT INCOME

	2023	2022
	R	R
Scheme		
Financial assets at fair value through profit or loss:		
- Interest income	145 252 480	122 210 245
Income from financial assets at fair value through other comprehensive income:		
- Dividend income	24 375 087	30 058 204
Cash and cash equivalents - interest income	3 202 409	1 284 178
Net realised (losses)/gains on financial assets at fair value through profit or loss(a)	(1 042 342)	1 421 008
Net unrealised gains on financial assets at fair value through profit or loss(b)	121 932 998	42 636 599
	293 720 633	**197 610 234**
Personal medical savings account trust monies invested		
Financial assets at fair value through profit or loss:		
- Interest income	71 092 814	42 205 939
Cash and cash equivalents - interest income	21 511 345	11 640 646
	92 604 158	**53 846 586**
(a) Net realised gains/(losses) on financial assets at fair value through profit or loss		
- Listed bonds	(3 365 787)	(333 525)
- Collective investment schemes	2 323 445	1 754 533
	(1 042 342)	**1 421 008**
(b) Net unrealised gains on financial assets at fair value through profit or loss		
- Listed bonds	8 956 165	(17 134 458)
- Linked insurance policies	105 172 629	58 587 950
- Collective investment schemes	7 804 204	1 183 107
	121 932 998	**42 636 599**
(c) Income from financial assets at fair value through other comprehensive income:		
- Unrealised losses on equity instruments designated at FVOCI	(11 454 069)	(8 886 577)
- Cumulative gains upon disposal of equity instruments designated at FVOCI	27 423 034	16 096 405

16. SUNDRY INCOME

	NOTES	2023	2022
		R	R
Unclaimed credits written off		1 033 693	3 402 023
Net profit on disposal of fixed assets		181 688	187 765
		1 215 381	**3 589 787**

17. FINANCE EXPENSES FROM INSURANCE CONTRACTS ISSUED - PMSA

	NOTES	2023	2022
		R	R
Net finance expenses from insurance contracts issued - PMSA		91 761 734	53 057 645
		91 761 734	**53 057 645**

18. INTEREST EXPENSE

Finance costs - lease liability	5	3 264 279	5 707 253
		3 264 279	**5 707 253**

19. ASSET MANAGEMENT FEES

Scheme		
Expenses for asset management services rendered	6 784 245	5 884 163
	6 784 245	**5 884 163**
Personal medical savings account trust monies invested		
Expenses for asset management services rendered	842 424	788 941
	842 424	**788 941**

20. DISCONTINUED OPERATIONS: OWN FACILITIES

Income		
Income from medical services rendered in own facilities	-	(3 665 863)
	-	(3 665 863)
Expenditure in operating own facility		
Total healthcare provider costs	-	10 672 994
Changes in inventories	-	706 937
Administration expenses	-	357 820
Information Technology	-	409 054
Facilities expenditure	-	895 356
Discontinuation costs:		
Severance packages - Section 189	-	9 871 297
	-	22 913 458
Deficit on Own Facility	**-**	**19 247 595**

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

The Board and Management took a strategic decision during the 2022 financial year to close the medical centres with the last day of operations being 31 December 2022. The outcome of the closure will result in cost savings and enable the Scheme to place greater focus its key competency i.e. the provision of quality and effective healthcare funding. This decision was taken having considered all aspects including attempts to minimise the adverse impact this process had on affected staff and members. All contracts relating to employment, leases and service providers have been terminated considering the contractual provisions of each agreement.

	NOTES	2023	2022
		R	R
Assets held for sale:			
Medical Equipment		-	116 249

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

21. EMPLOYEE BENEFIT EXPENSES

	Directly attributable acquisition and maintenance expenses	Non-attributable expenses	Total
As at 31 DECEMBER 2023		R	R
Salaries and Bonuses	91 447 187	65 750 530	157 197 717
Retirement benefits	12 281 379	8 423 184	20 704 563
Medical and other benefits	11 714 266	6 773 160	18 487 426
Increase in leave pay accrual	-	6 499 974	6 499 974
Retirement benefit obligations	-	665 156	665 156
	115 442 832	88 112 003	203 554 836
Less: Principal Officer's compensation and benefits		(7 271 802)	(7 271 802)
- Salary		(3 793 377)	(3 793 377)
- Bonuses paid and provided for		(2 694 192)	(2 694 192)
- Retirement benefits		(574 788)	(574 788)
- Medical and other benefits		(209 446)	(209 446)
Total	**115 442 832**	**80 840 201**	**196 283 033**

	Directly attributable acquisition and maintenance expenses	Non-attributable expenses	Total
As at 31 DECEMBER 2022 - * Restated		R	R
Salaries and Bonuses	84 118 136	59 757 817	143 875 952
Retirement benefits	11 699 538	7 998 135	19 697 673
Medical and other benefits	11 719 160	3 347 496	15 066 656
Increase in leave pay accrual	-	5 176 178	5 176 178
Retirement benefit obligations	-	1 181 418	1 181 418
	107 536 834	77 461 044	184 997 878
Less: Principal Officer's compensation and benefits		(6 230 564)	(6 230 564)
- Salary		(3 725 690)	(3 725 690)
- Bonuses paid and provided for		(1 876 090)	(1 876 090)
- Retirement benefits		(426 451)	(426 451)
- Medical and other benefits		(202 333)	(202 333)
Total	**107 536 834**	**71 230 480**	**178 767 314**

*Restated to comply with the expense allocation as per IFRS 17.

22. CASH FLOWS FROM OPERATING ACTIVITIES

	NOTES	2023	*Restated 2022
		R	R
Insurance revenue	13	6 481 967 730	5 881 742 620
Changes in the expected non-recoverability of healthcare receivables in SOCI		(4 806 888)	(4 741 334)
(Increase)/Decrease in insurance receivables		(19 353 174)	25 857 857
Increase in Insurance receivables - Other		(2 187 061)	(5 427 157)
Less: Expected non-recoverability		(2 712 327)	4 541 943
Other loans and receivables - sundry accounts receivables		(996 369)	(1 746)
Cash Receipts from members - Insurance revenue		**6 451 911 912**	**5 901 972 184**
Cash Receipts from members and providers - Trade and other receivables	6	377 194	(5 108 456)
Reinsurance contracts expenditure		(125 670 583)	(119 064 734)
(Increase)/decrease in recovery under reinsurance contracts		(644 262)	772 322
Reinsurance contracts liabilities		(5 562 567)	1 800 776
Cash Payments to reinsurers		**(131 877 412)**	**(116 491 636)**
Increase in insurance contract liabilities		28 740 169	23 121 112
Liability for remaining coverage		(12 091 798)	5 213 981
Unclaimed payments		3 370 747	3 050 198
Reported not yet paid		7 886 929	(1 072 671)
Insurance contracts - Other payables and accrued expenses		2 410 257	6 517 894
Insurance contracts - Trade creditors payable		1 019 223	(10 180 523)
Increase in liability for incurred claims		26 144 811	19 592 233
Unclaimed credits write off	16	1 033 693	3 402 023
Insurance service expenses		(6 393 340 484)	(5 728 605 181)
Relevant insurance expenses		(6 069 791 246)	(5 427 969 977)
Broker Fees		(113 747 147)	(103 842 313)
Other directly attributable administration expenditure		(209 802 091)	(196 792 891)
Cash paid for claims and acquisition cost		**(6 363 566 622)**	**(5 702 082 046)**
Cash incurred for providers and employees - non-attributable expenses		(211 083 963)	(229 250 663)
Eliminate non cash items:			
Depreciation		33 168 163	29 566 920
Amortisation of intangible assets	3	2 921 094	2 123 254
Decrease/ (Increase) in provision for leave	12	335 659	(793 175)
Decrease in provision for retirement benefit obligation	10	(70 279)	(1 899 268)
Increase in trade and other payables	12	1 098 239	5 920 854
Cash paid to providers and employees - non-attributable expenses		**(173 631 087)**	**(194 332 078)**

23. TOTAL TRUSTEE REMUNERATION AND CONSIDERATION EXPENSES

	Fees for attending Board meetings	Annual Retainer Fees	Fees for attending subcommittee meetings	Total Remuneration	Travel & Accommodation	Training	Total Considerations
	R	R	R	R	R		R
2023							
L de Vries	133 544	-	62 888	196 432	8 809	-	**205 241**
GS Du Plessis	158 074	45 510	190 493	394 078	-	-	**394 078**
A Hartzenberg	133 544	-	131 750	265 294	-	-	**265 294**
L Jordaan	133 544	-	215 916	349 460	-	-	**349 460**
T Legobye	133 544	-	130 528	264 072	-	-	**264 072**
C Lombard	133 544	-	177 346	310 890	9 866	-	**320 756**
E Marx	133 544	-	148 926	282 470	-	-	**282 470**
CM Mowatt	194 870	63 708	240 041	498 619	10 149	-	**508 767**
M Slabbert	133 544	-	126 932	260 476	-	-	**260 476**
L Shah	67 724	-	92 352	160 076	6 238	-	**166 314**
	1 355 476	**109 218**	**1 517 171**	**2 981 865**	**35 062**	**-**	**3 016 926**

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

Annual retainer fees are amounts paid in accordance with the provisions of the Trustee Remuneration Policy
The 2023 and 2022 amounts are disclosed as per the 2023 SAICA guide categories.
Travel & Accommodation expenses are paid in order for members to attend Board/Subcommittee meetings/other meetings in Pretoria, or if needed at another location in South Africa.

24. RELATED PARTY TRANSACTIONS

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

Parties with significant influence over the Scheme:

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

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

Insurance revenue

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

Insurance service expenses

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

Personal medical savings account balances

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

Service provider fees paid/payable

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

Principal Officer's compensation

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

The following related party transactions occurred during the financial year:

	2023	2022
	R	R
Board of Trustees		
Gross medical scheme insurance revenue	668 429	605 906
Medical scheme insurance revenue - risk portion	579 186	537 578
Medical scheme insurance revenue - personal medical savings portion	89 243	68 327
Gross benefits paid out	653 269	703 401
Benefits paid from risk pool	558 049	621 070
Benefits paid from personal medical savings available	95 220	82 332
Saving available at year-end	8 469	13 964
Trustee remuneration and travel and accommodation expenses (Note 23)	3 016 926	3 049 953
Trustee other expenses	269 706	54 351
Principal Officer		
Gross medical scheme insurance revenue	122 364	112 368
Medical scheme insurance revenue - risk portion	99 108	91 032
Medical scheme insurance revenue - personal medical savings portion	23 256	21 336
Gross benefits paid out	78 995	75 319
Benefits paid from risk pool	55 739	46 002
Benefits paid from personal medical savings available	23 256	29 318
Saving available at year-end	-	-
Principal Officer's compensation (Note 24)	7 271 802	6 230 564
Leave provision at end of year	530 995	464 990
Key management		
Gross medical scheme insurance revenue	436 572	403 872
Medical scheme insurance revenue - risk portion	356 988	330 269
Medical scheme insurance revenue - personal medical savings portion	79 584	73 602
Gross benefits paid out	320 835	295 544
Benefits paid from risk pool	258 220	182 504
Benefits paid from personal medical savings available	62 615	113 040
Saving available at year-end	118 964	80 157
Compensation to key management personnel	24 957 236	21 868 296
Leave provision at end of year	1 332 599	928 993
Service providers connected to key management and Board of Trustees		
Gross benefits paid to related party service providers for consultation	433 574	8 551

25. MATTERS OF NON-COMPLIANCE

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

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Section 33(2)(b) of the Medical Schemes Act	Section 33(2)(b) of the Medical Schemes Act states the following: The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option— (a) includes the prescribed benefits; (b) shall be self-supporting in terms of membership and financial performance; (c) is financially sound; and will not jeopardise the financial soundness of any existing benefit option within the medical scheme. During the year under review eight benefit options of the Scheme, namely Beat 1, Beat 2, Beat 3, Beat 4, Rhythm 1, Rhythm 2, Pace 2, Pace 3 and Pace 4 incurred a net healthcare deficit.	The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The strategy on sustainability of options must balance short and long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs. The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not on individual options.
Non-Compliance with Section 28(5) & 28(7) of the Medical Schemes Act	Section 28 (5) of the Medical Schemes Act indicates that "Payment by a medical scheme to a broker in terms of sub regulation (2) shall be made on a monthly basis and upon receipt by the scheme of the relevant monthly contribution in respect of that member." Section 28 (7) further states that "a medical scheme shall immediately discontinue payment to a broker in respect of services rendered to a particular member if the medical scheme receives notice from the member (or the relevant employer, in the case of an employer group), that the member or employer no longer requires the services of that broker." Instances were identified where the corporate member's application form was blank on the healthcare advisor name and code section. A brokerage appointment letter could not be obtained for the broker / brokerage assigned to these members, at the time of their review.	A letter for confirmation of corporate healthcare advisor was signed. No further action will be taken.

25. MATTERS OF NON-COMPLIANCE (CONTINUED)

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Regulation 6 of the Medical Schemes Act and Scheme Rule 15.3.1	Per Regulation 6 of the Medical Schemes Act, a medical scheme must not in its rules or in any other manner in respect of any benefit to which a member or former member of such medical scheme or a dependant of such member is entitled, limit, exclude, retain or withhold, as the case may be, any payment to such member or supplier of service as a result of the late submission or late re-submission of an account or statement, before the end of the fourth month— (a) from the last date of the service rendered as stated on the account, statement or claim; or (b) during which such account, statement or claim was returned for correction. Instances were identified where Covid-19 claims were received more than 120 days after treatment date and subsequently processed and paid by the Scheme. The CMS via Circular 56 of 2022 appraised the industry that it has granted an extended exemption to the National Department of Health (NDOH) to ensure that all COVID-19 vaccine claims are eventually paid despite these claims being submitted outside the ambit of Regulation 6 of the Medical Schemes Act (131 of 1998) (MSA). Medical schemes were therefore authorised to process claims received on or before 210 days. Furthermore, the NDOH is allowed to submit claims after 120 days as required by regulation 6(1) and (2) but must do so within 210 days. The exemption will be valid for a period of three years or will expire once the NDOH has recovered all vaccine-related costs on all insured members of medical schemes."	The Scheme has complied with Circular 56 of 2022.
Non-Compliance with Regulation 28(1)	Regulation 28(1) of the Medical Schemes Act states the following: No person may be compensated by a medical scheme in terms of section 65 for acting as a broker unless such person enters into a prior written agreement with the medical scheme concerned. An instance was identified, where a Brokerage Agreement was not signed by the Scheme representative and a POPIA Addendum could not be obtained. Instances were identified where the BIT contract start date did not align with the contract signature date.	Management indicated that a new IT system was implemented resulting in difficulties locating and checking older contracts. A project was implemented to follow up on contracts, however, it is a manual process. A new contract was signed with the Brokerage.
Non-compliance with Section 35(6)(a) of the Medical Schemes Act	Section 35(6)(a) states that "A medical scheme shall not encumber its assets. The Scheme registered as a financial service provider with the Financial Sector Conduct Authority (FSCA). Registration number 44058. The FSCA required a guarantee of R1 million in terms of section 8(7) of the FSCA Board notice 106 of 2008. The terms of the Scheme building lease agreement required a guarantee to an amount of R2 523 036.	The Scheme obtained CMS exemption for guarantees in respect of the building lease (until 31 December 2025) and FSCA (until 28 February 2025) respectively.
Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act	Section 35(8) of the Medical Schemes Act states that "A medical scheme shall not invest any of its assets in the business of or grant loans to (a) An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme; (b) any other medical scheme; (c) any administrator and (d) any person associated with any of the above. Due to some of the Scheme's employer groups being listed on the JSE, investments were made in a certain number of its employer groups listed on the JSE through the portfolios of the investment products the Scheme utilises. This is also applicable to a JSE listed medical scheme administrators groups.	The CMS has granted the Scheme an exemption from section 35(8)(a), (c) and (d) of the Medical Schemes Act until November 2025.
Non-compliance with Section 32 of the Medical Schemes Act and Scheme Rule 3.4.13	Section 32 of the Medical Schemes Act, Binding force of rules, states that "The rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming." Internal audit noted an isolated instance of non-compliance to scheme rules, where one (1) member's claim was paid twice within 2 days of each other, for different service dates and where the claim should have been limited to one post-natal consultation. This is in contravention to the Bestmed Scheme rules 3.4.13 Annexure B.3 - Rhythm Benefit Options. Benefits shall be at 100% of Scheme tariff at Network Providers only for the following: Consultations: 1 (one) post-natal consultation at either a GP/gynecologist/midwife.	This was an isolated instance and system enhancements are being implemented to accurately record the maternity benefit entitlement.

26. SURPLUS/(DEFICIT) PER BENEFIT OPTION

	Beat1*	Beat2*	Beat3*	Beat4	Pace1	Pace2	Pace3	Pace4	Rhythm1	Rhythm2	Total Scheme
	R	R	R	R	R	R	R	R	R	R	R
2023											
Average members for the financial year	**10 497**	**46 971**	**8 099**	**2 639**	**29 383**	**8 330**	**4 815**	**1 752**	**438**	**1 637**	**114 560**
Insurance revenue	**372 979 667**	**1 666 928 349**	**422 468 629**	**232 839 622**	**2 092 982 691**	**799 944 071**	**553 947 514**	**258 707 743**	**9 984 441**	**71 185 005**	**6 481 967 730**
Insurance service expense	**(364 788 880)**	**(1 635 876 052)**	**(423 506 966)**	**(229 119 537)**	**(1 953 439 172)**	**(906 264 814)**	**(620 813 026)**	**(288 115 424)**	**(10 458 784)**	**(85 899 823)**	**(6 518 282 477)**
Net claims incurred	(336 615 870)	(1 508 357 670)	(397 177 626)	(221 756 548)	(1 863 816 646)	(882 541 254)	(605 228 599)	(283 313 227)	(9 469 351)	(81 649 560)	**(6 189 926 352)**
Risk claims incurred	(323 456 870)	(1 449 742 039)	(387 090 572)	(218 448 569)	(1 827 311 211)	(872 584 902)	(599 360 422)	(281 117 170)	(8 920 702)	(79 597 560)	**(6 047 630 018)**
Third party claims recoveries	-	265 475	66 078	-	328 293	486 461	167 165	-	-	-	**1 313 472**
Accredited managed healthcare services	(14 643 379)	(65 523 093)	(11 298 440)	(3 681 130)	(40 988 697)	(11 620 797)	(6 716 150)	(2 443 779)	(610 538)	(2 283 472)	**(159 809 476)**
Changes that relate to past service - adjustments to the LIC	1 484 379	6 641 987	1 145 308	373 151	4 154 969	1 177 984	680 807	247 723	61 889	231 473	**16 199 670**
Insurance acquisition cash flow	(20 169 652)	(91 510 559)	(20 022 600)	(5 239 573)	(66 249 969)	(16 972 531)	(11 615 508)	(3 337 657)	(659 252)	(2 994 020)	**(238 771 322)**
Attributable maintenance expenses	(8 003 359)	(36 007 823)	(6 306 739)	(2 123 416)	(23 372 556)	(6 751 029)	(3 968 918)	(1 464 540)	(330 181)	(1 256 243)	**(89 584 804)**
Net income/expenses from reinsurance contracts held	(2 312 729)	(7 949 824)	(458 574)	(8 779)	770 057	2 287 843	898 543	894 380	(23 669)	367 275	**(5 535 478)**
Reinsurance expenses from reinsurance contracts held	(4 841 387)	(21 743 758)	(3 760 607)	(5 352 433)	(56 052 806)	(17 412 361)	(10 814 043)	(3 685 364)	(329 036)	(1 678 787)	**(125 670 583)**
Reinsurance income from reinsurance contracts held	2 533 340	13 819 477	3 308 148	5 353 549	56 928 086	19 736 684	11 734 275	4 588 225	305 933	2 049 851	**120 357 568**
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	(4 682)	(25 543)	(6 115)	(9 895)	(105 223)	(36 480)	(21 689)	(8 481)	(565)	(3 789)	**(222 463)**
Insurance service result	**5 878 058**	**23 102 473**	**(1 496 911)**	**3 711 306**	**140 313 576**	**(104 032 899)**	**(65 966 969)**	**(28 513 301)**	**(498 012)**	**(14 347 544)**	**(41 850 224)**
Net finance expenses from insurance contracts issued - PMSA	(191 403)	(11 695 738)	(5 736 574)	(3 260 571)	(46 189 066)	(13 544 039)	(9 397 076)	(1 566 763)	(17 239)	(163 265)	**(91 761 734)**
Other income	**14 618 798**	**88 283 746**	**24 940 588**	**13 728 031**	**146 097 317**	**49 515 750**	**34 310 647**	**11 882 723**	**403 459**	**2 916 688**	**386 697 747**
Investment income	14 559 346	87 968 140	24 861 452	13 684 897	145 685 612	49 367 516	34 207 982	11 840 213	401 867	2 905 342	**385 482 366**
Scheme	14 367 942	76 272 402	19 124 877	10 424 326	99 496 546	35 823 478	24 810 906	10 273 450	384 628	2 742 076	**293 720 632**
Personal medical savings account trust accounts	191 403	11 695 738	5 736 574	3 260 571	46 189 066	13 544 039	9 397 076	1 566 763	17 239	163 265	**91 761 734**
Other operating income	59 453	315 606	79 136	43 135	411 705	148 233	102 665	42 510	1 592	11 346	**1 215 381**
Other expenditure	**(19 211 574)**	**(86 373 796)**	**(15 098 159)**	**(5 062 569)**	**(55 803 659)**	**(16 081 538)**	**(9 434 706)**	**(3 475 583)**	**(793 668)**	**(3 012 990)**	**(214 348 241)**
Non-attributable expenses	(18 720 030)	(83 764 429)	(14 443 875)	(4 705 940)	(52 399 766)	(14 855 975)	(8 585 896)	(3 124 117)	(780 509)	(2 919 181)	**(204 299 718)**
Asset management fees	(331 865)	(1 761 710)	(441 739)	(240 777)	(2 298 133)	(827 437)	(573 073)	(237 292)	(8 884)	(63 335)	**(6 784 245)**
Finance costs	(159 679)	(847 657)	(212 545)	(115 851)	(1 105 760)	(398 126)	(275 737)	(114 174)	(4 275)	(30 474)	**(3 264 279)**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**1 093 879**	**13 316 685**	**2 608 943**	**9 116 198**	**184 418 168**	**(84 142 727)**	**(50 488 105)**	**(21 672 924)**	**(905 460)**	**(14 607 111)**	**38 737 548**

* Per Circular 12 of the CMS, the amounts attributable to future members have been removed from the insurance service expenses.
** The Scheme offered thirteen benefit options for the year under review, ten original options and three Efficiency Discounted Options (EDO's). The EDO's namely Beat1 Network, Beat2 Network and Beat3 Network are included in the original ten options for reporting purposes.

26. SURPLUS/(DEFICIT) PER BENEFIT OPTION

	Beat1*	Beat2*	Beat3*	Beat4	Pace1	Pace2	Pace3	Pace4	Rhythm1	Rhythm2	Total Scheme
	R	R	R	R	R	R	R	R	R	R	R
2022 - Restated^											
Average members for the financial year	**9 541**	**42 831**	**7 872**	**2 898**	**29 240**	**8 723**	**4 928**	**1 871**	**81**	**1 823**	**109 806**
Insurance revenue	**312 676 754**	**1 397 549 176**	**390 364 825**	**235 677 054**	**1 918 546 359**	**773 643 557**	**525 696 652**	**254 665 546**	**1 618 235**	**71 304 461**	**5 881 742 620**
Insurance service expense	**(300 843 490)**	**(1 366 599 741)**	**(386 630 951)**	**(238 280 118)**	**(1 755 533 871)**	**(835 738 857)**	**(577 618 883)**	**(296 975 985)**	**(1 382 474)**	**(93 568 889)**	**(5 853 173 258)**
Net claims incurred	(276 366 667)	(1 251 495 204)	(364 149 869)	(231 180 197)	(1 668 397 696)	(811 782 237)	(562 163 510)	(292 029 149)	(1 207 481)	(89 024 710)	**(5 547 796 720)**
Risk claims incurred	(269 515 075)	(1 215 431 256)	(357 845 680)	(228 729 089)	(1 644 883 750)	(804 650 132)	(558 610 670)	(290 419 073)	(1 138 052)	(87 455 302)	**(5 458 678 078)**
Third party claims recoveries	1 360 383	800 103	470 854	42 831	1 652 669	375 390	688 886	-	-	-	**5 391 115**
Accredited managed healthcare services	(12 550 042)	(56 337 897)	(10 354 034)	(3 811 390)	(38 461 160)	(11 473 413)	(6 482 466)	(2 460 616)	(106 106)	(2 398 465)	**(144 435 590)**
Changes that relate to past service - adjustments to the LIC	4 338 067	19 473 846	3 578 992	1 317 451	13 294 545	3 965 918	2 240 739	850 541	36 677	829 057	**49 925 834**
Insurance acquisition cash flow amortisation	(18 457 322)	(87 906 771)	(17 373 744)	(5 149 286)	(67 723 889)	(18 033 384)	(12 038 158)	(3 628 840)	(124 802)	(3 385 872)	**(233 822 069)**
Attributable maintenance expenses	(6 019 502)	(27 197 766)	(5 107 338)	(1 950 634)	(19 412 286)	(5 923 235)	(3 417 215)	(1 317 996)	(50 191)	(1 158 307)	**(71 554 469)**
Net income/expenses from reinsurance contracts held	(1 686 241)	(5 809 291)	1 243 470	613 416	2 717 133	1 655 478	554 211	863 451	51 875	558 505	**762 008**
Reinsurance expenses from reinsurance contracts held	(3 919 182)	(17 643 690)	(10 162 811)	(5 055 686)	(50 025 647)	(16 948 900)	(10 155 843)	(3 523 988)	(52 536)	(1 576 452)	**(119 064 734)**
Reinsurance income from reinsurance contracts held	2 260 540	11 980 670	11 547 262	5 739 172	53 394 676	18 834 327	10 842 429	4 441 667	105 702	2 161 345	**121 307 790**
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	(27 599)	(146 272)	(140 981)	(70 070)	(651 896)	(229 948)	(132 375)	(54 228)	(1 291)	(26 388)	**(1 481 048)**
Insurance service result	**10 147 023**	**25 140 144**	**4 977 345**	**(1 989 647)**	**165 729 621**	**(60 439 821)**	**(51 368 020)**	**(41 446 987)**	**287 636**	**(21 705 923)**	**29 331 370**
Net finance expenses from insurance contracts issued - PMSA	(95 008)	(6 268 158)	(3 444 659)	(1 982 482)	(26 799 200)	(7 857 547)	(5 630 336)	(933 025)	-	(47 228)	**(53 057 645)**
Other income	**9 180 103**	**54 514 338**	**16 928 909**	**9 941 570**	**95 582 220**	**33 991 521**	**23 391 657**	**8 561 271**	**47 022**	**2 119 056**	**254 257 666**
Investment income	9 018 008	53 653 535	16 688 324	9 799 565	94 355 002	33 525 241	23 074 762	8 425 169	46 183	2 082 090	**250 667 879**
Scheme	8 922 999	47 385 377	13 243 666	7 817 082	67 555 801	25 667 694	17 444 426	7 492 144	46 183	2 034 862	**197 610 234**
Personal medical savings account trust accounts	95 008	6 268 158	3 444 659	1 982 482	26 799 200	7 857 547	5 630 336	933 025	-	47 228	**53 057 645**
Other operating income	162 095	860 803	240 584	142 005	1 227 219	466 279	316 895	136 102	839	36 965	**3 589 787**
Other expenditure	**(18 259 344)**	**(82 397 233)**	**(15 409 349)**	**(5 844 858)**	**(58 316 672)**	**(17 720 043)**	**(10 184 389)**	**(3 916 860)**	**(152 660)**	**(3 508 914)**	(215 710 321)
Non-attributable expenses	(17 735 939)	(79 617 703)	(14 632 502)	(5 386 324)	(54 353 985)	(16 214 428)	(9 161 134)	(3 477 386)	(149 951)	(3 389 553)	**(204 118 905)**
Asset management fees	(265 697)	(1 410 976)	(394 351)	(232 766)	(2 011 583)	(764 297)	(519 436)	(223 091)	(1 375)	(60 591)	**(5 884 163)**
Finance costs	(257 708)	(1 368 554)	(382 495)	(225 768)	(1 951 104)	(741 318)	(503 819)	(216 383)	(1 334)	(58 770)	**(5 707 253)**
Discontinued Operations - own facilities	**(869 116)**	**(4 615 422)**	**(1 289 957)**	**(761 398)**	**(6 580 057)**	**(2 500 080)**	**(1 699 119)**	**(729 748)**	**(4 498)**	**(198 199)**	(19 247 595)
Own facility income	165 530	879 045	245 683	145 015	1 253 226	476 161	323 611	138 987	857	37 749	**3 665 863**
Own facility expenditure	(1 034 647)	(5 494 467)	(1 535 640)	(906 412)	(7 833 283)	(2 976 241)	(2 022 730)	(868 735)	(5 355)	(235 948)	**(22 913 458)**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**103 657**	**(13 626 332)**	**1 762 289**	**(636 816)**	**169 615 912**	**(54 525 970)**	**(45 490 206)**	**(38 465 350)**	**177 499**	**(23 341 208)**	**(4 426 524)**

^ Restated to comply with IFRS 17.
* Per Circular 12 of the CMS, the amounts attributable to future members have been removed from the insurance service expense.
** The Scheme offered thirteen benefit options for the year under review, ten original options and three Efficiency Discounted Options (EDO's). The EDO's namely Beat1 Network, Beat2 Network and Beat3 Network are included in the original ten options for reporting purposes.

27. INSURANCE RISK MANAGEMENT REPORT

Nature and extent of risks arising from insurance contracts

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

Insurance risk - description of benefit options

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

Hospital benefits

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

Chronic illness benefit

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

Day-to-day benefits

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

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

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

Risk management objectives and policies for mitigating insurance risk

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

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

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

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

2. Frequency and severity of claims

Insurance events are by their nature random and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. The principal risk is that the frequency and severity of claims are greater than expected.

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

3. Benefit utilisation

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

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

Hospitalisation

Hospitalisation accounts for more than 45.8% of the risk benefits paid by the Scheme. When the cost of service providers caring for patients in hospital is added, the percentage of risk benefits covered increases to 73.2%. This risk is managed through pre-authorisation of procedures and case management, the objective being to provide appropriate and cost-effective care for members of the Scheme.

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

Medicine

Medicine for chronic diseases accounts for 6.3% of the risk benefits paid. This risk is managed through pre-authorisation of utilisation and the use of a medicine formulary. Members are also required to re-apply for medicine after a prescribed period thus ensuring that the clinical necessity of continuing with the treatment is frequently assessed.

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

Claims ratio

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

4. Impact of legislation and regulation

The medical scheme industry is governed by the Medical Schemes Act 131 of 1998,as amended. The governance under the Medical Schemes Act is fulfilled by a statutory body, the Council for Medical Schemes. Various legislative measures restrict the Scheme to fully manage its insurance risk, the main factor being the fact that the Scheme is not allowed to risk rate its members at all. This severely increases the risk in a risk pool with a too high load of above average claimers.

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

Sensitivity to insurance risk

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

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

Age group	General Practitioners	Specialists	Pathology	Medicines	Hospitals	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2023							
<30	21 344	145 304	51 684	59 914	441 744	122 172	**842 161**
30-39	14 583	121 527	42 318	51 100	293 064	87 167	**609 759**
40-49	16 059	122 067	53 328	69 648	298 973	115 584	**675 658**
50-59	18 530	176 678	64 048	109 357	384 799	156 015	**909 427**
60-69	20 295	246 577	74 953	134 603	519 964	191 279	**1 187 671**
70 +	29 469	328 558	114 222	154 073	789 873	269 111	**1 685 306**
Total	**120 280**	**1 140 711**	**400 552**	**578 694**	**2 728 417**	**941 328**	**5 909 982**
2022							
<30	24 985	126 554	55 043	55 708	426 375	118 664	**807 329**
30-39	14 592	119 150	40 829	49 829	284 924	87 471	**596 795**
40-49	15 616	99 388	45 041	62 489	245 470	107 099	**575 104**
50-59	17 938	155 379	65 806	101 095	333 025	132 181	**805 423**
60-69	20 625	216 262	65 224	123 682	466 971	166 533	**1 059 296**
70 +	25 207	280 996	92 573	143 297	660 580	236 934	**1 439 586**
Total	**118 964**	**997 728**	**364 515**	**536 100**	**2 417 345**	**848 882**	**5 283 534**

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

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

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

Sensitivity to insurance risk (continued)

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

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

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

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

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

Reinsurance contracts

The Scheme entered into various capitation agreements with medical service providers (refer Note 9). These reinsurance contracts spread the risk and minimise the effect of losses and are on annually renewable terms. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances to maximum limits on the basis of characteristics of coverage.

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

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

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

	Optometry	Emergency evacuation
2023 Options		
Beat1	-	100%
Beat2	-	100%
Beat3	100%	100%
Beat4	100%	100%
Pace1	100%	100%
Pace2	100%	100%
Pace3	100%	100%
Pace4	100%	100%
Rhythm1	100%	100%
Rhythm2	100%	100%

Claims development

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

Underwriting risk

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

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

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

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

As opposed to claims for 2023 that have already been paid, the claims for 2023 estimated to be paid in future payment months are still subject to uncertainty.

Risk adjustment

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2022 and 2023. Refer to Note 29 for detailed disclosures on IFRS 17 risk adjustment transition amounts.

Sensitivity analysis

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

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

Risk adjustment at different levels of confidence

The risk adjustment at a higher level of confidence would provide a greater certainty of the sufficiency of the provision, by including a higher risk adjustment. The sensitivity of the risk adjustment to the level of confidence is given in the table below.

Scenario	Claims for 2023 services paid from Jan 2023 to Dec 2023	Total expected claims for 2023 services	Liability for uncurred claims including Reported not yet paid	Risk adjustment	Outstanding claims provision	Change in outstanding claims provision	% change in outstanding claims provision
	R	R	R	R	R	R	
Base scenario: RA at 75%	5 675 392 623	5 939 095 000	263 702 377	9 084 218	272 786 595		
Confidence at 80%	5 675 392 623	5 939 095 000	263 702 377	12 732 920	276 436 297	3 648 702	**1.3%**
Confidence at 85%	5 675 392 623	5 939 095 000	263 702 377	17 890 442	281 592 819	8 806 225	**3.2%**
Confidence at 90%	5 675 392 623	5 939 095 000	263 702 377	24 768 393	288 470 770	15 684 176	**5.7%**
Confidence at 95%	5 675 392 623	5 939 095 000	263 702 377	37 887 148	301 589 525	28 802 930	**10.6%**

28. FINANCIAL RISK MANAGEMENT REPORT

Financial risk factors

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

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

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

Investment risk

Investment risk is the risk that the investment value and its related returns on accumulated assets will be insufficient to cover future liabilities. Continuous monitoring takes place to ensure that appropriate assets are held where the Scheme's liabilities are dependent upon the performance of the investment portfolio and that a suitable match of assets exists for all liabilities.

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

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

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

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

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

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

Breakdown of investments

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

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

Financial assets investments

The Scheme invests in various assert classes through linked insurance policies with a registered long-term insurers and through segregated portfolios. The performance of the investments are measured against the Consumer Price Index (CPI) with the objective to outperform CPI as follows over any rolling five-year period:

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

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

	2023	2022
	R	R
Scheme		
Financial assets at fair value through other comprehensive income:		
- SA listed equity	531 409 726	577 952 040
- SA listed properties	22 805 605	35 010 246
	554 215 330	**612 962 286**
Financial assets at fair value through profit or loss:		
Scheme		
Listed bonds	296 551 948	239 430 328
Linked insurance policies	1 348 243 149	963 604 501
Collective investment schemes	1 197 421 383	1 594 946 162
Money market instruments	195 010 868	122 739 427
	3 037 227 347	**2 920 720 419**
Personal medical savings account trust monies invested		
Money market instruments	377 316 992	346 690 346
Linked insurance policies	477 454 071	436 863 044
Total	**854 771 063**	**783 553 390**

MARKET RISK

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

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

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

28. FINANCIAL RISK MANAGEMENT REPORT (CONTINUED)

Currency risk

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

Price risk

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

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

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

Equity sensitivity analysis table

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

	Carrying value at year-end	Effect on equity if the Listed Equities index strengthens/ (weakens) by 10%
	R	R
2023		
SA Listed equities	531 409 726	53 140 973
SA Listed properties	22 805 605	2 280 560
2022		
SA Listed equities	577 952 040	57 795 204
SA Listed properties	35 010 246	3 501 025

Linked insurance policies sensitivity analysis

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

	Linked Insurance Policies	Percentage effect on amount of Accumulated Funds					
		% Decrease in market			% Increase in market		
		30%	15%	5%	5%	15%	30%
	R	R	R	R	R	R	R
2023	1 007 086 456	(302 125 937)	(151 062 968)	(50 354 323)	50 354 323	151 062 968	302 125 937
2022	963 604 501	(289 081 350)	(144 540 675)	(48 180 225)	48 180 225	144 540 675	289 081 350

Interest rate risk

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

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

Sensitivity analysis table

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

	1 - 3 months	4 - 12 months	1 - 5 years	Carrying value at year-end Total
	R	R	R	R
As at 31 December 2023				
Money market instruments				
Scheme	18 735 632	21 704 767	154 570 468	195 010 868
Personal medical savings account trust monies invested	72 478 592	304 838 400	-	377 316 992
Listed bonds				
Scheme	217 397	247 096	296 087 456	296 551 948
Linked insurance policies				
Scheme	-	-	1 348 243 149	1 348 243 149
Personal medical savings account trust monies invested	82 096 993	141 232 676	254 124 402	477 454 071
Collective investment schemes	729 465 125	269 510 031	198 446 226	1 197 421 382
Cash and cash equivalents				
Scheme	39 516 976	-	-	39 516 976
Personal medical savings account trust monies invested	296 941 196	-	-	296 941 196
Total	**1 239 451 910**	**737 532 969**	**2 251 471 701**	**4 228 456 581**

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

	1% increase in interest rate	1% decrease in interest rate
	R	R
Net impact on investment income for all portfolios	(19 229 152)	20 190 970

Interest rate risk is presented to reflect the total interest rate risk exposure of the total portfolio (fair value and cash flow interest rate risk), considering the mix of floating and fixed rate instruments.

28. FINANCIAL RISK MANAGEMENT REPORT (CONTINUED)

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

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

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

Interest rate risk is presented to reflect the total interest rate risk exposure of the total portfolio (fair value and cash flow interest rate risk), considering the mix of floating and fixed rate instruments.

Summary of effective interest rate at year-end across applicable Scheme financial assets.

	2023	2022
	%	%
Financial Assets		
Scheme	7.4%	6.1%
Personal medical savings account trust monies invested	8.9%	7.5%
Cash and cash equivalents		
Scheme	6.5%	3.7%
Personal medical savings account trust monies invested	7.7%	5.2%

Credit risk

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

Exposure to credit risk

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

	2023	2022
	R	R
Financial assets at fair value through profit or loss	4 061 561 393	3 848 177 407
Scheme	3 037 227 347	2 920 720 419
Personal medical savings account trust monies invested	854 771 063	783 553 390
Insurance contract assets	139 728 814	113 314 838
Trade and other receivables	24 890 910	26 433 150
Recovery under reinsurance contract assets	4 943 259	4 155 611
Cash and cash equivalents	336 458 172	307 778 912
Scheme	39 516 976	50 631 122
Personal medical savings account trust monies invested	296 941 196	257 147 790
	4 398 019 564	**4 155 956 319**

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

A. Insurance contract assets

In adoption of IFRS 17, the Scheme account for cash inflows receivables related to current and past service under insurance liabilities.

The main components of insurance contract assets are:

- Receivables for contributions due from members;
- Personal medical saving advances;
- Receivables for amounts recoverable from service providers and members in respect of claims debt and personal medical savings over-utilisation.

The Scheme manages credit risk by:

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

Contribution receivables are collected by means of debit orders or cash payments. Amounts which are past 120 days or more are not expected to be recovered.

	Insurance contracts receivables	Recoveries from members and providers	Total
	R	R	R
2023			
Insurance contracts assets that are neither past due	128 234 337	6 749 586	**134 983 923**
Insurance contracts assets that are past due:			
Past due 30 days	1 041 876	1 557 125	**2 599 001**
Past due 60 days	267 621	854 895	**1 122 516**
Past due 90 days	50 453	972 922	**1 023 375**
Insurance contracts assets that are not expected to be recovered:			
Past due 120 days and more	34 722	14 124 618	**14 159 340**
	129 629 009	**24 259 145**	**153 888 154**
2022			
Insurance contracts assets that are neither past due	108 752 565	1 911 686	**110 664 251**
Insurance contracts assets that are past due:			
Past due 30 days	829 228	946 534	**1 775 762**
Past due 60 days	255 306	678 709	**934 016**
Past due 90 days	26 417	1 079 438	**1 105 855**
Insurance contracts assets that are not expected to be recovered:			
Past due 120 days and more	25 624	16 846 044	**16 871 668**
	109 889 140	**21 462 411**	**131 351 551**

B. Investments

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

The Scheme limits its exposure to credit risk by investing in liquid securities and only with counterparties that have a credit rating of no less than Aa1.za as rated by Moody's Ratings. Owing to these high credit ratings the Board of Trustees does not expect any counterparty to fail to meet its obligations. Credit limits per institution are prescribed by Annexure B of the Regulations to the Medical Schemes Act 131 of 1998, as amended, which reduces the risk per individual institution. The utilisation of these credit limits are regularly monitored.

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

		2023		2022	
Counterparty	Credit rating	Credit limit	Balance	Credit limit	Balance
		R	R	R	R
Nedbank	P-1.za	1 713 873 954	142 199 573	1 704 186 724	168 300 990
ABSA	P-1.za	1 713 873 954	208 973 842	1 704 186 724	255 588 604
Standard Bank	P-1.za	1 713 873 954	214 333 654	1 704 186 724	230 872 476
FNB	P-1.za	1 713 873 954	106 901 133	1 704 186 724	75 548 286
Investec	P-1.za	1 713 873 954	92 572 853	1 704 186 724	93 026 051

P-1.za means highest short-term credit quality on the Moody's national scale. It indicates the strongest intrinsic capacity for the timely payment of financial commitments

C. Cash and cash equivalents

	2023	2022
	R	R
Cash and cash equivalents		
Counterparties with external credit ratings (Moody's)		
P-1.za	336 458 172	307 778 912
	336 458 172	307 778 912

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

P-1.za means highest short-term credit quality on Moody's national scale. It indicates the strongest intrinsic capacity for the timely payment of financial commitments

Financial assets

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

Fair values of financial assets by hierarchy level

Assets measured at fair value: 2023	Level 1	Level 2	Level 3
	R	R	R
Financial assets			
Scheme			
Financial assets at fair value through other comprehensive income:			
Listed shares	531 409 726	-	-
SA Listed properties	22 805 605	-	-
Financial assets at fair value through profit or loss:			
Listed bonds	296 551 948	-	-
Linked insurance policies	-	1 348 243 149	-
Collective investment schemes	-	1 197 421 383	-
Money market instruments	-	195 010 868	-
Personal medical savings account trust monies invested			
Financial assets at fair value through profit or loss:			
Money market instruments	-	377 316 992	-
Linked insurance policies	-	477 454 071	-
	850 767 278	**3 595 446 462**	**-**

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

Analysis of carrying amounts of assets and liabilities per category

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

	Cash and cash equivalents	Financial assets	Trade and other receivables	Trade payables and other payables	Insurance contract assets and liabilities	Total carrying amount
	R	R	R	R	R	R
2023						
Investments						
- Financial assets at fair value through FVOCI	-	554 215 330	-	-	-	**554 215 330**
- Financial assets at FVTPL	-	3 037 227 347	-	-	-	**3 037 227 347**
Personal medical savings account trust investment						**-**
- Financial assets at FVTPL	-	854 771 063	-	-	-	**854 771 063**
Cash and cash equivalents						**-**
- Scheme	39 516 976	-	-	-	-	**39 516 976**
- Personal medical savings account trust investment	296 941 196	-	-	-	-	**296 941 196**
Trade and other receivables	-	-	24 890 910	-		**24 890 910**
Reinsurance contract assets	-			-	4 943 259	**4 943 259**
Insurance liability attributable to future members	-	-	-	-	(3 413 469 872)	**(3 413 469 872)**
Insurance liability attributable to current members	-	-	-	-	(1 382 105 766)	**(1 382 105 766)**
Reinsurance contract liabilities	-	-	-	-	(4 433 733)	**(4 433 733)**
Trade and other payables	-	-	-	(55 229 937)	-	**(55 229 937)**
	336 458 172	**4 446 213 740**	**24 890 910**	**(55 229 937)**	**(4 795 066 111)**	**(42 733 226)**

28. FINANCIAL RISK MANAGEMENT REPORT (CONTINUED)

	Cash and cash equivalents	Financial assets	Trade and other receivables	Trade payables and other payables	Insurance contract assets and liabilities	Total carrying amount
	R	R	R	R	R	R
2022						
Investments						
- Financial assets at fair value through FVOCI	-	612 962 286	-	-	-	**612 962 286**
- Financial assets at FVTPL	-	2 920 720 419	-	-	-	**2 920 720 419**
Personal medical savings account trust investment						**-**
- Financial assets at FVTPL	-	783 553 390	-	-	-	**783 553 390**
Cash and cash equivalents						**-**
- Scheme	50 631 122	-	-	-	-	**50 631 122**
- Personal medical savings account trust investment	257 147 790	-	-	-	-	**257 147 790**
Trade and other receivables	-	-	25 268 104	-		**25 268 104**
Reinsurance contract assets	-	-	-	-	4 298 998	**4 298 998**
Insurance liability attributable to future members	-	-	-	-	(3 358 763 360)	**(3 358 763 360)**
Insurance liability attributable to current members	-	-	-	-	(1 272 253 183)	**(1 272 253 183)**
Reinsurance contract liabilities	-	-	-	-	(9 996 300)	**(9 996 300)**
Trade and other payables	-	-	-	(53 796 039)	-	**(53 796 039)**
	307 778 912	**4 317 236 095**	**25 268 104**	**(53 796 039)**	**(4 636 713 845)**	**(40 226 772)**

Analysis of carrying amounts of assets and liabilities per category

Insurance receivables and payables included amounts due from/to:

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

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

Pooled Investment Funds excluding personal medical savings account trust monies invested (Unconsolidated Structured Entities)

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

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

Strategy	Total pool of investee funds	Fair value of asset investment at 31 December 2023*	% of net assets attributable to holders of units **
2023	R	R	%
Allan Gray Linked Insurance Policy			
Absolute mandate portfolios investing in various instruments	2 948 509 799	521 164 500	17.68%
Prescient Linked Insurance Policy			
Absolute mandate portfolios investing in various instruments	95 009 268 913	521 340 630	0.55%
Investec Money Market Fund Class F			
Conservative maturity profile investing in money market instruments	44 629 163 501	257 232 746	0.58%
Investec High Income Fund Class A			
Conservative maturity profile investing in money market instruments	21 813 154 457	472 232 379	2.16%
Investec Stable Money Market			
Stable returns over the medium term with a focus on conservative money market instruments	1 698 166 467	6 784 353	0.40%
Investec Stable Income	338 645 949	298 953 666	88.28%
Stanlib Unit Trusts	54 495 804 207	269 510 031	0.49%
M&G Corporate Fund	5 573 084 399	11 553 092	0.21%
M&G High Interest Fund	14 093 115 174	127 556 735	0.91%
M&G Global Fixed Income Fund	1 284 500 717	59 336 399	4.62%
	233 164 212 828	**2 520 935 391**	
2022	R	R	%
Allan Gray Linked Insurance Policy			
Absolute mandate portfolios investing in various instruments	2 703 600 149	478 961 474	17.72%
Prescient Linked Insurance Policy			
Absolute mandate portfolios investing in various instruments	91 300 000 000	478 433 053	0.52%
Investec Money Market Fund Class F			
Conservative maturity profile investing in money market instruments	43 114 235 741	471 984 878	1.09%
Investec High Income Fund Class A			
Conservative maturity profile investing in money market instruments	21 749 548 465	703 354 677	3.23%
Investec Stable Money Market			
Stable returns over the medium term with a focus on conservative money market instruments	1 675 219 648	6 209 974	0.37%
Stanlib Unit Trusts	53 028 784 202	245 889 521	0.46%
M&G Corporate Fund	767 680 618	11 947 653	1.56%
M&G High Interest Fund	10 866 809 939	109 676 059	1.01%
M&G Global Fixed Income Fund	597 008 979	52 093 373	8.73%
	225 802 887 741	**2 558 550 664**	

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

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

28. FINANCIAL RISK MANAGEMENT REPORT (CONTINUED)

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

Liquidity risk

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

The contractual maturities of liabilities at reporting date are tabled below.

As at 31 December 2023	1 - 3 months	4 - 12 months	1 - 5 years	Total
	R	R	R	R
LIABILITIES				
Insurance liability attributable to future members	-	170 293 692	3 243 176 180	3 413 469 872
Insurance liability attributable to current members	202 619 255	1 179 486 511	-	1 382 105 766
Reinsurance contract liabilities	4 433 733	-	-	4 433 733
Trade and other payables	55 229 937	-	-	55 229 937
Total liabilities	**262 282 924**	**1 349 780 203**	**3 243 176 180**	**4 855 239 307**

As at 31 December 2022	1 - 3 months	4 - 12 months	1 - 5 years	Total
	R	R	R	R
LIABILITIES				
Insurance liability attributable to future members	-	118 753 919	3 240 009 441	3 358 763 360
Insurance liability attributable to current members	199 128 017	1 073 125 166	-	1 272 253 183
Reinsurance contract liabilities	9 996 300	-	-	9 996 300
Trade and other payables	53 796 039	-	-	53 796 039
Total liabilities	**262 920 355**	**1 191 879 085**	**3 240 009 441**	**4 694 808 881**

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

	2023	2022
	R	R
Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Current accounts	328 483 549	276 307 206
Scheme	31 542 352	19 159 416
Personal medical savings account trust monies invested	296 941 196	257 147 790
Deposits on call account	7 974 623	31 471 706
Scheme	7 974 623	31 471 706
Total	**336 458 172**	**307 778 912**

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 2023 the Scheme did not consider there to be any significant concentration of legal risk that had not been provided for.

Capital adequacy risk

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

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

The solvency ratio was 36.89% of gross insurance revenue from contracts measured under the PAA at 31 December 2023 and 41.60% at 31 December 2022.

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

	2023	2022
	R	R
Insurance liability attributable to future members	3 413 469 872	3 358 763 360
Less: Unrealised investment gains	(600 968 659)	(478 060 287)
Accumulated funds as per Regulation 29	2 812 501 213	2 880 703 073
Gross insurance revenue from contracts measured under the PAA	**7 624 600 182**	**6 924 200 409**
Solvency ratio calculated as the ratio of accumulated funds/Gross insurance revenue from contracts measured under the PAA x 100	**36.89%**	**41.60%**

29. TRANSITION

IFRS 17: Insurance contracts replaces IFRS 4 and sets out principles for the recognition, measurement, presentation, and disclosure of insurance contract within the scope of IFRS 17. The transition from IFRS 4 to IFRS 17 is a move towards greater standardisation, transparency, and comparability in the accounting for insurance contracts, aiming to provide more useful information to the users of the financial statements.

IFRS 17 is effective for the Schemes' period beginning on or after 1 January 2023. Comparative figures have been restated where indicated due to the adoption of IFRS 17 where medical schemes have been assessed as mutual entities. The Scheme has determined that reasonable and supportable information was available for all contracts in force at the transition date, which were issued within three years prior to the transition. The change in accounting policy is made in accordance with its transitional provisions. Accordingly, the Scheme has recognised and measured the group of insurance contracts as if IFRS 17 had always applied.

The impact on opening equity before transfer of accumulated funds to insurance liabilities of the Scheme as a result of the implementation of IFRS 17 was R7,419,114 on 1 January 2022.

Bestmed applied the transition provision in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement item.

30. GOING CONCERN

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

31. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

No material events took place between the Statement of Financial Position as at 31 December 2023 and the date of this report.

60 YEARS ANNIVERSARY

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